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WHY CANNABIS AUDIENCES ARE THE NEW GATEWAY TO GROWTH FOR BIG BRANDS

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By Annie Daly



Thrasplash

New research shows cannabis consumers lead active, social lives, are early adopters and are open to spending.

To put it mildly, 2020 was a very big year for cannabis. First, cannabis businesses were deemed essential in some states during the early days of the COVID-19 pandemic. Then, regardless of the turmoil surrounding the presidential vote, the one clear winner on election night was cannabis, with four states—Arizona, Montana, New Jersey and South Dakota—voting to legalize recreational cannabis this year and one—Mississippi—legalizing medical marijuana.

Cannabis has even captured the hearts of cultural icons and mainstream brands—not just cannabis brands. Actress and wellness maven Gwyneth Paltrow, known for her popular brand Goop, recently invested in the cannabis beverage company Cann, calling cannabis the “hero ingredient of the future.” Martha Stewart, who needs no introduction, developed her own CBD gummies.

Any residual doubt that cannabis is for those on the fringe evaporated in 2020. In early December, the Democratic majority in the House of Representatives passed landmark legislation decriminalizing cannabis. While most acknowledge the bill has little to no chance of passing the Republican-controlled Senate, cannabis advocates, such as Pennsylvania Lt. Gov. John Fetterman, hail the legislation as a crucial first step in legalizing cannabis on the federal level.

Yet make no mistake: Although all of this news is obviously great for the cannabis industry as a whole, it’s just as exciting for the economy at large and the advertising and marketing industry specifically. That’s because marketers and big brands now have access to new information that can help spur growth—even during an economic downturn: cannabis consumer data. In a new 2020 survey of 5,000 cannabis

consumers in the U.S., consumer research group MRI-Simmons revealed volumes of interesting intelligence about the modern cannabis consumer today—information that can and should help big brands stay on top by targeting this diverse demographic.

Steve Katelman, executive VP of global digital partnerships at Omnicom Media Group, says that he's thrilled to be able to show his clients all of this new data. "I've been pretty bullish about this idea ever since cannabis dispensaries became 'essential businesses' during the coronavirus lockdown," Katelman says, adding that the November election results provided even more momentum.

"It's all moving very fast, and brands that jump on board early and use this data wisely are going to have a clear advantage," he says. "So what I want to know now is, what are the unique insights about this new group that I can show to my clients?"

Conrad Lisco, CMO of Fylo, creator of the first and largest ecosystem of cannabis and CBD audience data, agrees that those unique insights are critical to brands. "More than ever, marketers need differentiated sources of data in order to keep their audience insights fresh and moving forward, which is why cannabis consumer data should be top of mind for all big brands right now," he says. "Marketers are doing business in a world where attention is scarce, meaningful response is both expensive and unpredictable, and consumers have become disinterested with—even averse to—advertising. Cannabis consumer data can help brands transcend these trends and breathe new life into their campaign strategies."

Many brands are already intrigued by this idea. A new commissioned study of U.S. marketing leaders conducted by Forrester Consulting found that more than 75% of brands are interested in cannabis and CBD consumer data. The study, "Brands Leverage Unique Sources of Insight to Drive Long-Term Growth," highlights the idea that brands already know this data can help them stay relevant.

Lisco isn't surprised. "Mainstream brands are getting excited about this previously inaccessible purchase data because they recognize the importance of keeping pace with evolving

"Cannabis used to be something that wasn't considered mainstream, and now it is. We're going to see a ton of innovation around this topic in the next few years. It's a really exciting time."

Jackson Jeyanayagam, VP and general manager, direct to consumer, The Clorox Co.

consumer interests and behaviors," he says.

Among the marketers enamored with the economic and creative possibilities surrounding the world of cannabis consumers is Jackson Jeyanayagam, VP and general manager of direct to consumer at The Clorox Co. "I think we're going to see a ton of innovation around this topic in the next few years," Jeyanayagam says. He's especially eager to see the impact this data will have on the beauty, CPG, health and wellness, and beverage categories in particular, because cannabis itself—not just the messaging around it—will likely be woven into many new products in that space.

