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SPECIAL FEATURE

## The Future of Retail

The dispensary of the future will incorporate more and better technology, upscale design, and big data.

Photos: Rade Kovac, Yarygin / Shutterstock; Outer Elements Photography; James Banasiak,





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Things that cut, grind, chop, vape,  
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Photo: Mindscape Studio / Shutterstock

# For Love of Money

WE MAY HAVE BID A FOND FAREWELL TO 2018, but one of the year's most striking developments will affect the cannabis industry forevermore: 2018 was the year the Bigs came to town.

Like everything else they do, Big Alcohol and Big Tobacco marched in leaving no doubt about their intentions. Although a few smaller deals took place earlier, in August beverage alcohol giant Constellation Brands upped its stake in Canopy Growth to 38 percent, with an option to purchase majority controlling interest. Then, in December, the corporate parent of Marlboro maker Philip Morris bought a 45-percent stake in Cronos, also with an option to acquire majority ownership. Big Pharma has yet to make any major incursions, but no doubt such news is on the horizon.

There goes the neighborhood, or at least the neighborhood the cannabis industry's founders envisioned. When the first cannabis entrepreneurs stepped out of the shadows, they hoped to become legally wealthy, of course, but they also shared a commitment to the potential health-and-wellness benefits of a federally prohibited herb. Did they strive to keep prices artificially high? Perhaps, but at least their products didn't kill people in the service of profit. The Bigs can't say the same.

Make no mistake: Big Tobacco, Big Alcohol, and Big Pharma are committed to their bottom lines above all else. They've proven that repeatedly by lying about their products' health effects, encouraging responsible use only when forced by legal action, and selling products they knew not only were ineffective but actually harmed the patients they were supposed to help. All three industries have institutionalized zealous pursuit of capital gains regardless the human cost.

In a capitalist society, there's nothing wrong with making money—but building fortunes by actively harming others is the height of moral bankruptcy.

Young industries need financial investment if they are to grow, and growth will be the biggest contributor to freeing cannabis from the shackles of prohibition. But the industry should not trade one evil for another. Yes, take the Bigs' money...but insist they adhere to cannabis's ethics instead of making over this industry in the image of their own.

Kathee Brewer



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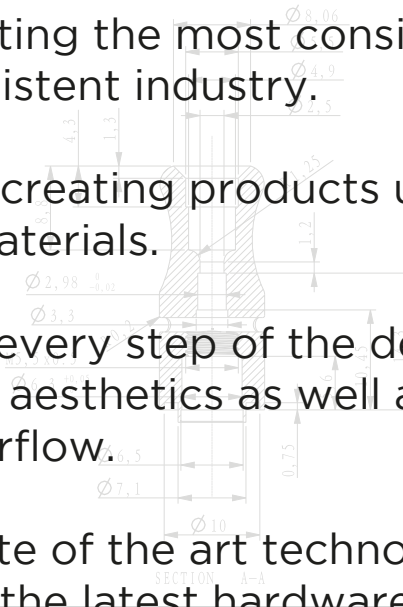
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# NEWS BRIEFING



## Marlboro Parent Company Moves into Cannabis

**TORONTO** — Altria Group Inc., parent company of tobacco giant Philip Morris USA, acquired a 45-percent equity stake in vertically integrated Canadian cannabis company The Cronos Group. The deal, valued at about CAD \$2.4 billion, included a warrant that enables Altria to increase its stake in Cronos to 55 percent while allowing Cronos to accept suitors in other business verticals like beverages.

Altria probably hopes the acquisition of Nasdaq-listed Cronos will help shore up a bottom line that has been slipping due to the continuing decline of cigarette smoking in the United States, where Altria sells most of its tobacco products. The company's NYSE-listed shares fell by more than 20 percent during 2018, although news of the Cronos deal caused an immediate bump of about 2 percent. Cronos's stock leapt 25 percent after the announcement.

Reportedly, Altria also is in talks to acquire a 20- to 40-percent stake in e-cigarette maker Juul Labs Inc., which cannabis vape manufacturer PAX Labs Inc. spun off in 2017. The existence of that potential deal may help explain Altria's recent decision to discontinue its own e-cig lines.

[THECRONOSGROUP.COM](http://THECRONOSGROUP.COM), [ALTRIA.COM](http://ALTRIA.COM)





## 2018 FARM BILL LEGALIZES HEMP

CBD's status hasn't changed: The FDA still prohibits the substance in food, beverages, and dietary supplements.

## UTAH LEGISLATURE SNUBS VOTERS

The state legislature substituted its own law for a medical marijuana initiative approved by a majority of voters.

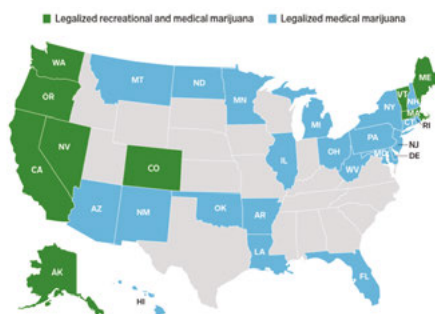


## TAX COURT AFFIRMS IRS CODE 280E

The landmark decision reinforces the IRS's denial of business expense deductions from federal income taxes.

## CANNABIS WINS IN 2018 MIDTERMS

In ballot boxes across the country, voters supported policies and candidates that will change cannabis policy.



## U.S. SURGEON GENERAL: 'CANNABIS DESERVES RESEARCH'

While he's skeptical about some medical claims, Jerome Adams said removing cannabis from Schedule I would enable scientific exploration.



# 75%

of cannabis retailers fail at least one inventory tracking requirement.  
(Source: Adherence Compliance)

## MEXICO'S SUPREME COURT NIXES BAN

The country's highest judicial body ruled a government ban on recreational use violates the constitution.



## TEXAS MED PROGRAM NOT KEEPING UP

Three years after the state passed a restrictive medical law, fewer than 600 patients are receiving treatment.

# 84%

of consumers believe cannabis has valid medical uses.

(Source: New Frontier Data)

# 73%

of medical cannabis patients substitute cannabis for some of their pharmaceuticals.

(Source: New Frontier Data)

# 94%

of medical cannabis patients report their conditions improved after beginning treatment.

(Source: New Frontier Data)





## CANNABIS VS. ALCOHOL



**46%**

of cannabis users who drink  
prefer cannabis  
over alcohol.

**28%**

of cannabis users who drink  
like cannabis and  
alcohol equally.

**17%**

of cannabis users prefer alcohol  
to cannabis.

**46%**

of cannabis users who drink likely  
will replace some of their drinking  
with cannabis in the future.  
(Source: New Frontier Data)

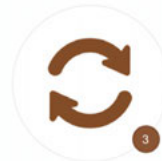
## RECYCLER SEEKS AFTERMARKET USES FOR CANNABIS WASTE



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SILVER SPRING, Md. — 9Fiber, a startup that has developed a patented process for turning green cannabis waste into usable raw materials, received a \$250,000 grant from the Colorado Office of Economic Development and International Trade to find aftermarket uses for the recycled material. The company is investigating bioplastics, construction materials, textiles, and animal bedding and expects to open a production facility in Pueblo, Colorado, in late 2019 or early 2020.

Chief Executive Officer Adin Alai said his company hopes to convince American manufacturers now importing industrial hemp that 9Fiber's three-step recycling process, which uses chemicals to remove all traces of THC and CBD from the waste matter, produces fiber as good as virgin plant material. The company will process both marijuana and industrial hemp.

Colorado is only the third state in the country to provide tax dollars to a cannabis company for a non-medical project. Kentucky and New York have provided development funds to hemp startups.

9FIBER.COM



### *FDA COMISH: 'POLICY RECKONING COMING'*

After opining cannabis has no therapeutic value, Scott Gottlieb admitted the agency has no authority to target recreational use.

**66%**

of 18- to 34-year-old cannabis users  
consume at least once a week.

(Source: New Frontier Data)

**44%**

of cannabis users 55 and older consume at  
least once a week.

(Source: New Frontier Data)





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64%

of male cannabis consumers partake at least once a week.

(Source: New Frontier Data)

53%

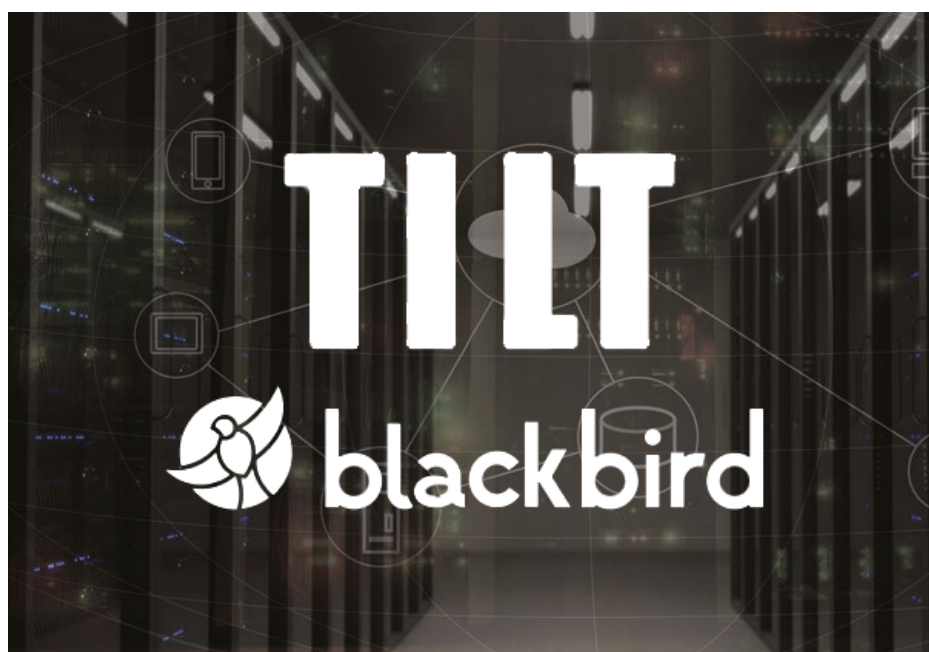
of female cannabis consumers partake at least once a week.

(Source: New Frontier Data)

36%

of cannabis consumers partake at least once daily.

(Source: New Frontier Data)



## TILT ACQUIRES BLACKBIRD, STANDARD FARMS

**BOSTON** — TILT Holdings Inc., a vertically-integrated infrastructure and technology platform serving the cannabis industry, expanded its capabilities in the cultivation and logistics spaces with acquisition of startup software and distribution company Blackbird Holdings Corp. and multi-state greenhouse cultivator Standard Farms.

Blackbird works with more than 250 wholesale and retail cannabis operators in Nevada and California to transport an average of \$30 million in wholesale products every thirty days. The operation plans to expand to Massachusetts and Arizona in 2019. In addition to back-end services, the company also operates consumer delivery service BlackbirdGo in California. TILT paid \$5 million in cash and \$45 million in securities for the deal.

The Standard Farms deal, which cost TILT \$12 million in cash and \$28 million in securities, gives the Canadian Stock Exchange-traded holding company a greenhouse grower with more than 95 percent of the Pennsylvania market.

[TILTHOLDINGS.COM](http://TILTHOLDINGS.COM), [MYBLACKBIRD.COM](http://MYBLACKBIRD.COM)

## CANNABIS PATENT APPLICATIONS SOAR

Applications have tripled since 2016, raising concern “patent trolls” could hamstring the industry.



## STUDY: DISPENSARIES REDUCE OPIOID OVERDOSES

New research indicates communities with dispensaries suffer fewer deaths from prescription, synthetic, and illicit drugs.



## CALIFORNIA LAB LOSES LICENSE

State regulators discovered Sequoia Analytical Labs' testing director falsified reports about pesticide residue tests.





