



BLAZING A TRAIL: THE FUTURE OF CANNABIS MARKETING IN CANADA





On October 17, 2018, Canada became the only nation amongst the elite G20 group to legalize the sale of cannabis for recreational purposes at a national level, setting the stage for the rise of a massive new market.

Though legalization was a major legal event it wasn't all-encompassing. Brands could only sell dried cannabis flower, cannabis oil, and sublingual sprays. Popular derivatives, such as edibles, infused beverages, topicals, concentrates, and vapes, weren't granted legal status. But that's all about to change.

With the government looking to roll out the first revisions to the existing cannabis legal regulations during Q4 this year, anticipation among consumers and sellers is high. For consumers, the long wait for popular cannabis derivatives

has finally come to an end. For cannabis retailers this will be an opportunity to expand gross profits with the sale of high-margin, popular variants.

But with most cannabis retailers still working out the best possible strategies for marketing their products and targeting their audiences, this opportunity brings a new set of challenges. These updated policies will likely lead to a new source of buyers, both among existing users and new cannabis-curious users. While there have been several attempts made by cannabis marketers to

identify the right target audience for this market, nobody has been able as of yet to put together all the pieces of the puzzle.

Being able to identify and target this audience, then understand their behaviour and optimize media and delivery towards it, is critical for cannabis advertisers to run successful campaigns. At MiQ, we welcome the challenge, and have put together some insight and strategies to help marketers achieve these goals.

THE CANNABIS MARKET POST-LEGALIZATION: WHAT CHANGED?

Despite a bumpy rollout, the cannabis industry managed to find its footing and grow at a healthy rate in the year that followed legalization, with \$186m CAD in government taxes generated in five months. However, a series of shortages, supply chain challenges, and a limited number of approved retailers have contributed to slower than expected growth in the industry's early days. These struggles created an opportunity for illegal cannabis providers to stay in

business as they took advantage of increased demand and marginalized supply to bolster their business.

But in the months that followed, government enforcement authorities and the approved retailers have managed to fix many holes in the existing supply chain leading to the stabilization of the demand-supply gap. Currently, the market is projected to be worth as much as \$8.7bn CAD by the end of 2020.

\$8.7bn

PROJECTED CANNABIS
MARKET WORTH BY 2020

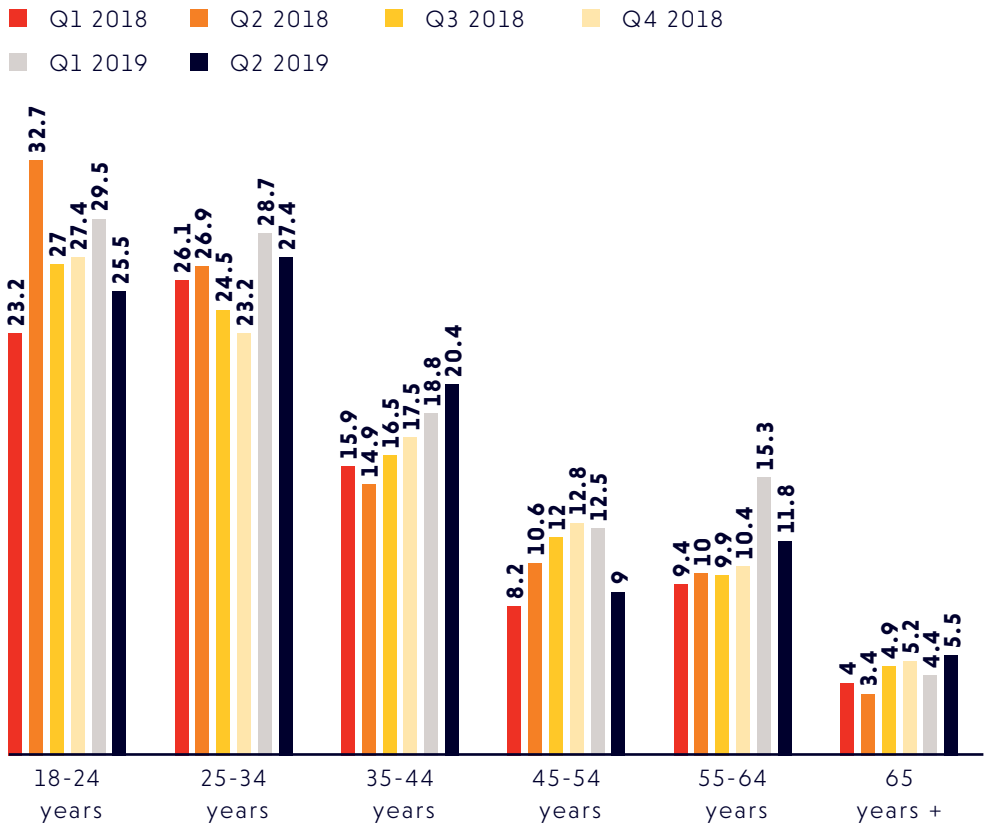
THE CANNABIS AUDIENCE IN CANADA

Although the legalization of cannabis has been broadly popular across the Canadian audience, response has varied by demographics. The most recent national cannabis survey has revealed that female interest in cannabis has remained flat, but interest among men increased 18%.

While younger audiences have shown greater levels of search interest in cannabis products online, older consumers have shown the largest increases in legal purchases over the last year. The lower comparative rate increases for legal purchases among younger consumers suggests that they may still be relying on illegal sources, despite new legal avenues.

Overall, cannabis consumption in Canada increased by 9% from Q1 2018 to Q1 2019. By region, Ontario has shown the greatest interest in cannabis products, with a 48% increase in consumption over that same time period. Comparatively, usage increased by 30% in Alberta, the second-highest increase. Despite having the most competitive pricing, consumption only increased by 6% in Quebec.