"Ultimately, I think there's going to be a huge domino effect on all other purchasing behaviors and ways of thinking and ways of doing things now because of how we viewed cannabis for so long," Jeyanayagam says. "It used to be something that you wouldn't consider mainstream, and now it is mainstream, and I'm interested to see how that shift translates and how it changes the conversation. It's a really exciting time."

Portrait of the cannabis consumer

Although access to the cannabis consumer group data is new, the demographic itself has been growing for some time—especially in the last two years. The 2020 MRI-Simmons survey

found that there has been a 50% increase in cannabis consumption since 2018: 61 million U.S. adults now use cannabis—that’s 24% of the total adult population, or about one in four people—and daily usage is up 15% from 2019 alone. To break it down even further, 25% of that 61 million (15 million people) use CBD, the nonpsychoactive compound in the cannabis plant that is known to alleviate stress and encourage relaxation. Even more—43% (26 million people)—use THC, the psychoactive compound in cannabis that produces the more traditional high. And 20 million people—around 33% of U.S. adults—report using both.

“You can see steady year-over-year growth here, and these numbers reflect the trajectory that cannabis will continue to be on,” Lisco says.

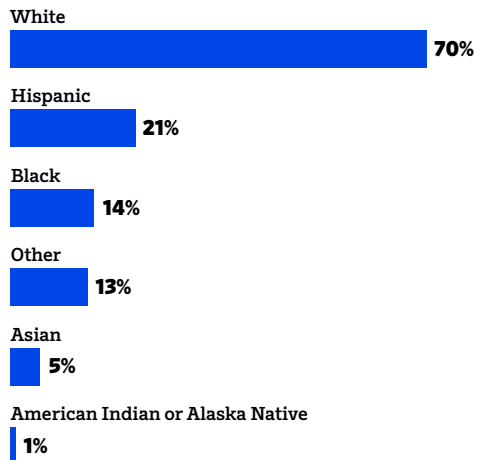
Perhaps most interesting of all, though, is the diversity of this large group of cannabis consumers. While the majority of them are white (70%), the most recent MRI-Simmons survey shows there is also a large Hispanic population, coming in at 21%. After that, 14% of cannabis consumers are Black, 13% identify as other, 5% are Asian and 1% are American Indian or Alaska Native. The survey also found that these consumers are not limited to a particular gender, profession, political party or even generation. They are a wildly diverse group, quite literally all over the map of life stages and lifestyles. (See chart at right.)

They are also incredibly active, involved and engaged. In fact, while the products they buy span all categories—from CPG to quick service restaurants to retail to wellness to beauty—a lot of the goods are ultimately related to happiness. Consider this: 46 million cannabis consumers spend on self-care and wellness; 29 million throw down at fun, group-friendly restaurants (dining in or takeout); and 21 million buy top-quality beer, wine and spirits, especially whiskey—and that’s just a few examples. There’s even more data from the survey that proves that there’s a sense of overall freedom and fun in their purchases (see “Cannabis Consumer Characteristics,” page 6).

“So many of these purchases are creative things that lead to dream fulfillment,” says Karen Ramspacher, senior VP, innovation and