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# What Was Hot in Pot Retail in 2018

INSIGHTS BY



**BDS Analytics**

The legal US cannabis industry experienced a boisterous 2018 to say the least. Consumer spending exploded, hitting an estimated \$11B – nearly a 30% increase over 2017.

Let's take a step back and review What Was Hot in Pot Retail in 2018.

1

Our consumer research reveals shoppers are diverse, on average in their 40s (wide age range from 20s to 60+), enjoy cannabis once a week, and are physically active, social and more satisfied with life than non-Consumers.



Flower, the most popular cannabis consumption method, most of which is unbranded, commands just 43 percent of the market (through Q3); and its market share is trending downwards.

2

3

2018 saw increasingly more ways to ingest cannabis, as industry scientists explored the plant in greater detail. Keep an eye on beverages and a blossoming interest in infusing cannabis products with terpenes during 2019, among other trends.



Terpenes? CBD? Cannabinoids? Potent compounds pack the plant, and brands increasingly leverage them for specific applications, such as sleep, taste, and energy. Product development is exploding and benefiting consumers who are becoming more discerning with what they purchase.

4

5

The emergence of the affluent cannabis consumer is gaining momentum across most markets. These upscale consumers are dreams for many kinds of brands, as they increasingly look to narrow and target their marketing and product development efforts.



Some of the top products from state-to-state serve up 5 milligrams or less of THC per bite, drop, or other means of consumption. That's considered low-dose, and the movement toward weed with less wallop is expanding.

6

So, what does 2019 have in store for industry insiders, investors, and consumers? The full range and lasting power of emerging trends is still yet-to-be-determined. But one thing is sure — trends will rise, and the rest of the world will take notice. Here's to a great year!



This infographic was created exclusively for *mg Magazine* readers



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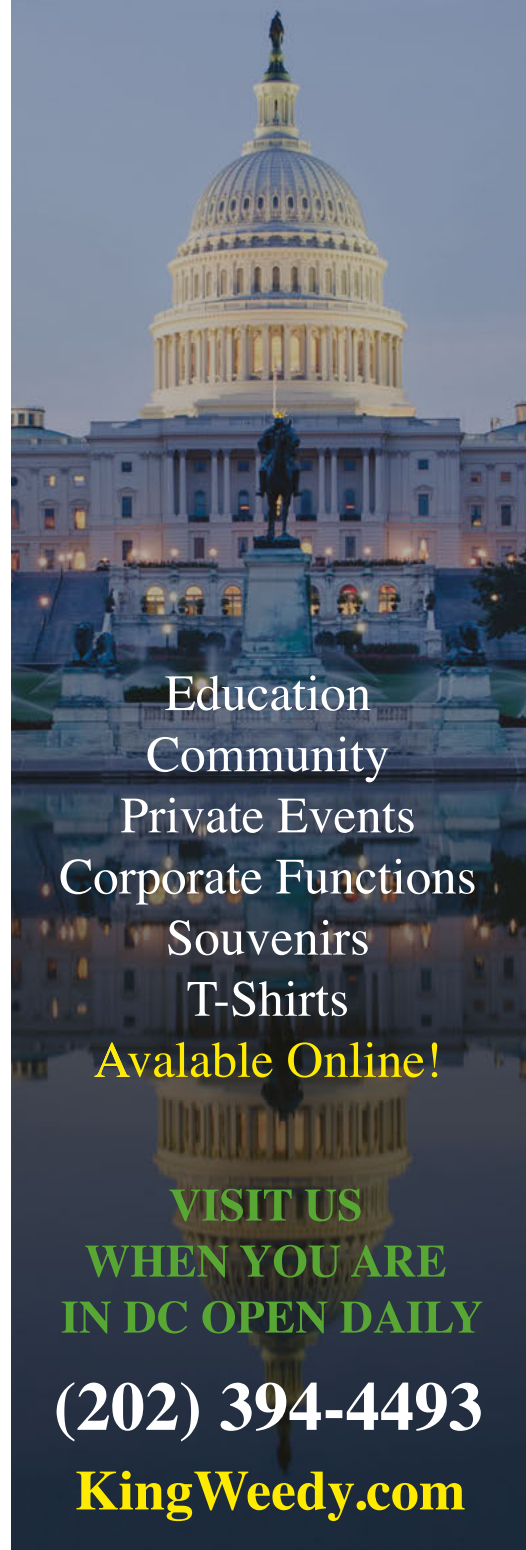








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## EVENTS



## CALENDAR OF EVENTS

*The following is a list of select industry events taking place during January 2019.*

### NEW ENGLAND CANNABIS CONVENTION SPRINGFIELD **JANUARY 12-13**

**Mass Mutual Center, Springfield, Massachusetts**

Presented by New England Cannabis Network, NECANN Springfield is the first industry convention for Western Mass and surrounding markets. The event serves both business-to-business and business-to-consumer communities as well as patients and caregivers. All facets of the cannabis industry for medical and recreational markets are represented.

**NECANN.COM**

### ED ROSENTHAL'S WONDERS OF CANNABIS SEED AND CLONE EXPO

**JANUARY 19**

**SONOMA COUNTY FAIRGROUNDS, SANTA ROSA, CALIFORNIA**

An expected 100 vendors will sell advanced genetics in everything from seeds to clones from around the world. Supplies growers need to get ready for spring planting—including soil, nutrients, containers, and other tools—will be available. In addition, two educational panels will be offered: one about cultivation techniques and methods and another featuring seed and clone breeders discussing techniques and their results.

**WONDERSOFCANNABIS.COM**

### INDO EXPO DENVER

**JANUARY 26-27**

**DENVER MART, DENVER**

Expected to attract more than 350 exhibitors and 5,000 attendees, Indo Expo Denver will see decision-makers convene to source products showcased by companies and brands representing equipment, lighting, nutrients, greenhouses, supplies, tools, lifestyle and ancillary goods, and services such as legal, HVAC, IT, packaging, labeling, security, real estate, staffing, HR, brokers, and consultants. The Industrial Hemp Pavilion will showcase products made from U.S.-grown hemp.

**INDOEXPO.COM**

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## OUTER ELEMENTS PHOTOGRAPHY

Harvest time at Williams Canna Co. in Southern Oregon's lush Applegate Valley drew the eyes and lenses of Outer Elements photographer Aaron Rogosin and producer/art director Shayna Goldstein. With more than ten years of commercial experience, the pair brings a unique perspective—metaphorically and literally—to their work. Their motto: "We chase adventure, live the dream, and take lots of photos along the way."

@OUTER\_ELEMENTS















RICARDO BACA

# Big Tobacco, Pharma, and Alcohol are All-in on Cannabis. What Now?

UNTIL recently, the popular photoshopped cartoon of Marlboro cigarettes—with a serrated cannabis leaf in place of Philip Morris International’s gilded crest—was little more than an internet prank.

Life imitates art even in the fast-moving marijuana market. Marlboro parent company Altria announced a \$1.8-billion investment in Canadian cannabis company Cronos in December, thus completing a mass-market hat-trick that has been a domineering subject of discussion ever since Colorado and Washington voters legalized adult-use cannabis in 2012.

With Altria’s investment heard around the world, Big Tobacco joins Big Pharma and Big Alcohol as out-and-proud owners of legal cannabis businesses.

It’s no surprise to anyone paying attention. Each of the profits-first, health-second industries stands to lose market share as cannabis

becomes increasingly legal. Even more important: As modern research continues to illuminate marijuana as a safer, less addictive, non-toxic alternative to the drugs peddled by the behemoth industries, the Big Three stand to lose some of their most dedicated consumers.



WHAT DO ALCOHOL,  
TOBACCO, AND PHARMA  
INVESTMENTS MEAN  
FOR THE CANNABIS  
INDUSTRY, EXACTLY?

If a Marlboro loyalist switches to his neighborhood dispensary’s Kush varieties, or if a Corona drinker chooses a cannabis-infused, alcohol-free beer instead, or if that patient

relying on fentanyl changes her pain-relief regimen to include medical cannabis, Altria, Constellation Brands, and Insys Therapeutics, respectively, still want a piece of the purchases.

“Companies that I wouldn’t have imagined were interested in the [cannabis] space are actively looking at it now,” Brendan Kennedy, chief executive officer for Canadian marijuana company Tilray, told Bloomberg in August. (Worth noting, via the story: Tilray “has a partnership with a division of Swiss pharma giant Novartis AG to develop medical cannabis products.”)

But what do these investments mean for the cannabis industry, exactly?

Let’s start with the good. These big moves mean more capital for an industry that still needs it. In his brief, two-sentence quote celebrating December’s big investment news, Altria CEO Howard Willard mentioned the “exciting new growth”



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as well as “significant growth potential.”

Sure enough, Cronos CEO Mike Gorenstein spoke the same language in media materials announcing the merger: “Altria is the ideal partner for Cronos Group, providing the resources and expertise we need to meaningfully accelerate our strategic growth. The proceeds from Altria’s investment will enable us to more quickly expand our global infrastructure and distribution footprint, while also increasing investments in [research and development] and brands that resonate with our consumers.”

*Resources. Strategic growth. Increasing investments.*

Marijuana businesses need these investment resources for growth, and pharmaceutical, tobacco, and alcohol corporations increasingly are open to sharing the wealth.

This is only the beginning. Imagine

what the corporate cannabis landscape will look like in coming years when it’s not just risk-averse early adopters making billion-dollar investments—because we’re not far from a future where companies such as British American Tobacco, Diageo, and Pfizer start throwing their billions around.

Much of this investment will be a boon for fledgling cannabis businesses—but the arrival of some of these corporations, with their complicated histories and unethical business practices, also casts a precarious shadow on the youthful marijuana space.

Which brings us to the bad.

Altria owns Philip Morris International, a company with a pockmarked past covering the spectrum from forced labor to child labor, marketing fraud to misleading scientific studies—not to mention much, much worse.

While pharmaceutical giant Insys Therapeutics isn’t investing in existing cannabis companies, it is selling its FDA-approved Syndros to patients who may benefit from its synthetic THC—as it also sells its highly potent fentanyl-based sublingual spray Subsys. In fact, as a result of multiple federal and state investigations into the company’s aggressive sales and marketing practices, Insys’s founder was charged in 2017 with bribing doctors to prescribe Subsys.

As I wrote for *Esquire* in 2017: “Insys or its personnel allegedly paid medical professionals to step up their Subsys prescriptions and also marketed the opioid for off-label use, a federally illegal act for pharmaceutical companies. Also worth noting, especially given the timeframe: 2016 was the year America’s opioid problem blossomed into a federally recognized epidemic, and it was also the year significantly



less-addictive cannabis gained traction as a possible alternative to opioids, luring progressive supporters like Elizabeth Warren to the cause.”

(Fun fact: Guess who was the largest contributor to the successful campaign to defeat Arizona’s adult-use marijuana initiative in 2016? If you guessed Arizona-based Insys Therapeutics, you’re correct.)


Alcohol giant Constellation Brands, which makes Corona, Modelo, Pacifico, and other alcoholic beverages, is the force behind the largest cannabis investment from this space to date via a \$4 billion purchase into Canadian outfit Canopy Growth. While Constellation doesn’t have the devious track record of Insys or Philip Morris International, earlier this year it faced protests in Mexicali, Mexico, where locals claimed the company’s proposed brewery would deplete water resources in a community that already was strapped for potable water.



THE ARRIVAL OF  
MULTINATIONAL  
GIANTS COMPLICATES  
THINGS TREMENDOUSLY  
IN THE COMPARATIVELY  
TINY MARIJUANA INDUSTRY.

“They’re going to leave this region without the resources to live a dignified life,” one organizer told NPR.

The arrival of these multinational giants complicates things tremendously in the comparatively tiny marijuana industry. We’ve learned, by experience, not to trust some of the more mature substance-peddling companies—and now that the same corporations are helping to grow the cannabis and produce the marijuana-based products we’re consuming, that inevitably changes our relationship with the plant.