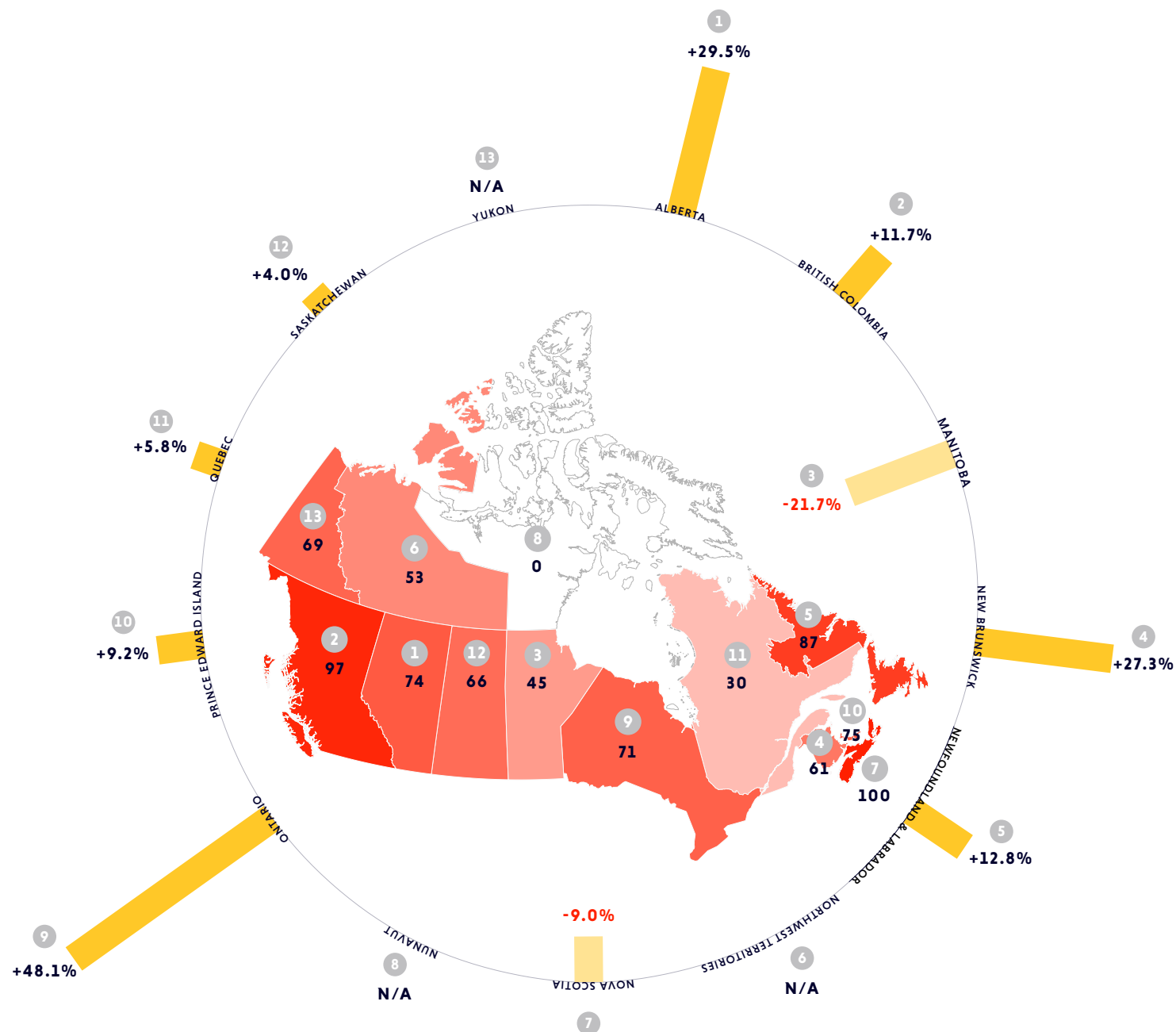
PERCENTAGE OF TOTAL RESPONDENTS WITHIN AGE DISTRIBUTION OF CANNABIS CONSUMERS OVER TIME



GROWTH IN CANNABIS CONSUMPTION POST-LEGALIZATION, Q1 2018 VS Q1 2019 COMPARED WITH RELATIVE SEARCH INTEREST FOR CANNABIS PRODUCTS

Percentage growth in cannabis consumption post-legalization

Relative search interest for cannabis products (0-100)



IDENTIFYING AND REACHING THE CANNABIS AUDIENCE ONLINE

Despite the legalization effort, the Canadian government was adamant about keeping cannabis away from children and avoid promoting the use of cannabis to younger people. As part of this effort, there are strict guidelines and regulations around the advertising of cannabis products.

These restrictions can make it difficult for Canadian cannabis marketers to advertise effectively, as it requires both a large amount of deterministic data available around audience demographics and access to a large pool of inventory on which the ads can be run. Even then, adding optimization and analysis on top of these restrictions can be a difficult process. The good news is that over

the last year DSPs and agencies have started to improve at finding ways to execute media campaigns for cannabis products in digital.

Using DPI semantics for search queries, MiQ has identified more than 300,000 search requests generated each day for cannabis products by more than 90,000 Canadian consumers. Search topics range from news on the cannabis market to the different varieties of cannabis and the relative impacts and effects of each on health. Each of these helps paint a picture of the cannabis consumer and how to reach them.



300k /day

SEARCH REQUESTS ARE
GENERATED FOR
CANNABIS PRODUCTS



KEY TRAITS OF THE ONLINE CANNABIS AUDIENCE

1

43% 

Men are 43% more likely than women to research cannabis online and conduct related searches.



2

Comparatively, digital consumers **over the age of 45 are more likely to over-index to cannabis research than younger consumers.** When searching online, they are primarily focused on the health impacts of cannabis and the benefits of different product varieties.

3

1.4x 

Younger consumers (under 45) are **1.4x more likely to use a store locator to find a cannabis provider,** while older consumers are more likely to comparison shop with different products.



4

Retired and self-employed consumers are more likely to research cannabis online. The cannabis derivatives and alternative consumption forms are also popular among this audience.

5

2.4x 

Consumers living alone - especially in urban areas - are 2.4x more likely to consume cannabis than those living with a partner and 3.2x more than those living with one or more children in their household.

72% 

6

When not searching for cannabis-related content, most **(72%) interested consumers are searching for news or reading lifestyle content and health journals.**

Looking at data from a sample of more than 550,000 distinct Canadian consumers visiting cannabis retailers' sites shows that the average cannabis enthusiast is likely to visit a retailer site more than six times in an average month, spending an average of around 13 minutes browsing the site. The most invested consumers will spend upwards of 40 to 45 minutes per month researching products and finding the one that best fits their needs.