Cannabis consumer diversity

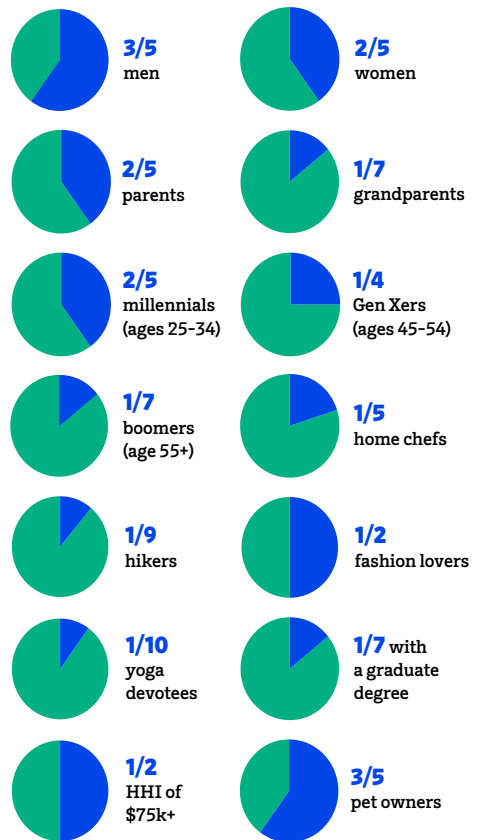
Note: Some participants selected multiple answers



Source: MRI-Simmons National Cannabis Study, 2020

Cannabis consumers by number

Spanning generations with a wide range of interests



Source: MRI-Simmons National Cannabis Study, 2020

insights, at MRI-Simmons. In that way, it seems as though people who consume cannabis also tend to seek out happiness.

The characteristics of cannabis consumers in comparison with noncannabis consumers certainly seem to support that view. (See chart on page 6.)

What the new cannabis consumer means for mainstream marketers

It's one thing to understand that cannabis users today are incredibly open-minded, ambitious, well-informed and adventurous. But what does all of this actually mean for big brands and mainstream marketers? For starters, this data set shows that because they are an incredibly resilient group, cannabis consumers may be an especially ideal customer base during the continuing disruption caused by COVID-19. And with the possibility of more pandemics and the looming climate crisis, cannabis consumers could be the perfect target for future-proofing your business plans.

"They bring optimism and enthusiasm, and, despite the times, they still have really big plans. They are undeterred by what's happening," Lisco says. "And they offer a huge

commercial opportunity when you look at them that way."

On an even deeper level, this data set also shows that the value of cannabis consumers goes far beyond cannabis. Not only are they still spending money during a pandemic, they're spending it on all sorts of non-cannabis-related items. In other words, cannabis does not define them, it's just part of who they are: a multifaceted, multidimensional group, not some demographic that can be siloed into one exclusive category. They are Whole Foods shoppers, Target shoppers, Lululemon shoppers, car shoppers, Peloton exercisers, Netflix streamers and so many other things. And this huge range means that there are all sorts of potential use cases for this new data.

If a brand is looking to drive awareness to its organic skincare line, for example, it may consider targeting people who recently purchased CBD serum—because all signs point to those consumers as wanting to take care of themselves. If a craft brewery is looking to promote its latest artisanal beer, it may want to target those who just bought organic CBD edibles, as one can assume they are chasing after the same buzz. The point is that for cannabis consumers,

MRI-Simmons' U.S. cannabis consumers survey shows 21 million buy top-quality beer, wine and spirits.



Unsplash

Cannabis consumer characteristics

Cannabis consumers are ...	% more likely than noncannabis users
Believers in the pursuit of happiness. They ...	
Seek out variety in their everyday lives.	22%
Believe that their lives should be as much fun as possible.	17%
Consider themselves sociable.	14%
Dreamers and doers. They ...	
Plan to become parents in the next 12 months.	50%
Plan to start their own business in the next 12 months.	32%
Plan to buy their first home in the next 12 months.	20%
Active, living nonstop lives. They ...	
Say their goal is to make it to the top of their profession.	35%
Eat their meals on the run.	17%
Say they are so busy, they can't finish everything in a day.	8%
Early adopters. They ...	
Check app stores to see what's new.	33%
Want to be the first to try new products and services.	32%
Prefer products with the latest technology.	14%
Open to spending. They ...	
Make impulse purchases.	25%
Spend more than they save.	23%
Prefer shopping online than going to a store.	10%
Nearly always connected. They ...	
Watched or downloaded a streamed TV program on their phone.	42%
Say they have texted a response to an advertisement.	24%
Purchased a product on their phone.	17%
Like to be connected, by phone or the internet, at all times.	13%
Say the first thing they do each morning is check their phone.	8%
Vocal and visible. They ...	
Share their opinions by posting ratings and/or reviews.	25%
Say people come to them for advice before making a purchase.	23%
Keep their social media feeds updated about their lives.	27%

Source: MRI-Simmons National Cannabis Study, 2020

cannabis is simply one of their many interests. Purchasing it is a window into their wider identity.