Or at least it changes how closely we examine a cannabis product’s label before making a purchase. 

---

*RICARDO BACA is a veteran journalist and thought leader in the legal cannabis space and founder of Grasslands: A Journalism-Minded Agency, which handles public relations, content marketing, social media, events, and thought leadership for brands and executives in legal cannabis, hemp, and other highly regulated industries.*

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# How to Create Great Packaging in 4,952 Easy Steps

*The key is knowing where to start.*

BY KARY RADESTOCK,  
CEO, HIPPO PREMIUM PACKAGING



**Y**OU have a cannabis product. It needs to be packaged. Sounds simple enough. So, you find some container to stick it in, slap on a label, and you're off to the races. Thankfully it's not that easy, or I would be out of a job.

Seriously, there are so many considerations when it comes to developing a packaging solution for a cannabis product that this column could be 100 pages long. But to keep it short, I'm going to highlight some of the most important factors every cannabis business owner and brand manager needs to think about.

First and foremost, understand packaging is the link between your customer and your product. No amount of advertising can get a customer to purchase your product if the packaging looks unattractive or, worse, creates an impression of a sub-par product. Even bargain-basement products need to look appealing. Accordingly, the first place to start is with design.

## **RULE 1: GREAT PACKAGING STARTS WITH GREAT DESIGN**

Packaging needs to be designed so it evokes feelings that are in harmony with your brand. Good design stands out on a crowded shelf and immediately conveys a complex message about your product's strengths, attributes, and benefits. Your package is the essence of your brand in your customer's hands.

Wait a minute. So, before you design your packaging, you need to create or refine your brand.

## **NEW RULE 1: GREAT PACKAGING STARTS WITH A GREAT BRAND**

Sorry for the confusion. Let's carry on.

Customers see your packaging as the essence of your brand. Accordingly, you need to make sure your brand speaks to customers in a way that is authentic and connects with them on a visceral level. Your brand lives in the hearts and minds of your customers, so what do you want them to think and feel every time they use your products?

We recommend doing a complete brand analysis to determine what your brand stands for, what promises it can deliver, and what type of person is most likely to respond to your message.

Of course, this also requires a bit of competitive analysis, which already should have taken place.

## **NEW, NEW RULE 1: GREAT PACKAGING STARTS WITH UNDERSTANDING THE COMPETITIVE ENVIRONMENT**

Carrying on. While you can compete with whomever you choose, smart marketers find a niche in which they can dominate. No sense trying to go head-on with Coca-Cola. They can out spend,





out maneuver, and out muscle you at every turn. But if you have something Coca-Cola doesn't (real or perceived), then you can exploit that to your advantage. This is where creative minds determine your products' strengths and attributes and then find ways to promote the unique and wonderful things about your brand. Whether your products are upscale or inexpensive, designed for young or old, for males or females, choices come out of a foundational understanding of what is already in the market, whose position can be overtaken, and how dominant a position your competitors have secured.

Of course, your company is your company, and you can't just change it in order to create product packaging. So, it's important you start with a solid company that can produce the types of products that make you proud and will resonate with consumers. The buying public can smell an inauthentic brand a mile away, so the first step in creating a great package is making sure the company behind the package is everything you want it to be.

Darn it. We're never going to get past Rule 1 if we have to keep starting over.

### **NEW, NEW, NEW RULE 1: GREAT PACKAGING STARTS WITH A GREAT BUSINESS**

Creating a great business is an excellent place to start when designing new packaging. But first, you'll need financing, a business plan, and so much more.

Of course, with the myriad rules and regulations impacting the cannabis industry, it is vital your packaging be compliant. This means everything from using the correct and required notices to fonts being the correct size to certified child resistance. Everything must be properly addressed.

### **THE NEWEST RULE 1: GREAT PACKAGING STARTS WITH A WELL-ROUNDED UNDERSTANDING OF COMPLIANCE**


If your cannabis packaging isn't compliant, it very well could wind up in the trash bin. This actually has happened

to several companies, and they are out a ton of money and time because they didn't understand current packaging regulations.

Accordingly, when you start designing your cannabis product packaging, make sure you work with someone who knows the rules inside and out, so your product doesn't just look great, but also passes regulatory requirements.

Therefore, it probably makes sense to contact a packaging, design, compliance, and branding expert before you start your project.

### **THE REAL RULE 1: GREAT PACKAGING STARTS WITH CONSULTING AN EXPERT**

Carry on. 

---

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# A Modern Makeover

*Garden of Eden's redesign transformed the shop into a cannabis oasis.*

**F**OR more than a decade, Garden of Eden resided in a nondescript building with mirrored windows and no signage. The utilitarian digs didn't hamper the Hayward, California, dispensary's success, but as the shop turned fourteen, the owners decided a makeover was in order. They turned to award-winning Bay Area design firm Sand Studios, whose clients include BMW and the Oracle Arena, for a dramatic design overhaul.

"I remember the first time going to Larissa Sand's office and fabrication shop and thinking to myself, 'This is gonna be good. Really good,'" said Chief Financial Officer Shareef El-Sissi. He was impressed with the industrial Scandinavian aesthetic Sand envisioned for the dispensary: marble, wood,







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soft back-lit fixtures, and custom metalwork.

Sand covered the shop's exterior with welcoming ivy, leaving only the logo cut out and backlit against the foliage. Custom metal front doors, a hallmark of Sand's design aesthetic, complete the facade. Inside, the lobby is warm and inviting with a simple wooden check-in desk, back-lit hues of purple, green, and scarlet, and cream-colored walls. Blinking state-of-the-art menus and educational flat screens dot the walls, and product display shelves have been carved out in various arcane shapes that are easy to peruse and futuristically groovy-looking. A brushed-marble floor completes the look.

"We were super-pleased with the outcome," said El-Sissi. "We strive for perfection. I want to be the three-Michelin-star of dispensaries."

### DESIGN PHILOSOPHY

The dispensary's building wasn't the only thing to receive an update: Among other contributions to the new aesthetic, Barry Lai of Design Rehab redesigned the logo. Lai, a multidisciplinary art director based in San Francisco, is known for creating unique digital and analog experiences. "At the core of these solutions is visual communication, an art form that must be succinct, direct, and lasting," he said.

Lai's Garden of Eden logo represents many things—especially the company's East Bay heritage. "Of course, it is symbolic of the Tree of Knowledge and the forbidden fruit," El-Sissi said. "But if you are a San Francisco local, you will also see representation of the [Bay Area Rapid Transit] map with Garden of Eden as the forbidden fruit."

Laid noted, "The red hue sparingly calls attention to important aspects. The idea behind the brand was to not only have it speak for itself, but also give the consumer a great out-of-box experience with everything from the remodel to the packaging."

Color was employed to deliver a subliminal message in other ways, as well, according to Sand. "An ongoing exploration of thoughtful minimalism is what I was hoping to achieve through our color blocking," she said. "The idea was to communicate quality through a clean, streamlined ecosystem."

### CLIENTELE

The Garden of Eden team wanted the remodel to coincide with the advent of adult-use. The objective: to have the entire project completed before what they expected to be tidal waves of new consumers began flooding the market and searching for a shop to call "home." The team never intended to change the dispensary's loyal base, but they did want to attract a wider demographic. "We wanted it to be eye-catching and for people walking by to be drawn in; to [want to know] what lies behind the greenery," said El-Sissi.





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According to Director of Sales and Marketing Nick Rose, the tactic worked. “I overheard an elderly woman and middle-aged gentlemen who were waiting in line,” Rose said. “The gentleman was saying how much nicer it felt to be in the store than before. I approached and asked them how long they had been customers. He responded, ‘Since 2010, but I never brought my mother along until you guys remodeled.’”

Although an important part of the agenda, broadening the demographic did not encompass appealing to everyone. “We have no intention of losing our DNA with the shifting supply in the market today,” he said. “We curate our offerings with a focus on quality and value. If you are into the Cheesecake Factory, we may not be your cup of tea.”

### MERCHANDISING

The shop’s new “merchandised coves” wall displays have thoroughly modernized customers’ retail experience, according to Sand. “We are habitual shoppers by nature, so it was important to consider Garden of Eden’s archetype of clients by populating these coves with the best flower,” she said. “Making clients’ experiences enjoyable while also providing them with anticipation for amazing seasonal goods keeps their expectations high and the shop’s design approach honest.”

### FUNCTIONALITY

The makeover addressed not only aesthetics, but also functionality. In addition to Garden of Eden, “we are also the founders of a retail management software named Treez that helps dispensaries become as efficient as possible,” said El-Sissi. As the redesign proceeded, the team leaned on the software’s ability to optimize retail operations. “I think we have accomplished the over-the-counter model quite well here,” El-Sissi said, adding Garden of Eden will serve as a prototype for expansion. “Our next shops will showcase the next wave of retail operations with less over-the-counter and more personal interactions.”

### SALES

The redesign has had a significant impact, according to El-Sissi: The shop now sees a more affluent consumer, and sales are up by more than 50 percent. More than 800 customers visit on some days. El-Sissi admitted some of the increase in clients may be attributable to tax-based price increases at competing dispensaries. Garden of Eden’s prices haven’t changed. “We felt our customers were already paying the right price, so we chose not to inflate [them],” he said. “We survive due to our business relationships with vendors.”

He added, “Hayward is not a tourist area, so we focus on providing the best products to locals and connoisseurs.” *me* —Rob Hill





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Purple Line Media team, from left: Junior Designer Erica Luzaich, CEO Elizabeth Kost, Senior Designer Brooke Crane, and President Jason Foraker. Photo: Abigail Huller

# Purple Line Media's Strategic Approach

*Brands don't get a second chance to make a good first impression.*

**M**ANY cannabis entrepreneurs take pride in bucking traditions of the mainstream business world. Sometimes, though, it's better to tweak a norm than outright defy it. It's in the space between rebel and remodeler that Purple Line Media works, leveraging proven strategies as well as employing nonconforming new ones to gain maximum exposure for cannabis companies.

Elizabeth Kost and Jason Foraker founded Purple Line in 2014. Kost, who serves as the company's chief executive officer, formerly worked as a production artist and packaging specialist in the alcohol industry. Foraker is an award-winning consumer packaging designer who has worked with sporting goods, electronics, and fashion companies.

With successful careers already in place, Kost and Foraker did not need to transition into cannabis, but they were attracted to a new and exciting space that was ripe with opportunity. "Jason and I were in a dispensary back in 2014 and thought, 'Wow, these guys could really use some help with their packaging,'" Kost said. Now, "We get to brand the eventual Coca-Colas of cannabis."

The wide-open space possessed another draw: Tight regulations prohibited many of the creative marketing and packaging solutions employed in other industries. Where other agencies might have seen a challenge, Kost and Foraker saw an advantage. "You have to know the compliance piece really well [to work in the

alcohol industry], which helps to keep most of our [cannabis] competition at bay," Kost said.

That's not to say cannabis campaigns are easy to design and execute. For example, mainstream marketers often rely on Facebook and Google to spread their messages, but those avenues are off-limits for cannabis. In that kind of environment, product packaging takes on an outsize role, serving not only as a protective container but also as an advertising-and-marketing medium, educational resource, and conversation starter. "In cannabis, consumers will experience your package before they even experience the product," Kost said. "If the packaging looks cheap or the branding is ineffective, it influences the way consumers feel about your product."

While development costs from conception to dispensary shelves can be quite high, Kost advises cannabis entrepreneurs to avoid skimping on packaging costs. After four years in the industry, she still is surprised that producers spend an enormous amount on permits, seeds, and lighting equipment but hesitate to budget appropriately for packaging. "You



should be just as precious with your packaging design time and spend as you are with producing the actual product,” she said. “These two pieces go hand in hand.”

She also believes cannabis companies that throw all their packaging and marketing dollars in one direction—at digital designers, for example, who may be great at creating websites but lack experience in the limitations imposed by physical materials—are making a mistake. “That’s like hiring a painter to fix your roof,” Kost said.