Based on their traffic patterns and behaviour, we identified three distinct audience clusters of the cannabis audience that marketers should consider:

ACTIVE USERS

This section of the audience forms 34% of the total audience pool. These shoppers have been consuming cannabis for some time and are pretty certain of what they are looking for. Their site activity and custom search strings suggest an advanced understanding of the different forms and varieties of cannabis. They tend to be more interested in Sativa

derivatives with higher THC content, but they are always open to exploring new varieties. A majority of their searches (62%) are carried out on phones. Consumers in this segment tend to be over the age of 35 with a moderate household income (\$40k to \$75K CAD on average), and are more likely to live in urban areas.

EXPERIMENTERS

This audience segment is a mix of existing consumers who love to experiment with different types of cannabis offerings and new potential consumers who are still looking for the right fit for their needs. The online research behaviour of these audiences suggests a lot of uncertainty between the different forms of cannabis (and an opportunity for marketers to teach them). A majority of the content consumed by this audience is informational and deals with the health implications and effects of the different variants available. Hybrids and Indica derivatives are fairly popular amongst this audience. Consumers in this group are

equally likely to browse and search on a PC/ laptop or mobile device.

Consumers in this audience skew younger: 43% are between the ages of 18 and 34, and most are either still pursuing their education or employed in an entry-level position. In their spare time they tend to prefer indoor activities over outdoor ones.

RESEARCHERS

These consumers are not big on cannabis consumption yet and are among the curious faction who like to keep a tab on new developments around cannabis offerings. A majority of the content they consume is either news articles around legalization or health journals that talk about the effects of cannabis on health. Consumers in this segment are split evenly among different age groups and skew female. Consumers in this group tend to gravitate to news content generally, and are heavily invested in health and lifestyle-related content.

TYPE OF CANNABIS CONTENT CONSUMED, BY AUDIENCE CLUSTERS

News Health Lifestyle Informative Store finders

Researchers



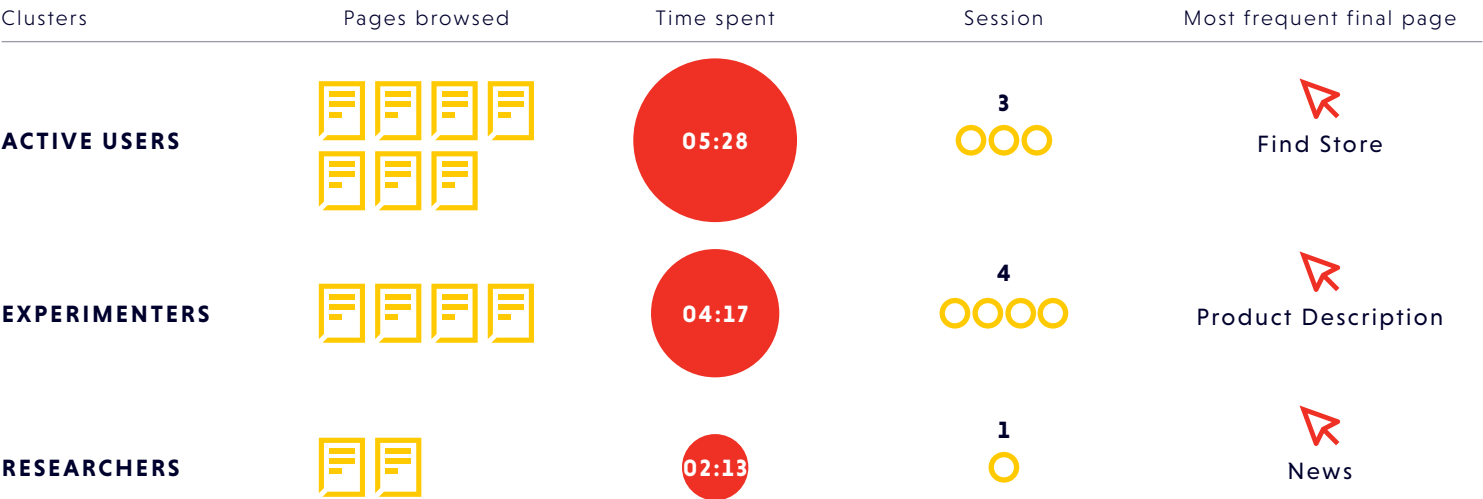
Experimenters



Active Users



SITE PATHING BY AUDIENCE CLUSTER



TAKEAWAY FOR MARKETERS

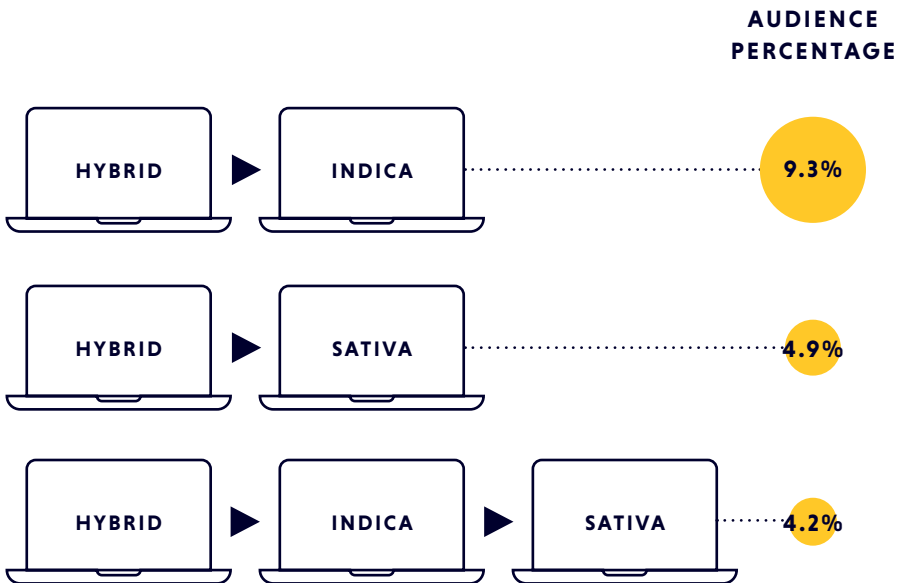
Nearly half of cannabis users are ready to explore and experiment with new variants, but having so many options available can lead to decision paralysis and make it difficult for consumers to navigate. Understanding what these consumers are looking and how they get there ensures that brands can identify curious customers ahead of time and help guide them to a decision they'll be satisfied with. Dynamic creative in particular offers marketers a powerful way to implement strategies that focus on different products.

