



ESSENTIAL CANNABIS INSIGHTS

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WIN NEW AND RETAIN EXISTING SHOPPERS BY OPTIMIZING PRODUCTS AND PRICES

Product attributes, pricing, and known brands are top drivers of consumer choice when it comes to cannabis products. In the increasingly competitive cannabis retail space, maintaining a consistent stock of top performing products and employing targeted strategies for pricing are crucial to winning new and retaining existing shoppers. Retailers who want to make the most of pricing strategies also need to identify trusted brands and top products to craft a pricing strategy that yields the highest basket size and sales volume.

Consumer shopping decisions, where to shop and what to buy, are driven by multiple factors, some contradictory. Understanding top decision influencers enables targeted strategies to achieve specific goals like attracting new shoppers, increasing revenues, or improving gross margins. BDSA's longitudinal shopper survey¹ gives insight into why shoppers choose certain products or brands. The following list gives a summary view of select drivers. Each factor is a top-3 decision driver, meaning that factor was ranked as one of the top three factors by cannabis Consumers.

Common Top-3 Factors Influencing Product Choice

- Taste/Flavor is a top influence of product choice, particularly with consumers preferring edibles (~40%).
- High THC content is the strongest driver of product choice for dispensary shoppers (~45%) but when looking at dispensary shoppers who prefer inhalables, it is even MORE frequently ranked highly (~55%). High THC content is also important for lower income shoppers, ranking as the top influencer of product choice among dispensary shoppers with low income (~50%)

¹ BDSA Consumer Insights semi-survey covers over 15,000 respondents across the USA and Canada going back to 2018.

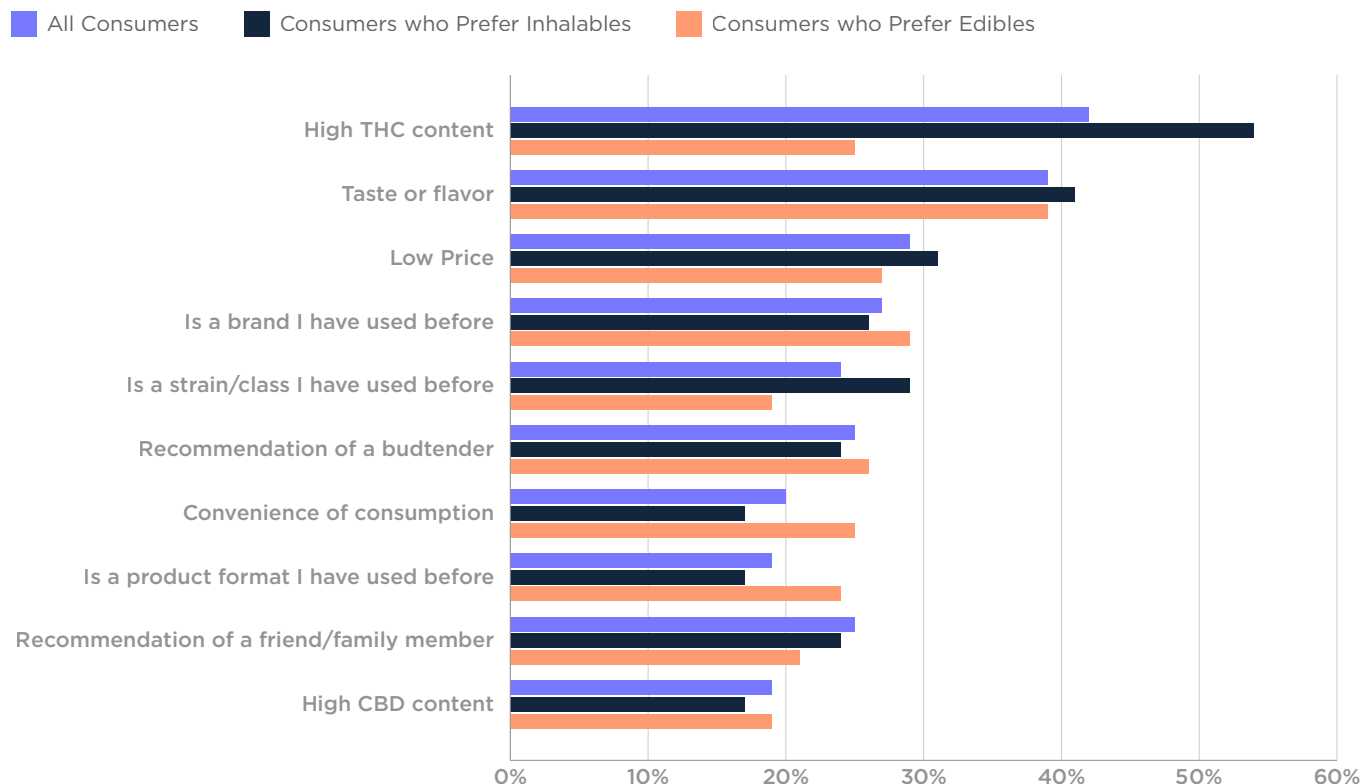
² This is the percentage of Consumers ranking this factor (Taste/Flavor) as one of the top three factors influencing their purchase decision.