Another mistake is born of cannabis’s status as a fledgling industry populated primarily by startups: Product creation and perfection takes precedence over everything else. But, Kost pointed out, what good is having the world’s best product if no one knows it exists? That’s why she spends considerable time educating potential clients about the importance of branding. “They’ve never done this sort of thing before,” she said, noting that some companies turn to low-cost, online creative platforms like 99designs and Upwork for help because they simply don’t realize strategic, professional design by cannabis specialists is available and affordable.

According to Kost, one of the biggest mistakes cannabis companies make is looking at branding, marketing, and packaging as separate efforts. In fact, she said, “your brand story, design, communication materials, packaging look, and product offering should all center around the strategy you employ to reach a target consumer.”

The time and energy Kost expends educating clients pays off when what they created together takes off. While choosing a favorite project would be much like choosing a favorite child, Kost said one effort stands out: Cannabis for Cause’s Alice in Wonderland theme. “We did this really great apothecary look that incorporated anthropomorphism,” Kost said. She also said the project likely will be the last whimsical design Purple Line will create, because packaging regulations in most legal states now prohibit anything that might appeal to children in any way.

Other clients have benefited from Purple Line’s playful approach to design: Aces’ disposable vape pens are packaged in boxes that look like decks of cards, and Weird Science’s shatter disks are presented in packages that resemble the computer mainstays of yesteryear, floppy discs. Whimsy works in design, Kost said, partially because it engenders a sense of nostalgia.

Of all the reasons to integrate product production, branding, marketing, and packaging, Kost cites one as far and away the most convincing: When a strategy is unified and executed by professionals, the bottom line benefits.

“One of our very first clients was Big Pete’s Treats,” she said. “I had seen his packaging in dispensaries, and it was basically a clear bag with a sticker that had a cartoon of Pete.” Purple Line’s brand redesign accomplished much more than giving Big Pete’s Treats an up-to-date, hipper vibe. Soon after the new design launched, Big Pete’s Treats saw a 60-percent jump in monthly sales.

Humboldt Alchemy Group experienced a similar boost after

receiving “the Purple Line treatment”: Within thirty days of a new product’s launch, the company recouped its dry goods cost, according to Kost. For startups, that kind of capital recovery is both astounding and invaluable.

Because she’s the “practice what you preach” type, Kost is using all the advice she gives her clients in her own first foray into the cannabis products realm: a terpene-infused fragrance called Fog & Tree. “This is the first all-natural fragrance on the market that is infused with real cannabis terpenes,” she said. Fog & Tree is meant to transport the senses to the Redwoods of Northern California. The packaging, marketing, and branding efforts all rely on an elegant, minimalist aesthetic, in part because the target market is upscale consumers, but also because “our fragrance contains zero THC, and the [Food and Drug Administration] recognizes cannabis terpenes as safe for humans,” Kost said. “So, our fragrance is federally legal” and will be marketed in all fifty U.S. states. —*Danny Reed*

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*At the core of Purple Line Media's philosophy about product packaging lies a tried-and-true retail concept called “the rule of fives.”*

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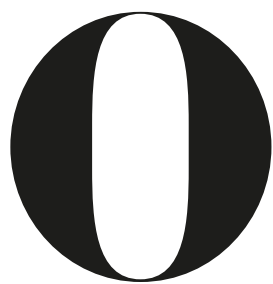


# Jim Belushi comes full circle

Cannabis farming helped heal Jim Belushi's traumatic life. Now, he wants his farm to help heal the world.

BY TOM HYMES





Over a span of three years, Jim Belushi's tentative first steps into the cannabis industry morphed into full immersion. The founder and operator of Belushi's

Farm threw himself into the deep end of the pool at MJBizCon 2016 and hasn't stopped soaking up knowledge since. Today, the ninety-three-acre spread in southern Oregon hosts a 22,000-square-foot, state-licensed grow that puts Belushi's Private Vault on the shelves of dispensaries statewide, but Belushi said he is nowhere near finished with his education.

"I started learning three years ago," the actor/producer/musician/cultivator said in mid-November as he prepared for his third sojourn to the Las Vegas event. "I feel like last year I got my associate degree from junior college, and now I'm moving on to my master's program. I understand everything that goes on with the plant, and now I'm learning the business aspect of it.

"The first [MJBizCon] blew me away. The second one, I was, like, 'Okay, I feel like I'm getting it.' This year, I feel like I belong there," he said with a slap of the hands. "I'm ready to be with all the guys and gals that I have developed relationships with for the past three years And I'm really looking forward to it. There is so much to do, I'm a little overwhelmed."

On the farm, which he visits once a month on average, Belushi is a self-described "hands-on, boots-on-the-ground kind of guy," who isn't afraid to touch the plant. To the contrary, he exclaimed, "I'm growing the shit. I'm growing it. I'm flushing the irrigation two weeks before [harvest]. I'm cloning. I mean, Captain Jack wouldn't let me clone his [plants], but I'm in there every day with my finger in the swamp."

### CAPTAIN JACK

Captain Jack, of course, is the venerated grower and protector of the priceless Gulzar Afghanica cultivar, which was discovered in the Mazar-I-Sharif region of Afghanistan and presumably is still grown there. The bud from the plant famously became the "smell of SNL" back in the day, when Jim's late brother, John, was a member



Photo: Belushi's Farm





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Captain Jack



Photos: Belushi's Farm

of the Not Ready for Prime Time Players and Captain Jack—the man and the bud—were a regular fixture at *Saturday Night Live* tapings.

Speaking of *SNL*, Belushi arrived early to our interview after having lunch with another early cast member. “That’s the first time I’ve been early in seven years,” he said. “I would have been later, but I was having lunch with Danny Aykroyd.” He launched into an impression of the actor cutting lunch short: “Ah, Jimmy, I gotta go.” “Okay, great, I can get across to the Valley.” “Ah, Jimmy, it’s so great to see you. Keep that smoke [from the the then-raging wildfires] away from your house.”

“He brought Captain Jack to me,” Belushi said of Aykroyd. “Nothing but love around all of this. If you’ve read some of the stuff that I’ve talked about the full circle, it’s like I’m being led. This plant is leading me somewhere. So, I’m just following it.”

Following his career as a commercial tuna fisherman, Captain Jack now works on Belushi’s Farm, and his cultivar—reportedly as pure today as when it first arrived in the New World—is one of the farm’s signature brands. According to the farm’s website, “These plants haven’t been tweaked and messed with in a lab with chemicals, they haven’t been hybridized a million times, they have been finessed and groomed to maintain the sanctity of old-world Afghani cannabis... The result is a wonderfully elusive bud with a record high quantity of myrcene [a terpene] that creates what is called the ‘entourage effect,’ where the whole is greater than the sum of its parts.”

### THE MISSION

Belushi’s Farm evokes the memory of Belushi’s celebrated elder brother, who died of an opioid overdose in 1982 at the age of 33. In a poignant tribute to John, who would have turned 70 January 24, a note from Jim on the homepage of the farm’s website reads, “I have finally come full circle, dealing with my brother’s tragic overdose. That overdose collapsed our family, and that collapse contributed to more divorces and more trauma. Now I’m on a path of more healing and more happiness. I’m not going to let my brother’s passing be in vain. I want to see the healing of communities, illnesses, and of course family. That’s why I’m here.”

That sense of mission is palpable in Belushi, who said financial gain is not his motivation.

“Is there a higher purpose and does it have to do with John? Certainly,” he said. “Does it have to do with suffering from a collapse and family trauma? Yes. Do I see a window where we can help some families through the innocence of this amazing plant? It’s a no-brainer to me. If I break even, people are getting paid, we’re putting money into the community, and people are loving their jobs...I’m doing fine.

“I’m sure the money will be there,” he added after a pause. “You lead with passion and things happen.” What he has no time for is a green-rush mentality with treasure as its only objective. Using





a theme park example to make his point, he complained, “The green-rush guys are always talking about the little X on the Pirates of the Caribbean map. Stop with the X. Tell me about the footing going up the hill.”

Authenticity also is what drew him to Oregon, which he described as “a farming community. Oregon is an agricultural community. They’ll kill me for saying it, but it’s the same kind of mentality as Humboldt. These guys have been growing in this parallel for decades. They’re connoisseurs; they’re cultivators; they love, love, love their plant.”

The farm itself is a gorgeous piece of property in the Rogue Valley. An Elks picnic ground for forty years, the property holds a lot of personal history for people. “Everybody I’ve run into in southern Oregon has said to me, ‘You know, I’ve been to that place,’” he said. “My parents got married there. We had the company picnic. Everybody’s gotten drunk on that property.”

With that history has come a certain amount of responsibility Belushi has been only too happy to take on. “When I rebuilt it, there were people in the community who said, ‘You know, my mom got married there, do you think I could...’ I spent \$10,000 just repainting the floors and fixing it up for this girl’s wedding. I think they gave me about \$4,000 for it, but I didn’t care. I just wanted her to have a good time.” The Elks also throw an annual shindig, as does the Cattlemen’s Association, who Belushi said has “been great. They come every year, throw a big party. I don’t charge them anything.”

While anything but an absentee owner, Belushi leaves day-to-day farm management to a “dream team” of about a dozen people,

including his cousin, Chris, who Belushi said is “like a general manager.” A former successful restaurateur, he “literally came to visit me and has yet to leave,” said Belushi. “He’s kind of running the management aspect, but I’m on the ground.”

## FULL CIRCLE

At sixty-four years old, with an acting resume spanning five decades, Belushi is very much at ease with a life that has allowed him the luxury of indulging his muses. “I’ve only followed what I liked,” he said. “I liked football and I played football, and then at a certain point I didn’t like football. I blew a speech in speech class—I didn’t have it prepared; it was my freshman year in college; John was already out of school—so, I walked into the room and put a fake bandana on my head and played a hippie who had been at the first Vietnam moratorium the day before, October 15. I improvised a speech in which I basically yelled at everyone for not being at the moratorium trying to keep our boys out of war. I got a D on the speech and he cast me in his play that night.”

Theater made eminently more sense than football. “There were five guys and twenty-two girls in the theater department,” he said. “I could never get a date as a tackle in football. Now girls are saying, ‘Hey, I’m dating the tackle.’ I got to meet girls and I got laughs, which made me feel good. So, I’ve just kind of followed what made me feel good, and it was the same thing with the music. John introduced me to Second City, which introduced me to *Saturday Night Live* and the movie business. Danny wanted me to





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FROM THE  
MEDICINE  
OF THIS PLANT.

—Jim Belushi



Photos: Belushi's Farm



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•US Patent 8,863,947 B2

•US Patent 9,878,821 B2

•US Patent Pending CPSC 16 CFR part 1700.20

•Child Resistant Lid Patent Pending: Pub #US-2017-0355-495-A1

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do the Blues Brothers with him, to which I said no. ‘That’s John’s and your thing,’ I said. He goes, ‘Absolutely not, Jimmy. It’s like a law firm. When one of the partners goes down, the son or the brother takes over.’

“But I didn’t know how to sing the blues,” Belushi continued. “I can do light opera, because I did that on Broadway, but not the Blues. ‘Well, you better learn,” said Aykroyd. So, I started at House of Blues with the Sacred Hearts, a Monday night band with a bunch of great musicians. Suddenly, I’m in a band. All of a sudden, my band is doing the Blues Brothers and now for twenty-five years we’ve been doing corporate gigs and benefits all over the world.

“And by the way, money came, but it was never what I was doing it for,” Belushi added. “To me, I needed the musicians to get paid. I have an improv group now—my actors gotta get paid. I have a farm now—my workers and growers have to get paid.”


Belushi’s payment is visceral. He talked quietly about a veteran with PTSD who’d seen things overseas that no one should witness. “But with your Black Dog OG, I can sleep and talk to my wife and kids,” the vet told him. When Belushi pushed back saying his own contribution was minimal, the vet insisted, “No, but you’re the steward.”