Running an association-based algorithm on the different pages visited by users on cannabis retailer sites, we found that 47% of users visiting the site browsed through at least two separate offerings pertaining to different types of cannabis strains (Sativa, Indica, and Hybrid).

Indicas are typically associated with full-body effects, such as increasing deep relaxation and reducing insomnia.

Sativas are known to induce an invigorating, energizing effect that can help reduce anxiety or stress and increase creativity and focus.

Hybrid is a cannabis plant that combines the affects of Indica and Sativa strains.



EXAMINING THE RECREATIONAL VS MEDICAL CANNABIS AUDIENCES

Given the high volume of traffic searching for different cannabis variants, it makes sense to take a deeper look into the people searching for each variety to better understand who these audiences are and whether they differ in meaningful ways. Once we've done this, we can build strategies around how to effectively target each group based on their traits and behaviour. Generally, we found that there were in fact major differences between these groups based not just on the variants they showed interest in, but also how they conducted their research.

Among those interested in the use of cannabis for medical purposes, 72% of those looking into the substance say that its ability to curb anxiety and manage migraines are the effects they're expecting. Since V1 of the cannabis legalization, search interest has increased 23% around using cannabis to treat arthritis and to fight cramps. Meanwhile 37%

of recreational users search for variants that they believe will enhance creativity and productivity.

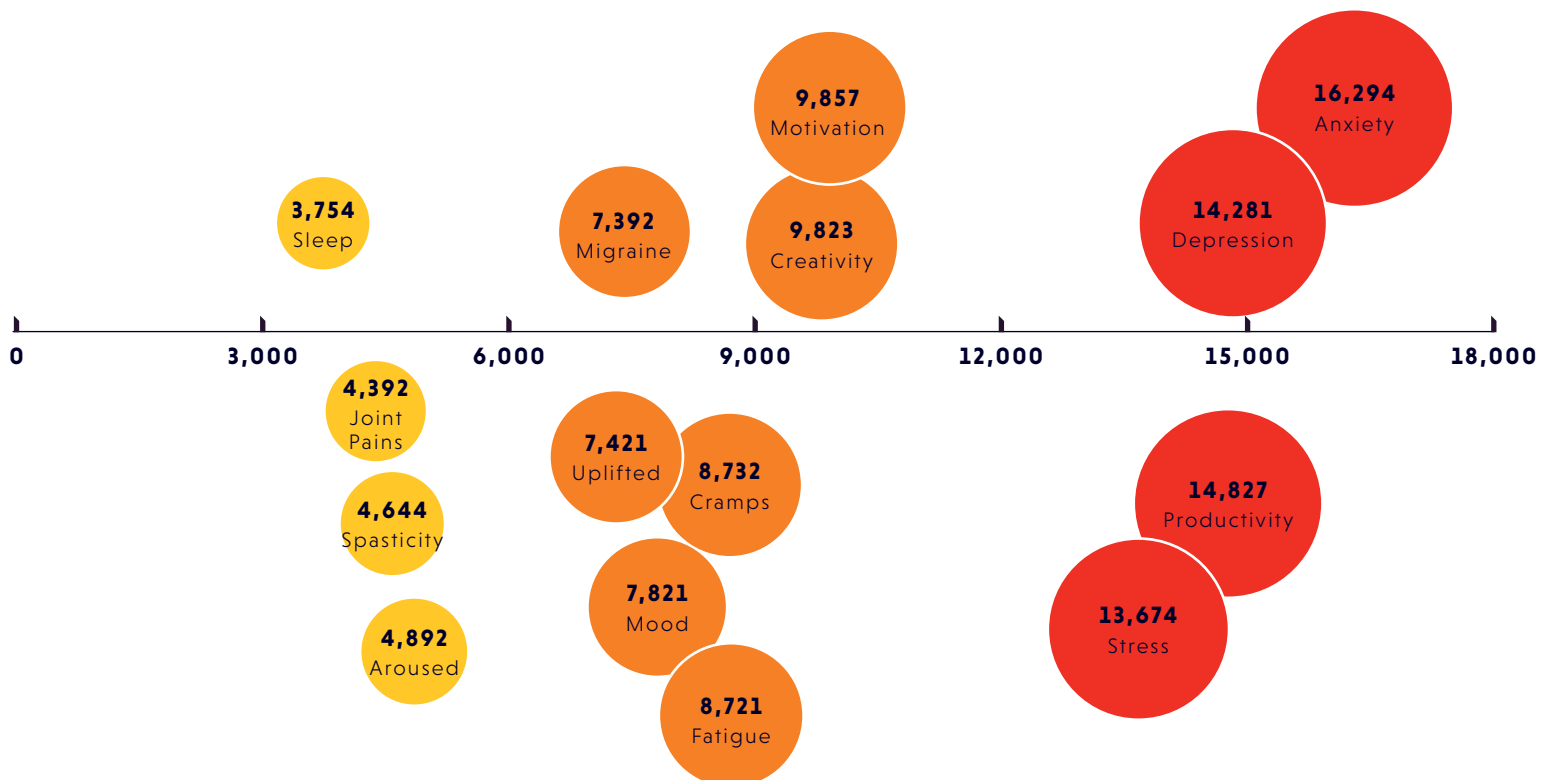
Those interested in cannabis for medical purposes are much more diligent in their research overall. On average, medically-interested users tend to have 1.3x more sessions than those interested in recreational use. The medicinal users are also 1.6 times more likely to stay in tuned with the industry news and updates compared to the recreational users. But recreational users are the more likely buyers. In terms of the frequency and dwell times on sites, recreational users make more monthly visits to retail domains - 2.3 times more visits, and with dwell times 1.74 times higher.

Based an analysis of a sample of just over 139,000 digital visits to related sites in August, we can see that about 17% of the

medical and recreational audiences overlap. The use of advanced filters on the CBD and THC values among the users in this overlap group may indicate a more savvy/experienced userbase. For 72% of these users, searches for medical variants precedes interest in a recreational variant.

Demographically, medically-interested users tend to skew older than recreational users, with 62% of medical users being over the age of 35. Younger consumers instead account for a large proportion of the recreational audience. Women are also more likely to show an interest in medical variants, and household income shows no clear correlation with the type of cannabis consumers show interest in or even whether they show interest at all.

