



# CBD: Industry or Ingredient?

2021 Mid-Year US CBD Report



BRIGHTFIELD GROUP

## Introduction

The US CBD market was not immune to the economic impacts of the COVID-19 pandemic. CBD brand strategy was upended by store closures, changes in consumer needs, and drops in the price of CBD. The industry has been rebounding ever since its fall in Q2 2020, but the landscape looks much different than before.

Ecommerce is the dominant channel, CBD discovery is stunted, and there is still no federally-supported regulatory structure for ingestible products. All the while, innovation in the category and increasingly close ties between CBD and cannabis beg the question—is CBD a standalone industry, a cannabis product, or an ingredient?

### Methodology:

**US CBD Consumer Insights:** Survey fielded quarterly. Responses are collected online from a census-balanced sample of 5,000 unique CBD users in the United States.

**Distribution Trends:** Visualizes digital menu audits of thousands of dispensaries around the United States for a comprehensive view of products available on shelf, and social media data to uncover consumer reactions to product trends and launches.

**Evergi™ Consumers:** Survey fielded semi-annually online with 5,000 US consumers age 21+. The first wave was fielded December 2020. This is a general population survey, census-balanced on age, gender, and geography.

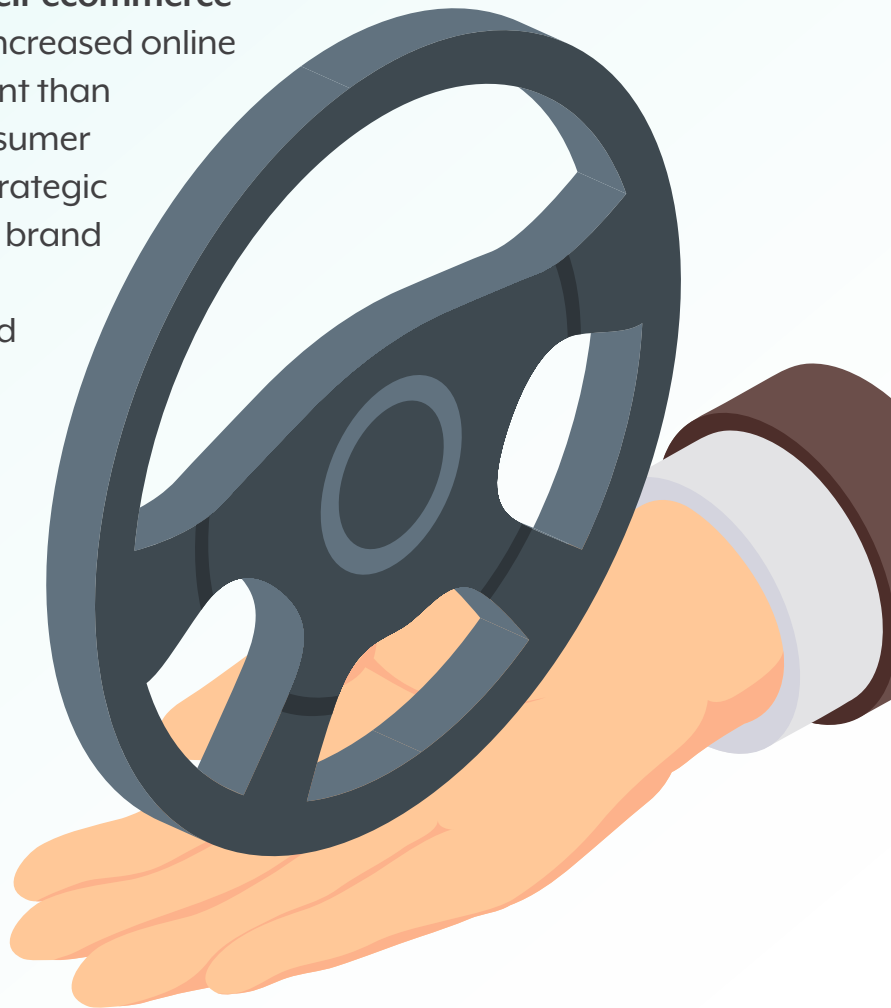
# Who is Driving the CBD Market and Who is Hitting the Brakes?