That brought Belushi up short. “I’m finding purpose every day, and it all originates from the medicine of this plant,” he said in a barely audible voice.

About his own healing, Belushi is equally frank. “My own PTSD? Come on,” he said. “People lose a family member, whether it’s in a war, car accident, or drug overdose, it collapses a family. My family collapsed,” he said of the aftermath of his brother’s death. “Collapsed. Divorce is the number one trauma. It’s like putting a child in front of a train. The trauma of coming from a collapsed family and how to survive in your life is amazing.”

When a family is traumatized to that extent, he added, “80 percent don’t make it. You can see how hard it is for them to succeed, especially with social media. I’ve never seen so much anxiety in kids between the ages of 14 and 27. I was flabbergasted when my wife told me about all the girls that are on some sort of medication to handle their anxiety. I’m like, honey, just give them a vape pen, for Christ’s sake. Something. CBD.

“This plant soothes those endocannabinoids,” he added. “It slows down the rush, and yes, it’s a medicine for me. I have a very low tolerance. I’m not an all-day guy—I’m very much a micro kind of guy—but I see what it’s doing for other families.”

Without the pressure to get rich via cannabis and driven by a determination to heal others as well as himself and his family, Belushi’s full schedule will not prevent him from dedicating himself to cannabis. “I am fully engaged in this plant and its process and its journey, and I’m going where it leads me,” he stated again. 





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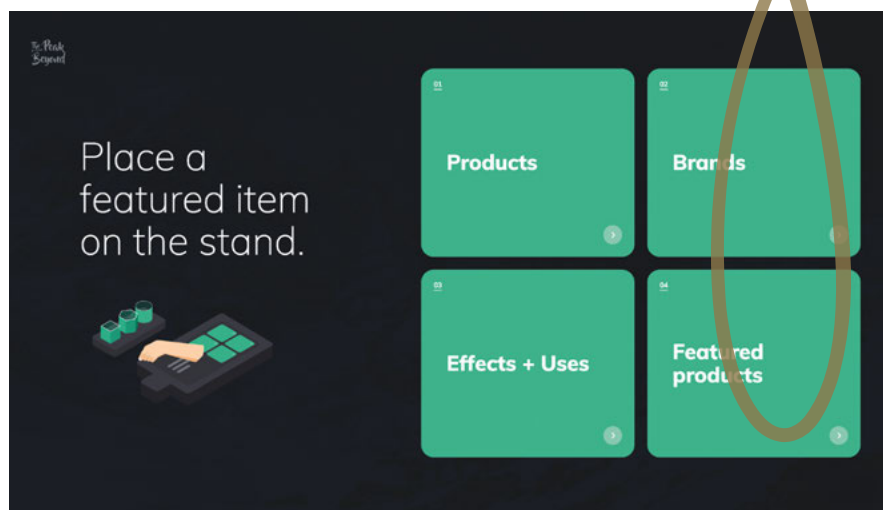
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# putting on the glitz



Cannabis retail adds bling and smarts to the menu.

BY CHRISTOPHER JONES

## CANNABIS IN THE DIGITAL AGE

While dispensaries in the past often were designed to be incognito, the new wave of retail space and architecture is all about interior design and over-the-top customer service. The Green Easy in Beverly Hills features blue velvet chairs, white marble floors, and crystal chandeliers. The Silverpeak in Aspen, Colorado, resembles a high-end ski lodge and is located down the street from Prada and Gucci. Native Roots, the most successful cannabis chain in Colorado, features a modern industrial design with cement floors, graphic wallpaper, and plenty of metal.

Look beyond the façade, though, and the first thing you'll notice at most of the stores is seamless integration of smart technology devices that begin creating experiences for customers the minute they walk in the door. Incorporating interactive displays, digital menus, express kiosks, vending machines, and customized point-of-sale platforms, today's cannabis retail operations are a far cry from the mom-and-pop shops that sold cannabis primarily as medicine over the past twenty years.

**W**HEN THE JARDIN cannabis dispensary opened in Las Vegas in 2016, discerning customers might have noticed something different about the weed shopping experience. Maybe it was Snoop Dogg sitting on a throne in the corner, taking pictures with fans and signing autographs. Or perhaps it was the hip-hop DJ and food trucks out front, and the wall of high-definition video displays with eye-popping images inside. The new pot shop in town sure wanted to make a splash for its grand opening in Sin City, and it may have landed the best cannonball since *Caddyshack*.

Jardin is hardly alone in its pursuit of canna extravagance. Dispensaries across the United States have been upping the ante and creating showrooms worthy of Tiffany and Gucci, giving customers some razzle-dazzle and a good reason to get off the couch. Stores with elegant interior design and interactive displays are becoming more the norm as they compete like any other brick-and-mortar dinosaur that wants to survive in the Amazon era.

When you look beyond the shiny display cases, digital menus and polished budtenders—sorry, “cannabis consultants”—you’ll start to see a future that looks more like an outing to the local mall than a gritty adventure to Dr. Feelgood’s office.



“Cannabis companies are faster to adopt new technology than any other industry I’ve seen before,” said Jeremy Jacobs, chief executive officer for Eyechronic and chairman of Enlighten. “It has to do with the nature of where the business was before, and it’s a younger generation that are digital natives. So, the adoption factor is huge.”

With business partner Colby McKenzie, Jacobs created Enlighten as a comprehensive in-store multimedia platform that includes text marketing, brand videos, instructional videos, and entertainment videos, all streaming to thousands of screens across 700 cannabis shops in three countries. The screens are situated on walls and interactive tables in showrooms and breakrooms, and they display everything from product menus to dispensary events and loyalty points programs. The components add up to “engagement,” a word that gets tossed around like a shiny new ball in today’s retail-speak.

Of course, before any of the gadgets and systems can be engaged, customers must enter the door. Debby Goldsberry, CEO of Magnolia Wellness in Oakland, California, has watched weed customers come through her door for the past twenty years, as the co-founder of Berkeley Patients Group in 1999 and then other dispensaries she has managed since. These days, she’s most interested in media and marketing technology to offset limited options for advertising in mainstream channels.

“We can’t advertise on Facebook or Google, so we’re looking at things like the iBudtender platform to promote our live menu to clients,” Goldsberry said. “We need more ways to get stuff in front of people and get them in the door, because word of mouth is the number-one way we get people here now.”

For brick-and-mortar shops, survival in the face of real-world and online competition requires more than just swanky interior designs to keep customers engaged. The atmosphere inside stores must entertain and educate new customers and veterans alike. Jacobs points to old-school retail companies like Target and

Best Buy, which have survived the Amazon assault by offering learning centers and video displays that make the in-store experience more meaningful, edifying, and rewarding.

Denver’s Euflores cannabis dispensary was one of the first to come out swinging with a full-fledged technology platform, which Enlighten helped design, and it’s a model MedMen (among others) later adopted. The platform is built around entertaining and interactive elements that engage consumers on a deeper level, putting products and related information at their fingertips.

More recently, some cannabis shops have taken the business model to the extreme by putting the machines front and center and the employees in a supporting role.



## PUTTING THE BRAKES ON BUDTENDERS

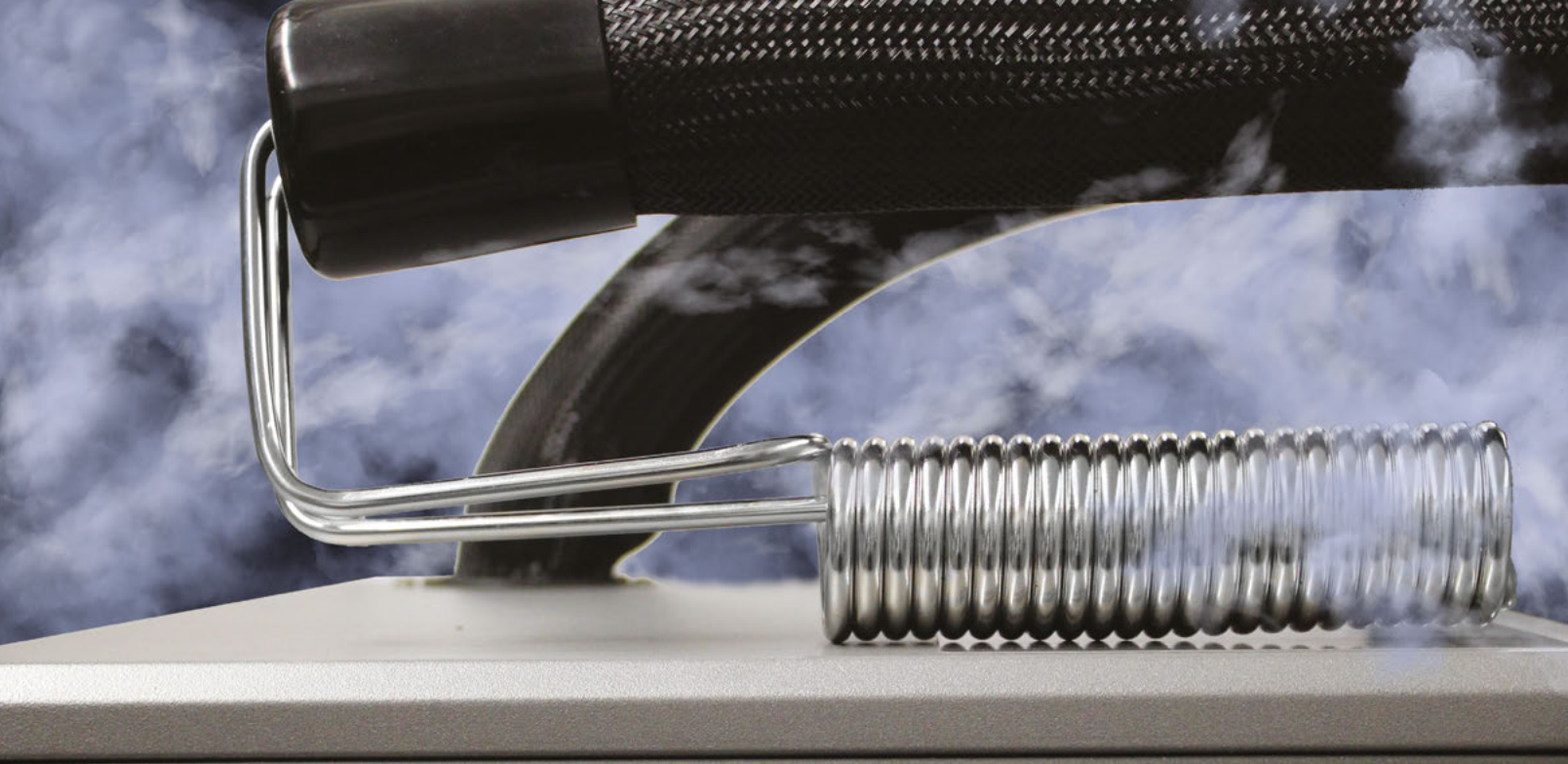
When the 805 Beach Breaks dispensary in Grover Beach, California, opened its doors in May 2018, customer engagement was a high priority. The owners took an unconventional path toward that goal. What they built represents a bold play, even in the tech-savvy climate on the California coast.

When customers walk into the store, they are greeted by cannabis consultants, who then play second fiddle to the real attraction: eleven “interactive smart displays” designed by Peak Beyond, a Bay Area startup focused on transforming consumers’ product exploration and shopping experience. With niftily packaged products on shelves around the store, customers can pick up any item and place it next to a display, which then offers detailed information provided by the brand. Not every state allows shoppers to handle cannabis products, but in California Peak Beyond is a compelling engagement tool.