SEARCH INTEREST FOR DISTINCTIVE EFFECTS ASSOCIATED WITH VARIANTS



CONNECTING THE DOTS: DRIVING CONSUMERS TO A STORE

Digital activity is only half the story when it comes to cannabis. To understand the consumer journey, you need to understand the role of physical stores and how to connect the digital and real-world parts of each consumer's path. To do this, MiQ geo-fenced over 125 cannabis dispensaries and retail outlets in five different cities across Canada.

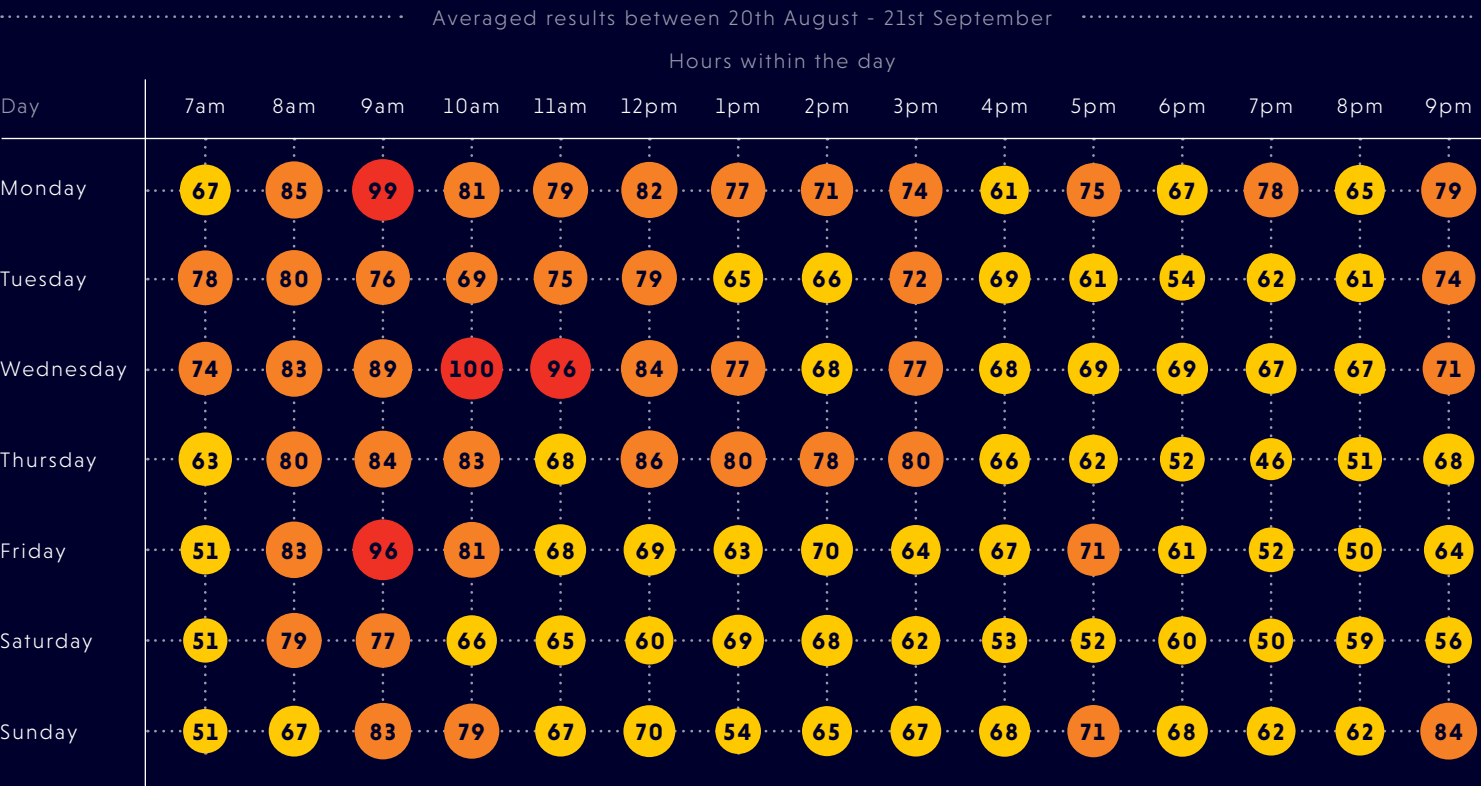
Over the course of two weeks, we managed to capture more than 98,000 distinct footfalls.

The first thing to note is that cross-visitation for different cannabis stores is marginal at best, suggesting that offline buyers are likely to visit a single store for their needs rather than comparison shopping and visiting multiple

outlets. Thus, it is imperative for cannabis retailers to make their case to local consumers and be aggressive online about driving traffic to their physical locations.