## Driving the Market

### Ecommerce

Unsurprisingly, growth in CBD was driven by ecommerce in 2020. Brands shifted strategies and competed for consumers online while brick-and-mortar sales slowed. Those already dominant in the channel had a leg up, but many CBD brands pivoted and achieved some success.

**The brands that focused on boosting their ecommerce have proven to be the most successful.** Increased online sales made website visitors more important than ever, and the brands with the highest consumer loyalty also have the highest site traffic. Strategic online advertising brought shoppers onto brand websites. Targeted email campaigns kept potential customers interested and primed them to buy. Subscription models helped foster loyalty by providing convenient, money-saving incentives to remain a customer.



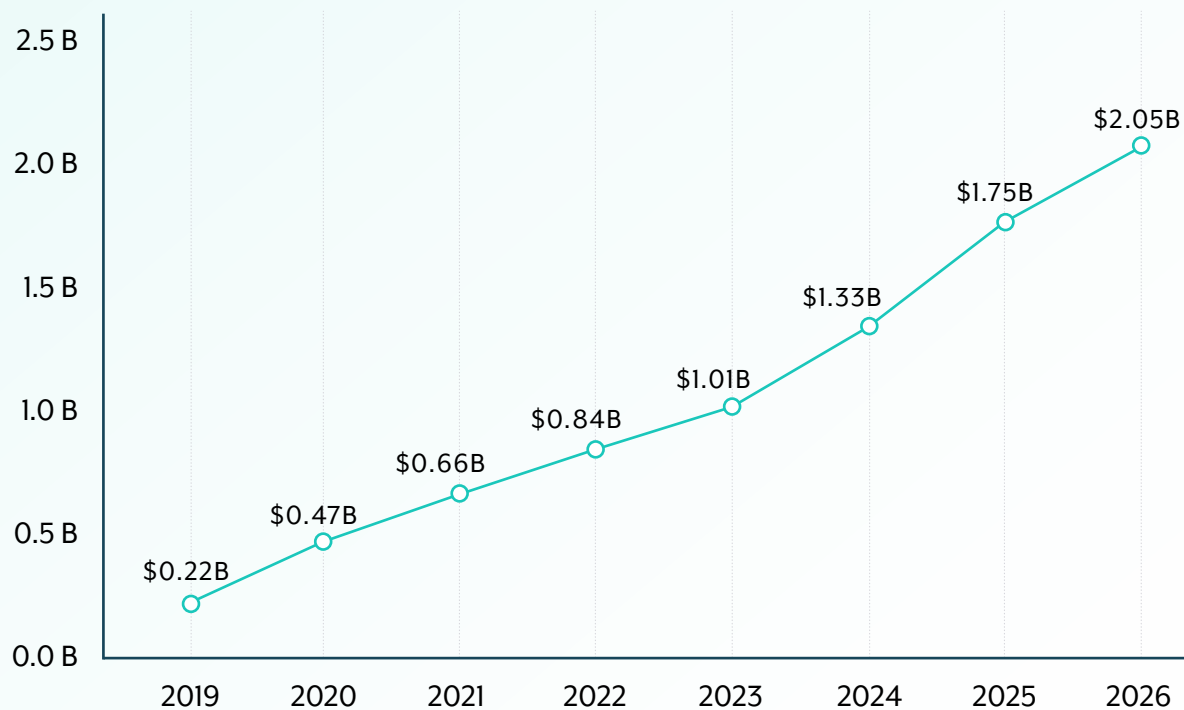
# Pharmaceuticals

GW Pharmaceuticals' Epidiolex is the only CBD product in this category, yet sales more than doubled from Q4 2019 to Q4 2020. The product is currently only authorized for treatment of two rare childhood epilepsy syndromes. The finite pool of patients eligible for CBD pharmaceuticals leaves growth in the hands of expanded product distribution and uptake. This could change if more companies enter the space and new drug approvals move forward.

Pharmaceuticals will continue to boom over time with the market reaching four times its current size by 2026. This is a promising channel for companies with the resources and commitment to tap into it.



**CBD Pharmaceuticals Forecast**  
in billions



## Millennials & Gen X Driving the Market

Millennials and Gen Xers account for over two-thirds (71%) of CBD users. Knowing who these consumers are is imperative to effectively market to them. A plurality of both generations uses CBD daily, but millennials take more doses per day. Both generations are also more informed about the CBD dose they take—especially when compared to baby boomers. Knowledge and preference will only increase as millennials and Gen Xers become more experienced users. Retaining and gaining the loyalty of these groups will take innovative, unique offerings that deliver on product expectations.