Photo: Greenbox





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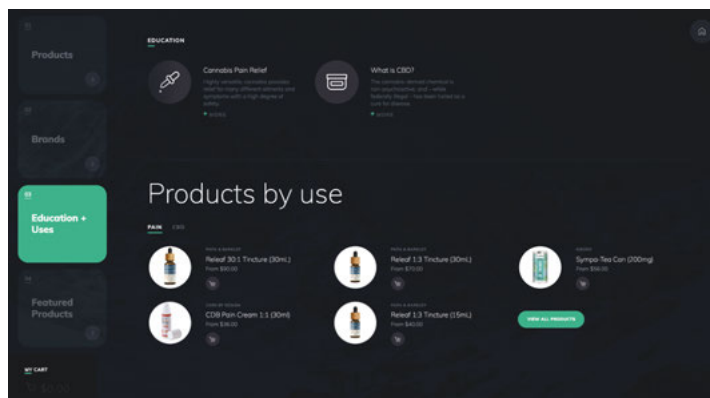
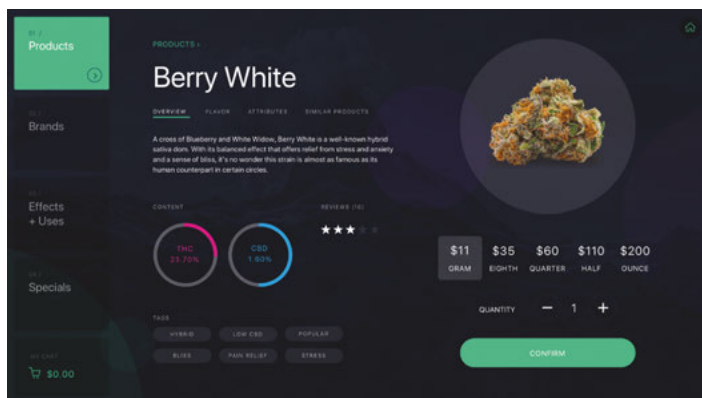
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Short Path Distillation

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Cold Trap





About 60 percent of people who touch a product will purchase it, explained Bill Stark, vice president for business development at Peak Beyond. Doing the math, if Beach Breaks sees 500 consumers per day and each handles six products on average, that amounts to 3,000 product interactions, which could produce a 40-percent increase in basket size compared to a more traditional shopping experience.

"Sometimes people are hesitant to ask questions, so we've uninhibited them with these displays," said Peak Beyond CEO Jeff LaPenna, who recalled receiving a call from the owner shortly after Beach Breaks opened. "I'm short-staffed," the owner told LaPenna, "but it doesn't matter, because the customers are crowding around the displays and helping each other make purchases—and upselling too!"

The behavioral data Peak Beyond collects via its smart displays may end up being the system's most valuable asset. A three-month pilot program at Denver's Euflora created a unique environment that promoted new PAX pods, complete with signage and smart displays. Not only did the experiment increase sales, but the featured pods also sold about five times better than other pods in the store, Stark said.

"It's a huge boon for a brand to get any data, and PAX was more excited about seeing the data than the sales lift," said John Capogna, Peak Beyond's chief technology officer. "It enables them to learn more about their customers and come back with a better pitch next time."

While so-called "pop-ups" have become a popular way of marketing in the cannabis industry—whether at an informal location or an in-store event—they are expensive to conduct and brands come away with very little data. With Peak Beyond's platform, Stark boasted, clients can see how long a customer watches a video, which products they compare, what marketing materials they read, and what combination of products they purchase.

At this point in the retail game, companies that understand data about their market, their customers, their employees, and more are best positioned to develop winning sales and engagement strategies.



## DATA = SMURFS

When Amazon changed the rules of the retail world in the 1990s and drove thousands of brick-and-mortar shops out of business, its biggest wrecking ball was data collection, algorithms, and analytical tools, which enabled the company to curate a shopping experience that is ultra-convenient, customized, and makes product suggestions based on shopping history.

Eyechronic's Jacobs has done some deep thinking about the Amazon model over the past decade. With the 800-pound gorilla of web retail in mind, he's created companies that specialize in delivering an integrated and customized multimedia consumer engagement experience, and then leveraging

the resulting data to help store owners build and retain their customer base.

He divides cannabis users into groups based on their buying habits. "Loyalists" shop in the same stores on a regular schedule and buy similar products during each visit; "die-hards" like to check out everything, spending more time in shops with bells and whistles and lots of products. And then there are "smurfs." These intrepid folks usually are tourists from other states who smurf their way from store to store, visiting as many shops as possible during their cannabis vacations. Jacobs didn't draw his conclusions about customers based on observation or anecdotes. He merely compiled data from stores across the U.S. and examined it with proprietary analytics tools.

"TrafficWise [Enlighten's analytics platform] knows every cellphone that walks into the store, how long it's there, and how frequently it returns, and now I can understand almost anything about that consumer," Jacobs said. "We make a lot of different devices and collect a ton of data from a consumer standpoint. All this information is database-connected, and all those dots can be connected. We're the guys that can connect them." He noted cellphones are tracked if consumers have opted in to one of Enlighten's services.

The company's technology platform includes interactive signage to inform and educate customers and employees, a retail analytics portal, and complementary tools that help stores and brands optimize and tailor marketing pitches and product



offerings. The goal is helping retailers reach a targeted demographic with engaging messages at the point of sale.

“Eventually, the most sought-after product will be frictionless loyalty, so they know [specific consumers are] in the store and can send offers via text, based on location,” said Jacobs. “Nobody offers that yet, but it will take over as the most important product, so I’m excited about that one. You know, technology is the most useful when it disappears into the background and just does its job.”



## KNOW WHAT THE CUSTOMER WANTS BEFORE THEY DO

Anne Forkutza has worked in customer experience and digital strategies for the past decade with some of the biggest brands on the planet, including Nike, Electronic Arts, and Starbucks. As the director of experience

at retail software developer Cova, she now is tasked with cracking the code for customer engagement in cannabis shops.

Cova produces a suite of tools—reporting dashboards, inventory management, express checkout kiosks—that integrate with its flagship point-of-sale system. When Forkutza looks at the current state of the cannabis retail market, she sees a fast-changing landscape.

“We are beyond the pot shops, and it’s less about the differences and more about the parallels to traditional retail,” she explained. “For people who hesitated to go into a dispensary before, it’s now more approachable. The audience is changing, and the way they’re shopping is changing too. That means the retail store needs to change with them.”

A big part of that change is happening via technology designed to make the in-store experience more memorable through educational, self-discovery displays, touchscreen menus with express

checkout, digital signage, entertainment videos, and more. Forkutza envisions recommendation engines that will take new consumers through a journey of sorts, leading them to the right products for the right occasions. This level of customization and personalization is what Cova’s product designers strive for as they build an integrated retail technology platform.

On the client side of the equation, Cova is trying to help dispensaries predict and recommend items based on purchase history and buying behavior, information that is bundled into outreach, marketing, and promotions. The new tech devices also can help staff work more efficiently by allowing different ways to take, fill, and transact orders.

A close look at all the technology devices already in play at cannabis shops makes one wonder if the machines are taking over. But as with most business these days, it’s about finding the right balance between technology and human interaction. “It’s



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not about technology replacing that human interaction. It's intended to connect, strengthen, and enhance that relationship," Forkutza explained.

Magnolia Wellness's Goldsberry also noted the importance of having well-trained and educated staffers who can guide customers along. "I think people like to interact with their budtender, because part of buying cannabis is the social experience and you get a boost of energy from the person providing it," she said.



## THE CURSE OF THE MACHINE

In any nascent industry, trying to predict which technologies will take off and which will be left behind is folly. That said, traditional retail shops are a good place to look for clues. It's hard to imagine automated vending machines won't play a more prominent role in cannabis soon, particularly for shops that have long lines, impatient customers, and overworked budtenders.

But it's been a bumpy start, to say the least, for early entrants in the vending game. American Green was one of the first out of the gate, but soon got derailed with its ill-fated project to turn a town near Las Vegas into a weed production hub and tourist center. Oakland-based Grasshopper Kiosks looked like a promising new player until software problems, jams, incorrect change, and other issues prompted many of its trial clients to send the machines packing. And then there was MedBox, an early player that had plans to be the "Walmart of weed" but crashed and burned after a Securities and Exchange Commission investigation revealed 90 percent of its quarterly revenue resulted from "sham transactions."

The curse of the weed vending machine runs deep.

Greenbox Robotics CEO Zack Johnson hopes to turn the tide with his new machine that uses a robotic arm to pluck products from a refrigerated safe. He is optimistic about the machine's unique design and reliability.

"You have only one opportunity to introduce a product for the first time, and my plan is to deploy when this machine is working seamlessly," he said. "We cover our tracks in terms of how they function in the field, and the market is only growing. I want to be part of that future. To me, it's about coming out with a minimum viable product and then evolving the technology from there."

The Greenbox can vend multiple items in a single transaction and incorporates a dynamic upsell feature: If someone buys a PAX cartridge, for instance, the machine could suggest a battery purchase, as well. Johnson said the machine is designed to hold about eighteen to twenty-four SKUs, which would allow clients to offer products in each of the most popular categories (flower, edibles, oils, etc.).

Johnson recently placed an order for fifty of his machines to be assembled and expects to start rolling them out to dispensaries and other retail outlets soon. Los Angeles's Erba Collective will be one of the first installations.

For CBD-only machines, the possibilities are even greater. CBD products coming soon to a carwash near you?

"So far, the feedback we've gotten has been great, and people love the design and the robotic arm," he said. Whether the robotic arm has any curse-breaking abilities remains to be seen. And whether it's vending machines, automated kiosks, or drones dropping products directly on a consumer's porch, the future of cannabis retail looks to be on a parallel path with other retail markets.

"A lot of what we're seeing in general retail is going to bleed into cannabis retail, and that is the end consumer being more empowered with different ways to educate themselves and having multiple ways to order items," said Forkutza. "Whether they reserve online, buy online and pickup, or buy online and ship to home, prepaying for items or self-checking-out, the future of retail is more options for that end consumer to shop and buy and educate."




## BEST BUY CANNABIS

So, the future for cannabis retailers is... Target? Best Buy?

Considering the challenges legacy retail giants have had to overcome since the advent of online shopping and Amazon's Prime revolution, it's no small achievement they survived and even are expanding their footprint in some markets.

For cannabis operators who hope to succeed in the retail space, at least one lesson is clear: As consumers become savvier about weed in its various forms and functions, shopping will be less about preferring sativa over indica and more about where and how they want to use their go-to products. Retailers that guide them along the path and offer compelling loyalty points and incentives along the way will win.

"Look, if you're not talking and thinking about the stuff that I'm talking and thinking about in retail, you're going to lose," said Jacobs. "People are spending millions of dollars, real business people, and they're building these amazing retail and distribution models. So, if you don't make an experience in your store, you'll be telling stories five years from now about how you used to be in the cannabis business." 





# Three Ways to Winterize Your Greenhouse

*Improvements can increase efficiency and mitigate cold weather profit loss.*

BY CHRISTOPHER MACHNICH

**I**N COLDER climates, greenhouse growers can see profits take a dip. Without a doubt, this largely is due to the hefty cost of heating. Even for the most experienced grower, an increase in monthly heating costs can quickly raise an operation's cost per gram, but growers have options to mitigate heating costs and bring their cost per gram back within a reasonable and profitable range.

The key to improving winter heating is maximizing efficiency while minimizing heat loss. Many growers address only one of these factors and are then perplexed when December's heating bill is too expensive. Growers can do three things to truly address both factors: design an efficient heating system, use proper greenhouse covering, and integrate energy screens into the structure.

## EFFICIENT HEATING SYSTEMS

Utilizing an efficient heating system is one of the most important aspects of successful year-round production. While a number of heating options are available, growers first should look into a radiant heating system. These

systems allow growers to maximize efficiency; when used properly, they can significantly cut costs.

Heat radiation functions a lot like light: Waves move in a straight line and when they reach an object are either reflected, transmitted, or

absorbed. In a radiant system, heat is transferred to crops without the need for direct contact.