“What I’m hoping brands and marketers get from this data is an understanding that cannabis consumers are not monolithic,” Ramspacher says. “Who consumes cannabis and how they do it and why is so nuanced and beautiful—it’s like the rainbow of America. Brands and marketers should be asking themselves: What will we do in this new context? It should be a really fun and creative time.”

That said, just because cannabis is shiny and new doesn’t mean that everything around it will be a guaranteed success. Jeyanayagam advises brands to take their time to truly understand the data and its place within this environment before jumping in full speed ahead.

“There’s still a lot of confusion around cannabis, whether it’s the marketing laws or even the difference between THC and CBD, which is why it’s really important for brands to have a clear definition and understanding of what it is that they are bringing to market and what their unique value proposition is for their consumers,” he says. “What often happens with big, new addressable markets is that everyone jumps at it and tries to be relevant, and it doesn’t always go very well.”

His advice for marketers: Slow down and take the time to really examine the data so that you can find that sweet spot where cannabis and your brand intersect.

That’s precisely what Katelman intends to do—and he’s very excited about it. He says it’s easy for him to buy ads for a woman in California who is interested in sports, but what’s interesting for him now is that he can try that audience out against a woman in California who is not only interested in sports but who also bought CBD last week.

“To me, this is ultimately a matter of adding more variables,” he says. “What do I know about that person now? How does that new info change things? At this stage, the main thing I want to know is, what is unique about a cannabis user that I can’t find anywhere else? Adding this new cannabis audience data to conventional data means that you are more likely to find a unique insight.”

And once you have a unique insight, he says, it’s easier to craft a better, more targeted ad directly to that person. “I ask myself: What is the right creative to send based on their interests? What’s that winning combo of audience and message? This new data will ultimately help marketers craft better campaigns and build better relationships.”

The future of cannabis audience data

In the end, what Jeyanayagam, Katelman, Lisco, Ramspacher and all of the other executives who are pumped about this data are getting at is that this is a new set of information, and with new data comes new possibilities.

“When I look at cannabis consumers, I see a new growth audience for ambitious marketers,” Lisco says. This is especially relevant in the wake of slow-growth categories such as CPG, QSR and retail—all categories that may be given new life with a boost from cannabis consumers.

All of the executives are also quick to point out that this moment won’t last forever. The cannabis industry is evolving so quickly that insiders joke that years must be counted in “dog years” to truly capture how different things can be from one week, or even one day, to the next. Soon enough, this new information won’t be so new anymore—which means that now is the time to use it to your advantage.

“Because it’s only now available at scale, cannabis and CBD audience data can create competitive advantage for first movers,” Katelman says. “That’s why I’m interested in these unique insights right now.”

No matter the exact timing, though, the overall message remains clear: Brands should see cannabis consumer data as their ticket to ride—their ticket out of slow-growth categories and into a faster-growth future. And they should do so as soon as possible.

“In a marketplace where brands face an uphill battle to create and sustain connections, today’s cannabis consumers actively seek out brands and welcome them into their lives,” Lisco says. “They’re an opportunity to reach a newly addressable audience right now—with both the scale and mindset to be a new pathway to growth in 2021 and beyond.”

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About Fyllo

The Fyllo Compliance Cloud is a suite of enterprise-grade software and services powered by RegsTechnology, the largest database of cannabis laws and regulations at the federal, state and local level. We deliver advanced data, media and compliance solutions that are built for the complexities of highly regulated industries. Ambitious marketers and legal professionals choose Fyllo as their partner to go bigger and grow faster with trust and confidence in compliance.

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