**Word of mouth is the most popular outlet for initial CBD awareness among both generations.** Millennials are more likely to learn about CBD from social media, in-store browsing, or from a budtender. Gen Xers learn about CBD from more traditional sources like doctors, the news/TV, or print ads.

Where someone hears about CBD could make or break future purchase intent, as consumers not open to using CBD have gaps in their knowledge on the cannabinoid.

17% of consumers not open to trying CBD incorrectly report not desiring the psychoactive effects of CBD (which there are none), and another 16% believe CBD does not work.

Countering misconceptions with approachable information on CBD could help convert non-believers into potential users or prevent people from adopting

**18% of consumers not using CBD today openly admit they do not know enough about CBD products.**

incorrect beliefs all together. 18% of consumers not using CBD today openly admit they do not know enough about CBD products. Education on product types and use cases is key in educating younger generations to increase usage, help with CBD penetration, and hopefully increase spend over time.



## Cannabis Legalization

Recent legislative wins for THC-dominant cannabis are also good for CBD. Recent reports show 91% of Americans say cannabis should at least be legal for medicinal use, with 60% agreeing it should be legal recreationally as well. The normalization of cannabis use extends to CBD, helping break cultural barriers to using cannabinoids.

Cannabis dispensaries in new legal markets also sell CBD.

Deemed essential businesses during the pandemic, dispensaries never closed (except in Massachusetts).

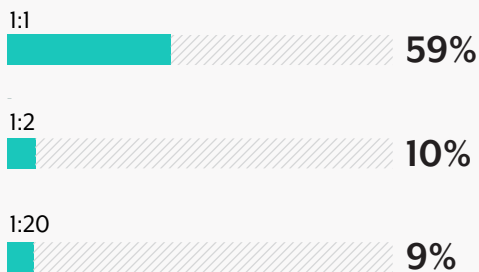
Those familiar with cannabis could still explore products with CBD, especially 1:1 THC:CBD products. Cannabis distribution trends

show 64% of ratioed cannabis products on the US market are 1:1,

10% are 1:2, and another 10% are 1:20!

These ratios with higher amounts of CBD highlight the intersection of the two cannabinoids.