Commonly referred to as floor heating systems, radiant systems create an even and uniform temperature, which growers love because they don't



have to deal with spots that are too hot or too cold. Most radiant systems distribute heated water throughout the flooring to create an ideal growing environment. The systems utilize a boiler and a series of tubes laid under the floor. Water is continually recirculated through the tubing and boiler, so it maintains a consistent temperature.

It's important to note radiant systems work best with concrete slabs and, in most cases, aren't the best option for greenhouses with gravel flooring. Will Kacheris, who designs custom greenhouse systems for GrowSpan Greenhouse Structures, emphasized this point: "The concrete floor acts like a large energy buffer, retaining the energy that is put into it

Adding hanging units may be an easier way for some growers to improve their heating efficiency, and since growers may recoup their return on investment quickly, they're a decent alternative to a radiant heating system.

### GREENHOUSE COVERINGS

While an efficient heating system will help growers improve greenhouse temperatures, the benefit of such systems is drastically reduced if the structure leaks a lot of heat. To minimize heat loss, growers must examine the construction of their greenhouses. Specifically, the greenhouse cover plays a major role in heat-retention.

To determine the best cover for the application, cold weather growers

nearly two times higher and it weighs less, making it easier to install and work with.

### ENERGY SCREENS

Energy screens support both heating efficiency and insulation. Most curtains run at or below the gutter line, so they separate rafter space from the rest of the structure. This helps heat efficiency by reducing the amount of space that requires heating.

Energy screens also create a second thermal barrier, making it more difficult for heat to escape the structure. Most growers wish to maximize light to their crops during the day and so only deploy energy screens at night in order to combat colder nighttime temperatures.



THE KEY TO IMPROVING WINTER HEATING IS MAXIMIZING EFFICIENCY WHILE MINIMIZING HEAT LOSS.

so it can radiate out during the night and prevent temperature swings."

Even growers who don't have concrete flooring can take advantage of radiant heating. Tubing for the system can be installed under greenhouse benches so heat is delivered directly to the root zone.

Radiant heating becomes even more efficient when boilers run on natural gas or waste wood. Some growers take an additional step, scrubbing waste fumes from the boiler and then pumping the CO<sub>2</sub> back into the greenhouse, further enriching the greenhouse environment and potentially boosting yields.

For those not looking to install a radiant system, Kacheris recommended a different type of economical system. "High-efficiency hanging units fired by propane or natural gas are now up to 93-percent efficient, and [these units] can [make up for] for the increased upfront cost in just one winter."


should pay attention to the R-value of the cladding. The R-value gives a numerical value to the thermal resistance of a greenhouse cover. The higher the R-value, the more insulation it will provide.

Greenhouse coverings are of particular interest in the cannabis industry because several operations have stepped away from more-traditional, clear-sided structures. For many operations, this is largely due to the superior R-value of steel sidewalls, which are double-layered and filled with insulation. It's important to point out that while these sidewalls ensure exceptional insulation, they also inhibit natural light.

Numerous options exist for growers who want to maximize natural light. The best covering for these growers is eight-millimeter twin-wall polycarbonate. This covering allows light to filter through while limiting heat loss. Polycarbonate frequently is compared to glass, but its R-value is

Curtain systems can be completely automated—thus free of any labor costs—and when used properly, many growers realize an energy bill savings of 30 percent.

### BUT WAIT, THERE'S MORE

By utilizing efficient heaters, selecting the right greenhouse covering, and using energy screens, growers will not only improve heating efficiency and reduce heat loss, but also increase wintertime profits. If that isn't reason enough to make a change, implementation of these systems and techniques may make growers eligible for state or federal energy rebates, according to Kacheris. 

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*CHRISTOPHER MACHNICH is a digital marketing manager for GrowSpan Greenhouse Structures. A cannabis industry enthusiast, he loves reading and providing content for industry publications. His interests include greenhouse and hydroponic production, as well as the cultural and economic impact of cannabis legislation. [GrowSpan.com](http://GrowSpan.com)*





# 2019: What Lies Ahead

*Legal and legislative developments in 2018 laid a path for the future.*

BY ROBERT SELNA, ESQ., AND MIA BUTERA, ESQ.

**C**ANNABIS laws moved forward in a herky-jerky fashion during 2018. The year started with California's recreational market kicking off just as now-former U.S. Attorney General Jeff Sessions rescinded the Cole Memo. By year's end, the number of states allowing medical and/or recreational cannabis rose to forty-three. In 2019, Democrats will take control of the House of Representatives, and a pending bi-partisan bill may limit federal meddling in states' cannabis laws. As the U.S. cannabis industry continues its path toward full legalization, our neighbor to the north has a big head start.

## STATES ACT

In June, senators Cory Gardner (R-Colo.) and Elizabeth Warren (D-Mass.) introduced a bill that would amend the Controlled Substances Act to give each state power to regulate commercial cannabis within its borders. Short of national legalization, this is the best states could hope for. So far, Republican control of the Senate

has stalled the bill, but there is hope the situation will change in 2019 given the bill's bi-partisan support.

Under the act, state-compliant commercial cannabis business operations would not be considered drug trafficking, and assets and profits associated with state-legal operators could not be seized by the Department of Justice. The legislation effectively

would eliminate a federal tax code prohibition on deductions taken by cannabis businesses (the Section 280E problem), which is monumentally important to cannabis companies' bottom lines.

The bill, Strengthening the Tenth Amendment Through Entrusting States Act, is well-supported: Forty-three states already have legalized



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cannabis in some form, and the bill has been signed by twenty-eight House members and ten senators. President Trump has indicated he “probably” would support it. So, what’s the hang-up? The chairs of the congressional committees who must approve the act before a vote by Congress refused to schedule it for discussion in 2018. Senator Chuck Grassley (R-Iowa) chairs the Senate Judiciary Committee, and Representative Bob Goodlatte (R-Va.) chaired the House Judiciary Committee before he retired in December.

What to look for in 2019: The Democrats retaking the House means the Judiciary Committee will have a Democrat as chair and the STATES Act likely will see a House

anticipated, and weaker-than-expected sales undercut tax collection.

Compounding the problem, only 33 percent of the state’s fifty-eight counties and 482 cities allowed commercial cannabis operations by midyear. (Regulated adult use is permitted statewide, but state regulations allow local jurisdictions to decide whether and what to legalize.) The local authorization numbers increased on election day, but even in cannabis-legal jurisdictions agencies have been extraordinarily slow to issue local permits, which is the first step to obtaining a state license.

The combination of limited local commerce and the state’s robust black market is blamed for tax shortfalls, but it’s a chicken-and-egg circumstance.

for broader legalization. However, changing the law is only the first step. Canada’s thriving black market will place pressure on the government to enforce the rules.

The country’s new recreational market allows consumers to purchase, possess, and share up to thirty grams of cannabis. Notably, edibles can be made only at home, and other manufactured products, such as concentrates, are prohibited. The 330,000 Canadians estimated to use medical cannabis still will be able to access their medicine through Health Canada, the department of the Canadian government responsible for national public health.

Individual provinces and territories control enforcement, including



BY THE END OF 2018, FORTY-THREE STATES ALLOWED SOME FORM OF MEDICAL AND/OR RECREATIONAL CANNABIS USE.

vote. Whether it can get a vote in the Senate is less clear. Support from more Republican senators certainly will help, and Gardner is poised to lobby.

### CALIFORNIA’S FIRST YEAR OF LEGALIZATION

2018 signaled California’s first year of commercial cannabis legalization, and the world watched intently. Focus on California will continue in 2019. With the largest population in the U.S., the fifth-largest economy in the world, and a thriving black market, many believe California’s outcomes will serve as harbingers for national legalization—for better or worse.

What the world saw in 2018 was not entirely pretty. By early November, the state had issued only one non-temporary license, the cultivation black market remained dominant (an estimated 3 percent of cultivators are licensed), the state’s estimated \$3.4 billion in cannabis sales were well below the \$5 billion forecasters

It is widely believed illegal cultivators stay in the shadows due to California’s high tax rates.

What to look for in 2019: The state legislature approved a bill allowing cannabis license applicants one year to operate on a “provisional” license, which wrests some control from local agencies. In addition, state regulations now allow deliveries anywhere in California, effectively permitting at least some cannabis commerce even in jurisdictions that have banned it. And, as the state takes steps to reduce local slowdowns, several cities are drafting ordinances that will allow some form of commercial cannabis.

### CANADA’S LEGALIZATION OF COMMERCIAL CANNABIS

On October 17, 2018, Canada became the second country in the world, after Uruguay, to legalize cannabis for recreational use. This was a huge step toward global acceptance of cannabis and will help provide a workable model

minimum age requirements, personal possession limits, additional restrictions related to residential growing, and the purchase of cannabis products. Currently, Ontario and Nunavut provinces permit only online sales via their government-operated online stores, while other provinces allow private licensed stores, government-operated stores, or both. Quebec’s and Alberta’s legal age of consumption is 18, in-line with their alcohol rules, while 19 is the prevailing legal age in the rest of the country.

While Canada’s legalization is a big step toward global cannabis acceptance, the competition it may represent is discouraging to some U.S. operators who continue to struggle with inconsistent federal policies around banking and taxation and the high cost of state and local compliance. Canadian enterprises are some of the largest and best-capitalized in the world and are positioning themselves for international expansion.



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Canada, like most U.S. states that have legalized recreational cannabis, foresees an ongoing battle with a powerful and entrenched black market. Despite that, the country is shaping up to be the global leader in cannabis capital and investments with an estimated 4.9 million Canadian cannabis users and an expected market of \$5.6 billion.

What to look for in 2019: The Canadian government expects to implement additional regulations making edibles, concentrates, and other manufactured products available for legal sale by Fall 2019. Also expect consolidation of cannabis companies within Canada and big Canadian players expanding internationally.

### TAXES


The promise of tax revenue derived from cannabis legalization is one of the most effective tools lawmakers have to push state and local legalization

efforts forward. Unfortunately, high tax rates have motivated many existing operators to defy new laws and continue their black market operations. By late 2018, some state and local governments were starting to understand onerous tax burdens slow the pace of legalization.

Higher taxes mean higher prices for consumers, which weakens the legal market's ability to compete with the black market, develop a thriving industry where there was none just a few years prior, and provide the long-promised tax revenue expected by politicians and their constituents.

Each state has taken a slightly different approach to taxing cannabis, ranging from Alaska's simple and relatively low rate of \$50 per ounce paid when cultivators sell product to retailers, to California's system, which involves a cultivation tax plus a 15-percent excise tax, and Washington's 37-percent sales tax.

As a rule, a state's tax rate on cannabis is significantly higher than on other goods. For example, Oregon, which does not impose a general sales tax, collects a 17-percent sales tax on cannabis. State cannabis tax rates do not take into account taxes levied by local governments or Internal Revenue Code Section 280E, which prevents cannabis businesses from writing off business expenses other than cost of goods sold.

What to look for in 2019: State and local governments likely will adjust tax rates and the use of tax dollars in response to a persistent black market. 



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# TRACK TRACE REPEAT

*The future of retail rests with track-and-trace systems that are still working out the kinks.*

BY TOM HYMES

**A**S A RELATIVELY NEW INDUSTRY with unique needs, cannabis is at the forefront of technology, creating devices and software to advance efficiencies for cultivators, retailers, distributors, and other participants in the legal food chain. All that cutting-edge tech must work seamlessly and ceaselessly within each state's regulatory environment. Within that zone of integration, wishful thinking encounters hard reality: As Slate noted in the headline for a September 2018 article about track-and-trace technology, "Software to Regulate Legal Marijuana Is Just as Error-prone as Other Government Software."

Of the forty-four states that have legalized medical and/or adult-use cannabis, most currently or will mandate a comprehensive tracking system. The track-and-trace systems, often called seed-to-sale, are developed by third parties and licensed to the states, each of which has its own regulations affecting the specifics. The main purposes in every jurisdiction are to guarantee regulatory compliance throughout the food chain and ensure appropriate taxes are levied.