TEMPORAL TREND - TRACKABLE OFFLINE OPPORTUNITY INDEX NEAR CANNABIS STORES

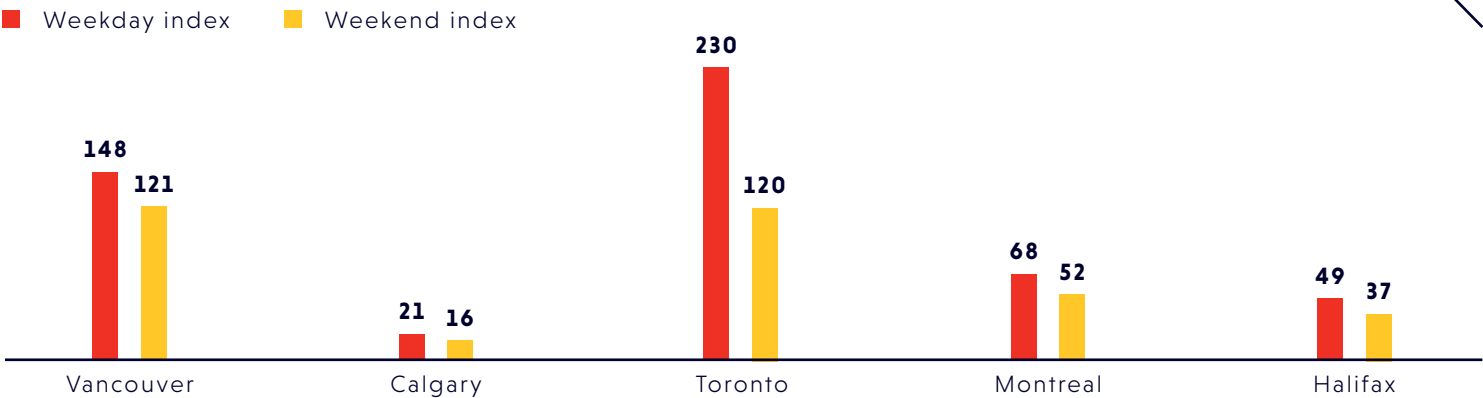
50-70 71-90 91-100



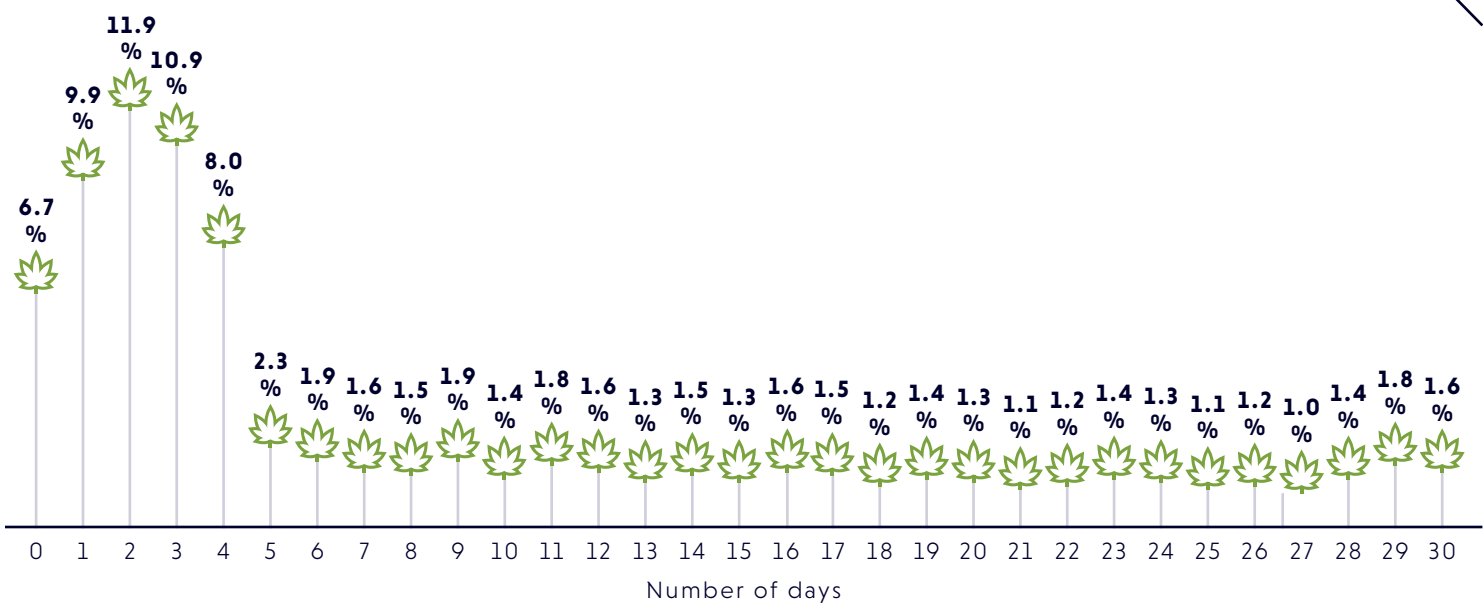
TAKEAWAY FOR MARKETERS

Cannabis shoppers are most likely to visit stores during the weekdays, and there's more foot traffic near locations during those times as well. During these times, hyperlocal campaigns and targeting strategies designed to bring passerbys into the store can have the greatest impact and create new repeat customers.

AVERAGE WEEKDAY VS WEEKEND FOOTFALL OPPORTUNITY INDEX, BY CITIES



AVERAGE TIME-LAG BETWEEN ONLINE AND OFFLINE VISIT



Just under one in four (23%) visitors to a cannabis store/pharmacy read about cannabis or related content online both before and after their visit. Nearly half (42%) of those visiting these locations looked at cannabis-related content online in the two weeks prior to their visit. Generally speaking, however, most visitors made their trips within one week of visiting a retailer's site.

The real challenge for marketers is how to use this location data to plan digital initiatives that can activate on consumer interest and drive them to a physical store location.

One method is to track the online behaviour consumers who visit physical stores and identify behaviour patterns that signal their

interest and set them apart from other consumers. These online-offline behaviour overlaps can then be used to gauge the purchase propensity of audiences and build scoring models that can help segregate consumers in your target audience and message accordingly. This in turn will yield better ROI when executing digital campaigns that target these audiences in a more personalized manner.

Using data on more than 17 thousand consumers in Montreal visiting 14 stores/dispensaries over a one-month time frame, we combined online metrics such as dwell time, volume of sessions consumed, type of sites visited (with cannabis-related content) with the offline visitation frequencies and the

distance of store from the consumer's place of work and residence to create an elaborate 5-point scoring process for cannabis consumers.

We identified 8% of this audience as a 'high yield segment'. This means they're highly likely to visit a cannabis store based on their online behaviour. They are also more likely to drive in store revenue.

It makes sense to have an aggressive bidding strategy in place to target this high yield audience, to get them to a store and get higher returns on your ad dollars.

The next step is to use lookalike models to expand this method to all consumers,

deciding what a likely in-store visitor looks like in the broader market so you can segment your audience and assign digital ad spend quickly. By combining this approach with dynamic creative, and mobile targeting strategies, you can personalize your messaging and the ad format to suit exactly what is most likely to make each customer pay attention. These techniques can help you stay one step ahead of your competitors even if you initially have limited data on the market.

Marketers need to develop strategies for creating actionable insights that can be immediately applied to digital marketing initiatives to drive results. As the market matures, it will be essential for cannabis marketers to join forces with media and data partners. These partners should have experience running cannabis-based advertising and be able to help with cross-media planning and with testing and optimizing campaigns. The cannabis industry

may be nascent, but the digital advertising industry is not, and the lessons we've learned over the past decade can be applied to drive results here in the same fashion they have elsewhere.