**Top THC:CBD Ratios on the US Cannabis Market**





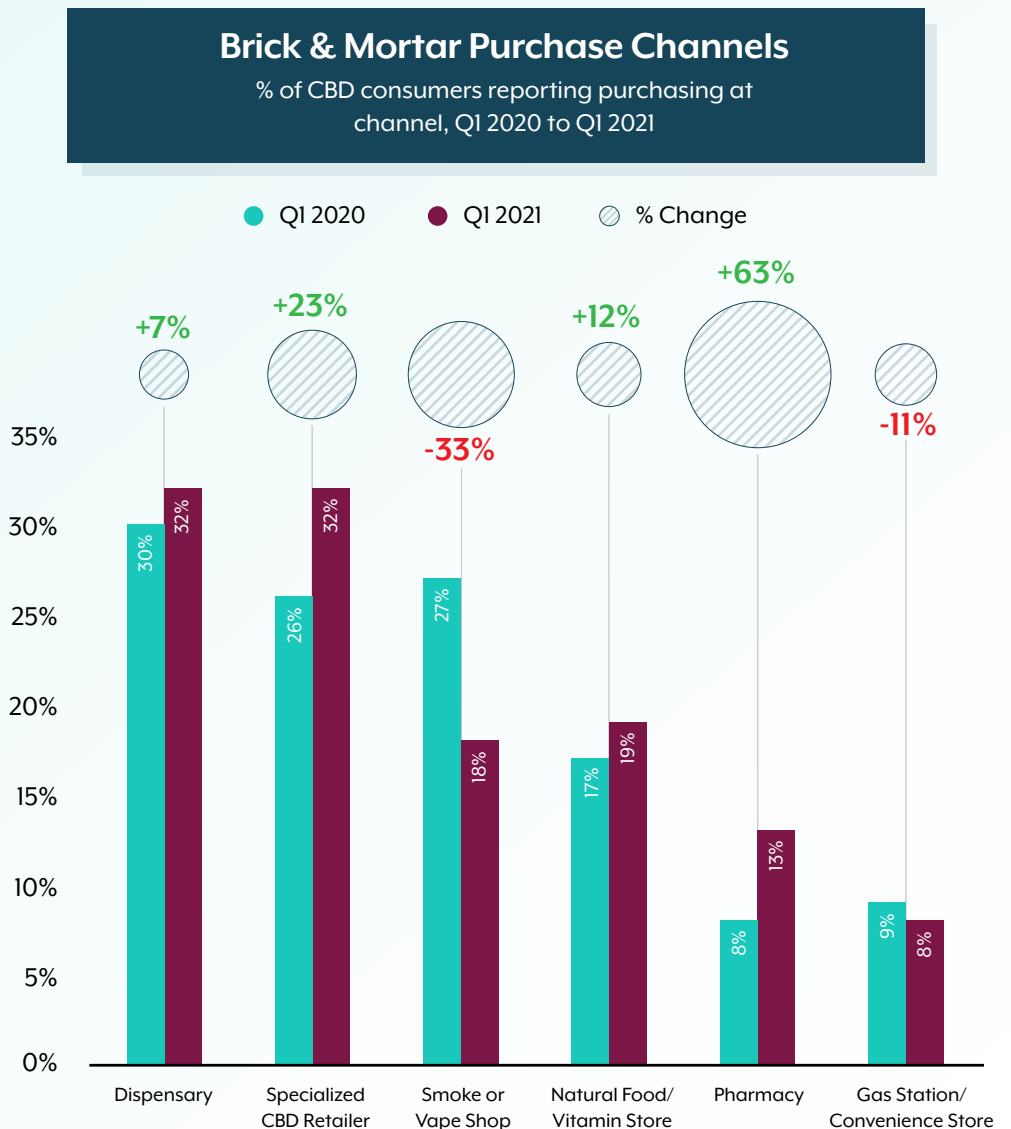
# Hitting the Brakes

## COVID Hits Brick-&-Mortar, Preventing Consumer Discovery

The shuttering of physical CBD retail locations stunted discovery in 2020. Consumers could previously come upon CBD when browsing a beauty retailer, vitamin shop, or medical practitioner's office. Even with these channels reopened, consumers are not spending time in stores like they once were.

Consumers still report buying CBD at brick-and-mortar channels, even with 50% saying they purchase online. Notable increases are in pharmacies and specialized CBD retailers—as was highlighted in the [November 2020 CBD Report](#). These channels are specific, allowing shoppers to get in and out with what they need.

CBD discovery will pick up in retail channels once consumers feel comfortable shopping in-store. Inevitably, end caps and store displays will introduce new people to CBD once again.



## Slow Regulatory Rollout Limits Ingestible Growth

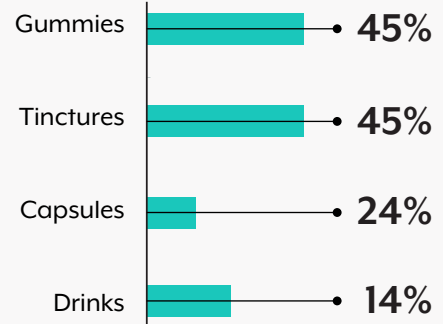
The CBD market still exists in a regulatory gray area nearly 2.5 years after the Farm Bill went into effect. The delay has been particularly impactful for ingestible CBD products like edibles and tinctures. The US Food and Drug Administration has yet to provide the framework needed to govern how CBD ingestibles can be sold legally.

The lack of regulation has kept large consumer packaged goods companies from entering the market. Federal guidance is needed for these players to get involved without risking the rest of their business. The legal gray area is also one of the reasons CBD is so separate from similar products like mood modification beverages or immunity supplements. The [Opportunities to Win Report](#) showcased how newer CBD products are further competing with mainstream, non-CBD brands.

The good news is that regulatory turbulence will not last forever. The FDA will eventually provide guidance on CBD, allowing companies of any size to confidently create CBD products.

### CBD Gummies, Tinctures, & Capsules Use

% reporting us in past 6 months





# Brand Consolidation

Consolidation in US CBD did not translate to growth. 2019 saw thousands of CBD brands flood the market. The sheer number of brands became unsustainable during the pandemic, and those that could not compete were forced to drop out of the market.