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- Brand familiarity is another main driver of product choice (~30%), especially for edible consumers.

By maintaining a stock of products with popular flavors, high THC (particularly inhalables), and made by trusted brands, dispensaries can appeal to a larger share of the Consumer base, setting themselves up to win over and retain a dedicated core of shoppers.

Top Influencers of Product Choice



Source: BDSA Consumer Insights, Fall 2021, Dispensary Shoppers, Adult-Use States

Why Pricing Matters So Much

All dispensary shoppers are price conscious, with Low Price the third most commonly cited top-influencer of product choice (~30%). Price is ever more important when looking at low-income shoppers (~40%), and dispensary shoppers who prefer inhalables (~35%)

The cannabis industry is continually evolving and retail in particular. The last two years have seen rapid evolution in all retail, as the pandemic forced adoption of online shopping and curbside pickup. Colorado and Massachusetts began allowing curbside pickup for cannabis sales, while Nevada temporarily switched to delivery-only in response to

pandemic restrictions. This move to online shopping and real-time menus empowered consumers, who now have more opportunity than ever to cross-shop and find the best prices and preferred products.

Retailers must make constant assortment and pricing decisions in order to stay competitive with other retailers, winning new and retaining existing shoppers.

Product and Pricing: Holidays, Promotions and Optimizing Price for Volume

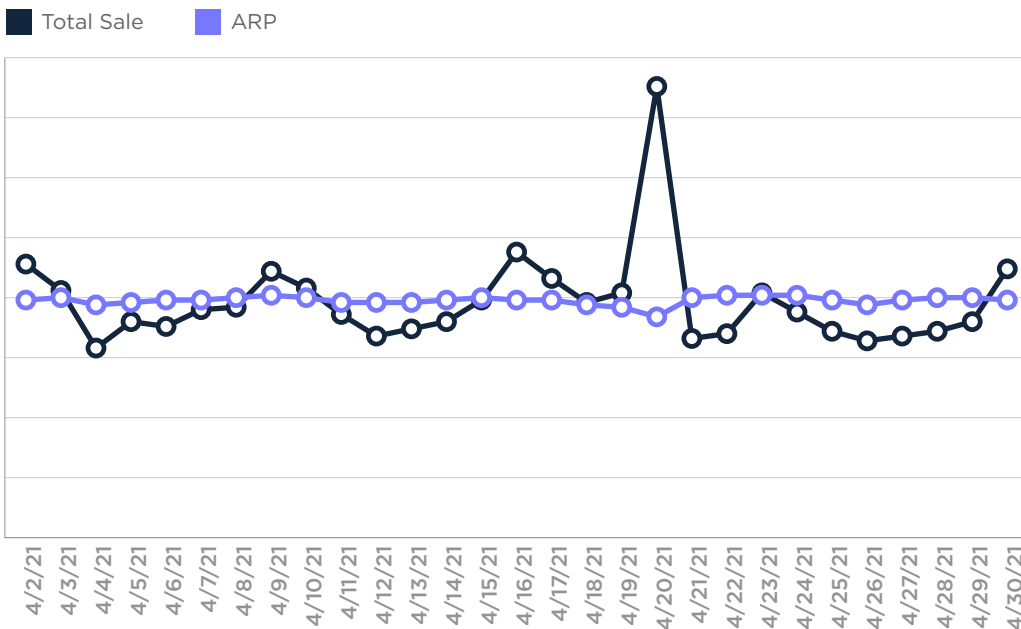
Having a holistic strategy for pricing is important year-round, but it is most significant around a few select days of the year when cannabis sales see a significant spike.

Green Wednesday (the day before Thanksgiving), 420 (April 20th), and weekend days before Labor Day historically bring a significant boost to cannabis sales. In 2021, California saw a ~90% increase in total dollar sales on 420 compared to the daily sales average in April, while sales on Green Wednesday were over ~50% higher than the average day in November.

Promotional deals on these days can provide a huge boost to sales. Analysis from April 2021 sales data from California show a spike in sales on 420 that corresponds with a decrease in average retail price.

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Total Cannabis Sales and Average Retail Price, April 2021, California



Source: BDSA Retail Sales Tracking, California, April 2021