AUDIENCES PROPENSITY TO VISIT CANNABIS STORES OFFLINE

Score	Type	Avg. Monthly frequency (online)	Dwell time	Dominant content type	Offline frequency	Est. distance from the store	% audience pool
1	Low yield segment	4	<5 min	News	News	10-15 km	41%
2	Low yield segment	6	10-15 min	Health	Health	Less than 5 km	34%
3	Moderate yield segment	3	<5 min	News	News	15-20 km	8%
4	Moderate yield segment	7	15-20 min	Product/ Strains	Product/ Strains	5-10 km	9%
5	High yield segment	more than 15	<20 min	Store finder	Store finder	5-10 km	8%

THE INTEREST FOR EDIBLES IS AT AN ALL-TIME HIGH

Even though the initial cannabis legalization didn't allow for the sale of cannabis derivatives such as edibles, infused beverages, topicals, concentrates, and vapes, interest in these derivative products saw a major jump post-legalization.

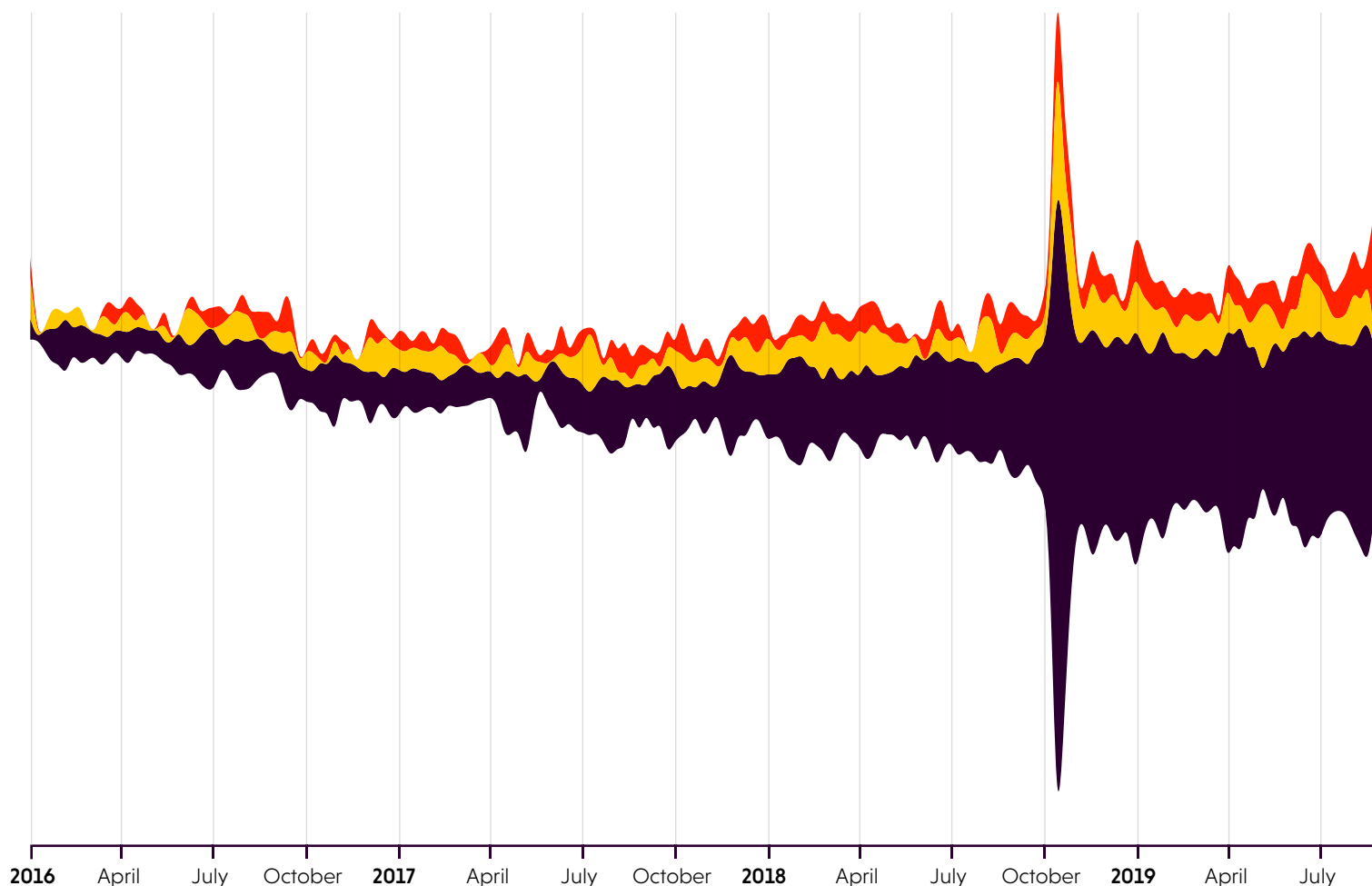
Since the legalization of recreational cannabis, search queries around cannabis derivatives have doubled compared to pre-legalization levels. A recent survey by Deloitte suggests that the market for alternative cannabis products could be worth around \$2.7bn CAD within which the market for edible cannabis products will itself account for \$1.6bn CAD alone.

Cookies, biscuits, cakes, chocolates and even cannabis-based butter are some popular forms of edibles that are trending in digital media and social spaces. People have been studying the potency and effects of these cannabis alternatives in anticipation of being able to purchase them legally. Not only has there been interest in the potential effects of these products, but cannabis lovers are also figuring out recipes to incorporate cannabis as an essential component. Be it baking cakes or making cannabis-infused chocolates, Canadian sites holding recipes for such DIY products have seen a 3x increase in readership since January this year.

Interestingly, there is no single segment of the cannabis audience who have shown a higher propensity towards edibles. The potential audience for cannabis-based derivatives is proportionately distributed across various age groups, with men having a marginally higher likelihood to go for these untested offerings. Otherwise, there is little demographically to distinguish edible-interested consumers from those who are not. However, there are still some behaviours that could be used to build targetable segments via a propensity model.