The most successful brands are those that effectively captured share of the ecommerce market. And this was no easy task. In the newly social-distanced world, brands aimed to gain new customers with deep discounts and large online advertising budgets. Leaning on these tactics alone did not translate to long-term growth. No brands experienced significant increases in purchase growth from Q4 2020 to Q1 2021. On the contrary, brands experienced significant declines in purchase growth and loyalty stagnated quarter over quarter.

There are notable exceptions to this sluggishness. **Charlotte's Web** experienced significant increases in aided-brand awareness and purchase consideration. Notably, it was the only top brand to experience positive purchase funnel growth from Q4 2020 to Q1 2021.

**cbdMD** also experienced distinct success in 2020. It is the only top brand to see quarter over quarter brand share growth in 2020. It now sits at the #3 spot for brand share, rising from #19 in the first half of 2020. Those competing in CBD should keep an eye on Charlotte's Web and cbdMD's marketing and promotion efforts to understand what works for the most successful brands currently in the industry. Other top privately held companies include Medterra, CBDfx and CBDistillery with plenty of ecommerce focused up-and-comers jumping into the bottom half of the top 20 brands in the space.



# The Existential Crisis of CBD: Wellness? Cannabis? Why not Both?

CBD is its own category because of how it is regulated. The gray area mentioned prior in this report keeps CBD gated from other industries like ingestibles, but where will CBD fall once regulation changes? The most likely industries are cannabis and wellness.

## CBD Reacquaints with Its Cannabis Roots

With the CBD industry positioned for another boom in 2022, partnerships, mergers and acquisitions are heating up in the space. The US CBD category has attracted the attention of Canadian licensed cannabis producers. 2020 saw many Canadian LPs enter the US CBD market to diversify their revenue sources.

Canadian companies are acquiring existing American CBD companies. Aurora acquired Reliva in mid-2020 to gain immediate presence in the market. High Tide Company acquired US CBD ecommerce platform FabCBD and Valens acquired top brand Green Roads—both in May 2021.

Beyond acquisitions, companies are partnering with each other to expand influence in US CBD. Canopy Growth has collaborated with Martha Stewart on tinctures, gummies, softgels, and pet CBD. The LP also brought its Canadian CBD beverage brand Quatreau to the US. HEXO and Molson Coors also came together to launch Truss CBD in the US at the start of 2021.

Canadian cannabis players aren't the only ones forming partnerships in US CBD. US multi-state operator, Acreage Holdings, and Medterra announced a collaboration to bring Medterra's full-spectrum CBD collection to Acreage's "The Botanist" brand. This marks the first time a publicly traded cannabis brand has collaborated with a CBD brand.

### Recent M&A Activity in US CBD

← Acquired + Partnership = Joint Venture



CBD companies are not shying away from cannabis as they once were. A few weeks before announcing the partnership with Acreage, Medterra released a line of “True Full Spectrum” products with CBD + THC. The brand notes, the product is CBD “*plus the one compound that we’ve historically left out—the THC.*” This is in stark contrast to brands that market products as THC-free.

Other brands are increasing their association with cannabis quietly. The Stanley Brothers—owner of Charlotte’s Web—sell cannabis products under its own brand name in Colorado and Florida. Charlotte’s Web enter the US cannabis market pending legalization through a purchase option agreement to acquire Stanley Brothers cannabis business pending US federal legalization of cannabis.

Regulatory challenges are one of the last barriers remaining between hemp-derived CBD and cannabis-derived THC. There is willingness on both sides to diversify with each other, reaching consumers who are becoming accustomed to both THC and CBD.



**Medterra:**  
Full Spectrum CBD +THC



**Stanley Brothers:**  
1:1 Hybrid

# Innovating into Wellness: Cannabinoids & Beyond

There's more to CBD products than just CBD now. Many of the top brands have incorporated minor cannabinoids into their portfolios. CBN and CBG lines were launched throughout the second half of 2020. CBN found its place as a sleep aid, while CBG's main appeal was its "newness" to the market. CBDistillery offers both cannabinoids in tinctures, and even offers isolate CBG for experienced enthusiasts.