SEARCH INTEREST AROUND CANNABIS-EXTRACT BASED DERIVATIVES IN CANADA

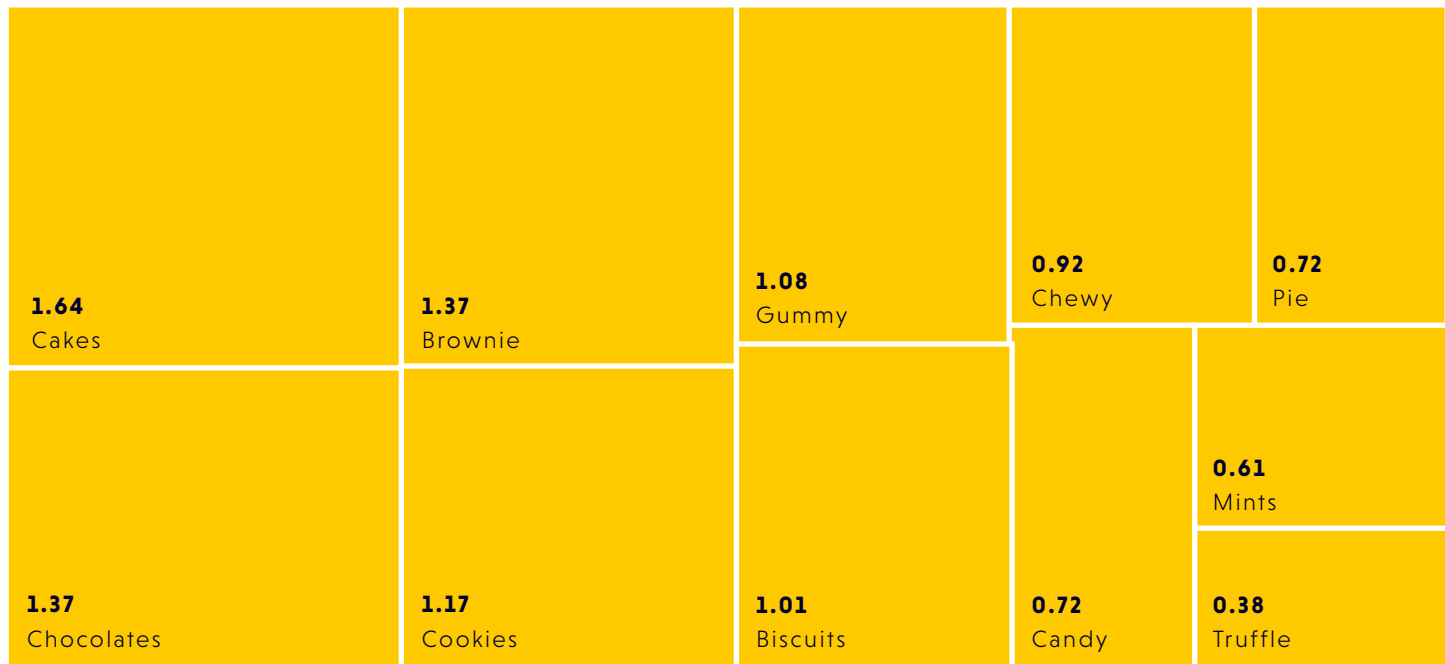
■ Cannabis edibles ■ Cannabis flowers ■ Cannabis oils



The interest for edibles is at an all-time high

LIKELIHOOD INDEX TO PURCHASE THE PARTICULAR DERIVATIVES

■ Likelihood to buy a certain edible variety/product



Source/Methodology: Scraping of URL for a popular food/cooking recepie blog site



DO'S AND DON'TS OF RUNNING CANNABIS CAMPAIGNS

Despite the legalization of recreational cannabis, there are still a lot of regulations that are controlled at the provincial level. These include the legal age of consumption, the regulations around consumption in public places, the localities in which the retail

outlets can be set up, the pricing of different forms of cannabis and even the ways of which cannabis can be marketed.

Cannabis brands looking to market their products online or offline must be mindful

of the provincial regulations around their marketing. It is highly advisable to consult a legal counsel before kicking off any ad campaigns to make sure they don't fall foul of provincial guidelines.

Here are a general set of guidelines that cannabis marketers must consider while devising their marketing plans and formulating digital strategies:



DO'S

- Have age-verification in place for everyone visiting your website
- Advertise only on platforms where at least 70% of the audience is over the age of majority. Age of the majority is defined at the provincial and territorial level
- Have a plan to segment and target consumers over the age of majority to avoid driving the wrong traffic to your site
- Advertising can only promote a brand, not cannabis in general
- Have a plan for measuring whether an online consumer visited an offline store location, and how to drive consumers to those locations
- Have a plan for targeting different types of cannabis users, including different messaging and targeting strategies based on age, gender, and consumption habits
- Have a plan for measuring who responded to your campaigns and how to optimize delivery on future campaigns
- Accurately and legibly identify the licensed producer



DON'TS

- Try to convince adult non-consumers to try cannabis
- Imply consumption with advertising
- Use imperative language to encourage consumption or purchase of cannabis products or accessories
- Communicate or display a testimonial or endorsement in any way
- Display, reference or use cannabis brand elements or producer, seller, distributor or service provider names in promotions of the sponsorship of a person, entity, event, activity or facility
- Advertise for edibles or concentrates
- Have advertising or branding that is directed to or appeals particularly to young persons
- Depict characters, animals, real or fictional; or use activities or content that depicts a way of life that includes glamour, recreation, excitement, vitality, risk or daring
- Suggest that adult-use cannabis has therapeutic or health-related effects
- Involve a contest, game, draw or lottery for both licensed cannabis producers (LPs) and accessories in your advertising
- Include information about the price or distribution methods for cannabis

METHODOLOGY

Data for this study comes from a number of different sources. Cannabis consumption statistics are from the National Cannabis Survey conducted quarterly by StatsCan between Q4 2018 and Q3 2019. Search interest data comes from network-level semantics used to identify key topics and audiences interested in cannabis-related content in Canada. Site visitor and pathing data comes from a sample of three months' worth of data collected from pixels placed on the websites of several major cannabis retail aggregators in Canada. Location data comes from mobile location data collected by geofencing 125 cannabis dispensaries and retail outlets across 5 major cities in Canada (Toronto, Montreal, Calgary, Vancouver, and Edmonton), with a 100m radius. Social data comes from cannabis-related topics observed on Twitter and Reddit over a one-month time frame.

ABOUT MiQ

MiQ is an independent marketing intelligence company with the people and technology that help businesses win. It is our vision to reimagine the value of marketing by connecting data and discovering insight to drive business outcomes.

Founded by Lee Puri and Gurman Hundal in 2010, MiQ currently employs over 550 people across 15 offices located in North America, Europe and APAC. The world's leading brands and media agencies such as American Express, Avis, Lenovo, Unilever, Microsoft, GroupM, Publicis and IPG work with MiQ. In the last year, MiQ has won various awards including Fastest Growing Tech Company of the Year at the Stevie Awards, Most Effective Use of Data at The Drum's Digital Trading Awards USA, and The Sunday Times International Track 200.

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