But brands have gone beyond cannabinoids. Functional ingredients began popping up on CBD labels mainly to account for health claims. A brand cannot say CBD helps with sleep; it can say melatonin plus CBD helps with sleep.

Now, CBD brands are adding functional ingredients to CBD products to capture wider appeal. Ingredients common in wellness products—like mushrooms, botanicals, and adaptogens—are increasingly making their way into CBD formulations. This extends beyond dietary supplements into beauty products as well, as many brands have topical lines with popular skincare ingredients.

## CBD Products with Added Functional Ingredients:

1



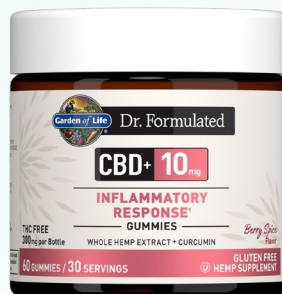
**1. CBDfx CBD Gummies with Turmeric and Spirulina** contain 50mg of CBD per serving, plus 50mg of turmeric and 20mg of spirulina.

2



**2. cbdMD Fountain of Youth Serum** contains 500mg of CBD per bottle plus hyaluronic acid, vitamin C, and jojoba oil.

3



**3. Garden of Life Inflammatory Response Gummies** each contain 10mg of CBD from whole hemp extract with curcumin.

4



**4. Green Roads Rise N' Shines Immune Support Gummies** each have 25mg of CBD plus B12, vitamin C, and elderberry.



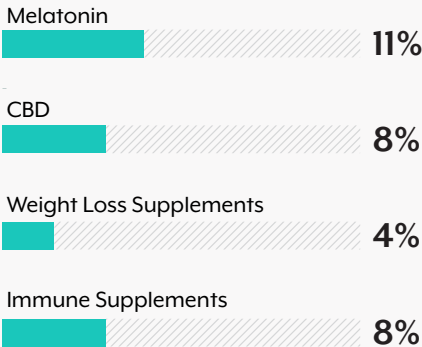
These additives further blur the line between whether CBD is an industry or ingredient. New consumers introduced to CBD in this context could come to see non-psychoactive cannabinoids the same as other plant-based wellness ingredients.

CBD brands aware of this have already branched out from CBD, either adding a new brand to their company portfolio or creating a new line under an existing brand. HempFusion launched a separate probiotics brand under the name Probulin in early 2021. CV Sciences launched CV Acute in August 2020 for immune system and respiratory health. A separate brand allows companies to create clear value propositions for specific need states and get on shelves not yet friendly to ingestible CBD.

Recess added non-CBD products to its existing brand name. Its “Mood” line contains magnesium and other adaptogens. Using the Recess name leverages existing brand equity in the mood modification space to maintain consumer trust. The new line makes it clear that Recess is not just a CBD brand, it’s a brand focused on providing relaxation solutions for its customers.

CBD in the Wider View of Wellness

% of Americans who report using in past 3 months



8% of Americans report using a CBD product in the past 3 months. This is in line with the number of consumers who have used supplements for immunity and women’s health.



Epidiolex (cannabidiol):  
100mg/ml Oral Solution



Probulin:  
Daily Care Probiotic



Recess (mood):  
Strawberry Rose



CV Acute:  
Immune Support

## Key Takeaways

The future of the US CBD market may be unclear, but there's no denying consumers are interested in the cannabinoid from both a wellness and cannabis perspective. CBD brands should continue to expand their product offerings to increase growth potential within and outside of CBD products and channels.

The connection between cannabis, wellness, and CBD becomes increasingly important as mergers and acquisitions heat up. Non-CBD companies partnering with and acquiring CBD brands will influence how competition looks in the space, as well as how final products are positioned and expanding the realm of consumers they reach. An influx of wellness-focused CPG dollars will expand horizons for CBD. Once legislative issues are worked out, distribution channel relationships already forged by wellness and cannabis brands will increasingly shape how, when, and why people buy CBD.

**The bottom line:** the CBD industry is poised for stronger growth in 2022. With consumers returning to brick and mortar as the pandemic ends and disposable income going up, the CBD market is expected to see a lift through the end of the year for the brands that have survived the pandemic. With regulatory guidance expected towards the end of 2021 to early 2022, expect to see explosive growth through brick and mortar as ingestible products hit shelves of chain retailers around the country. Now is the time to build strong brands across industries to ensure success when competition increases.



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