To date, four companies have been awarded twenty-one state contracts for seed-to-sale tracking—Franwell/Metric operates in eleven states, BioTrackTHC operates in seven states, MJ Freeway is in two states, and Kind Agrisoft is in one. Six contracts were awarded in 2018: Regulators in Washington D.C., Montana, Massachusetts, and Colorado chose Metric, and Arkansas and North Dakota designated BioTrackTHC.

Obviously, not all states mandate the same tracking system, but whatever system is used, every state that has legalized cannabis

actively employs track-and-trace to separate the "good players from the bad players," as California Treasurer-elect Fiona Ma made clear to an audience of cannabis professionals during a recent trade event. In a regulatory environment where compliance infractions have led to lost licenses, track-and-trace software not only must work, but the people using it also must know how to work with the intricacies and idiosyncrasies of the relevant platform.

Thus far, states have had mixed results with software rollouts, to say the least. "In 2018, in addition to rejecting patients, glitches caused by high levels of user traffic left dispensaries in Maryland unable to make transactions, costing them significant amounts of money, retail managers said," reported Slate. "In 2017, Oregon's marijuana growers and distributors complained of spending valuable man-hours updating inventory in Metric and dealing with slow connections during peak harvest season. MJ Freeway's glitches in Pennsylvania and Washington have halted commerce for dispensaries, and the company has suffered multiple hacks and security breaches, plus a troubled, months-delayed launch in Washington earlier this year. Before inking a deal with MJ Freeway, Washington worked with BioTrackTHC for four years, but growers bemoaned performance issues and lacking functionality."

In California, Metric, an acronym for Marijuana Enforcement Tracking Reporting Compliance, is called CCTT-Metric (for California Cannabis Track-and-Trace). The program is preparing for onboarding in a market that is blowing up. As Arcview Market Research and BDS Analytics noted in a report issued in June 2018, "By 2022, the global cannabis market could be worth as much as \$32 billion, a threefold increase in just five years, with the U.S.



expected to fuel much of that growth with an expected market value of \$23.3 billion. Much of the current growth we're seeing comes from California's cannabis market, which is expected to exceed \$5.1 billion market value in the next year after legalizing its recreational use on January 1, 2018."

While not every state will experience the same growing pains with which California's farmers, processors, distributors, and merchants are struggling, the state provides a good snapshot of what the future of retail may look like behind the scenes—and the view isn't all that pretty.

## CALORIGIN

CCTT-Metrc is not the only track-and-trace player in California. Humboldt, Mendocino, and Yolo counties, along with the cities of Eureka, Arcata, and Rio Dell, separately contracted with SICPA Security LLC to provide seed-to-sale tracking via a program called CalOrigin. Humboldt County, which has participated in the program since 2016, in December reauthorized a six-month extension of the SICPA contract.

During the Humboldt Board of Supervisors hearing at which the extension passed, members of the cannabis community

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**THE INDUSTRY WILL SEE A YEAR OF CHAOS AS THE SYSTEM EXPERIENCES CONNECTIVITY ISSUES GIVEN THE SHEER AMOUNT OF DATA AND THE UNIQUE ASPECTS OF THE STATE'S CANNABIS PROGRAM, INCLUDING A DISTRIBUTION MODEL THAT IS UNLIKE ANY OTHER.**

—Pamela Epstein, attorney, Green Wise Consulting

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expressed near unanimous support for the program, which is overseen by the county's agricultural commissioner, Jeff Dolf. While most speakers said the learning curve to master the software was daunting, its benefits in terms of protecting the Humboldt brand into the future and ensuring quality control of product throughout California's complex distribution chain were tangible enough to warrant the expense.

But it was Dolf's assessment that Metrc is unlikely to register any significant activity by late spring 2019 at the earliest that ensured the extension of the SICPA contract. "The lack of a viable system at the state level presents a potential six-month gap in the county's ability to track cannabis at the local level," he said.

SICPA and the county also addressed concerns about whether entering the same data into competing systems at the state and county levels would require duplicating effort. SICPA assured users no matter which system they select when they receive their permanent state licenses—by law, temporary licensees are not required to use the state's track-and-trace system—they will have the option to use Metrc directly or continue to use CalOrigin, which will deliver data to and from Metrc.

Despite claims by California officials that CCTT-Metrc is ready for primetime, informed members of the industry are concerned the rollout will be rocky, at best, and require an extended period of acclimation. "The industry will see a year of chaos as the system experiences connectivity issues given the sheer amount of data and the unique aspects of the state's cannabis program, including a distribution model that is unlike any other," said attorney Pamela Epstein of Green Wise Consulting.

## BIG STONED BROTHER

Dr. Juli Crockett, compliance director at consultancy MMLG, concurred the rollout will be messy. "It's going to be a clunky start, because you are going to have these annual licensees coming onto track-and-trace and undergoing the CCTT system and interfacing with paper systems for people who are still on a temporary license," she opined in a short video for The Future Cannabis Project.

"But, with the introduction of the provisional licensing program, even if every temporary license is extended for ninety days on December 31, you're still looking at a very short window before every single operator who has a temporary license is going to be onboarding onto track-and-trace," she said. "Once that is over, this theoretical wiggle room that a lot of businesses have had—whether it be how they're implementing internal sampling, how they're implementing all sorts of different processes—is going to have to fit into the very limited grid that is track-and-trace."

That may be an understatement. The level of regulatory oversight provided by Metrc technology is impressive by any barometer. Just a few of its features include the ability to capture perpetual inventory quantities for each entity (i.e. you and me), track transfers between licensed premises, allow regulatory users to view all licensee activities captured in the system, and allow criminal investigators to streamline field enforcement and compliance activities associated with licensees.

But the software also provides powerful business tools, including central control of security through secure RFID tags, support for the auditing process from a series of exception reports, the means to report required inventories with minimal cost and investment, and the ability to aggregate data about cultivation, production, transportation, and sales of marijuana within the regulated model.

Inventory tracking alone is imperative for many growers. As one farmer put it to Humboldt supervisors, track-and-trace gives



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him the peace of mind to know that if his product is stolen while in the custody of a distributor, he will be able to prove the liability for that loss is theirs.

For Crockett, the mixed-bag reality of Metrc creates its own issues, with implementation just one facet of the onus imposed by track-and-trace. “The reporting is going to start being a lot more transparent in terms of the agencies and their relationships with other businesses,” she said. “[Track-and-trace] will fix a lot of things and streamline a lot of processes, but there are also going to be a lot of problems. The main point I’ve been trying to make with operators is that, operationally and internally, you must be ready for that process and those checkpoints ideally before your thirty days of onboarding, because if you are trying to implement your internal record-keeping process and your track-and-trace checkpoints within those thirty days, you’re in trouble. The time to practice is before you’re on, and for some people practice is over because they’ve gotten their annual license.”

Epstein of Green Wise Consulting stressed the same advice. “The best way for retailers to prepare for Metrc is to implement good reconciliation and retail practices,” she said. “Specifically, investing in developing procedures and understanding how to

batch and conduct inventory management in the absence of an inventory system.

“There are three main areas,” she added. “Physical inventory controls—one small mistake can cost millions and create millions of problems. While the proposed permanent regulations require reconciliation every thirty days, an expansion from fourteen, this provides a false sense of security to operators. Reconciling every day or at least every few days ensures that if a discrepancy occurs, it is easily found and addressed. As bad data in results in bad data out on a continuous and compounding basis, the best way for retailers to arm themselves now is to identify and secure knowledgeable staff with continual trainings and be diligent in conducting frequent and continuous reconciliation audits.

“If the physical inventory is out of alignment, the digital inputs will not align,” she continued. “It is a matter of foundational accuracy, as discrepancies will have rippling effects that are hard, if not impossible, to eradicate, which can trigger an audit—and in the worst case, potentially jeopardize the license.”

Ultimately, she advised, “invest in a culture of compliance.”

So, what can operators expect to occur once they become one with the Borg...er, Metrc?

Photos: Metrc



"Retailers will have varying experiences depending on their [point of sale software] provider," said Epstein. "This can range from 'white glove onboarding' to autonomous implementation. Retailers should evaluate their POS provider in terms of existing relationships, knowledge of Metrc, and level of integration between the two, including the amount of support staff to assist during the difficult transition.

"Retailers should start fresh with initial starting inventory," she added. "Inventory management and developing repetitive systems now prior to onboarding should be of the highest priority. Start pre-Metrc trainings for staff and ordering enough tags. Also start using inventory management and inputting all data and reconciliation procedures with [point-of-sale] systems so that, by the time Metrc is onboarded, the operator is on their third or fourth inventory cycle and the process feels natural."

Track-and-trace is a process, a mandated responsibility that never ends, noted Crockett. "This is why in markets like Colorado, you see businesses that have multiple dedicated employees who only do track-and-trace, because the record-keeping onus is so immense when you start looking at all the processes that have to be logged," she said. "It's not impossible, and if you practice and have operational plans in place, and everybody is aware of the regulatory requirements of where you're keeping these records, you're going to be in much better shape in terms of having it be

a part of the normal activity to know, 'When this happens, you weigh it and enter it.'

"These jobs are critical in terms of who is entering that information," she added. "These are instances of perjury and big consequences if someone is not entering the information correctly. Once information is entered into track-and-trace, it's really, really difficult to revise it, so all of those processes that are supposed to have been happening anyway—because the regulatory onus was to keep all this on paper, at a minimum, all this time since the regulations were introduced—now the ante has been upped for those processes, which will be reported directly to track-and-trace and the agencies. It will be critical to make sure data entries are correct, because there are few opportunities for revision or correction of errors. They're there, but whereas before it was an internal process when you were correcting your little mistakes, now it's something that is going to be flagged and visible to the agencies every time you correct a mistake. You can imagine companies that seem to be making a lot of mistakes are probably going to trigger further inspections or audits."

To address what is seen as a high bar for compliance, Green Wise Consulting has created a proprietary audit and compliance program designed "to help fill the void and provide the important second set of eyes between the regulators and a business's daily operating procedures," according to Epstein.



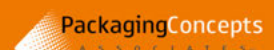
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The need for a second pair of eyes is not theoretical, she said. “The days of informational audits by your friendly investigator are long over,” she said. “Now, they are coming armed with information, knowledge, and probing questions. As the dawn of enforcement is upon California, the industry need look no farther than Oregon to see the consequences of failure to prepare for investigations and audits.”

The Green Wise program would work similarly to a bank audit by utilizing “unannounced, in-person physical audits focused on the assessment of an operator’s people, [standard operating procedures], and equipment for compliance,” Epstein said. “After the physical audit, a report will be provided, and our compliance and legal departments can assist with curing any issues that arise. The audit program ensures that our operators are better prepared for state agency audits and better equipped to avoid state penalties and fines.”

## THE ERPS

For retailers in California, dealing with Metrc essentially means making the correct decision with respect to the enterprise resource planning (ERP) software used in their businesses. As anyone working in the space knows, the market is thick with ERP products of varying quality, some adapted off the shelf for use in the cannabis industry and some built from scratch to address the intricate demands of a regulated industry on steroids.

These products generally employ sophisticated technology designed to integrate several processes involving data collection, communications, record-keeping, inventory control, and every other function needed to run both the front-end and back-end of the business, but they also need to send all that data to the state on time and in the proper form. Failure at any point in the process results in potential liability for the business, not the software provider.

Treez is one such provider. Like so many other solutions in the industry, it was created by people running a cannabis business to meet a specific need. In this case, they were the operators of a Hayward, California, dispensary called Garden of Eden, which

had been in operation since 2003. By 2009, Chief Financial Officer Shareef El-Sissi knew it was time for a change.

“I wanted to digitize the pen-and-paper methods used to manage the various workflows in the dispensary,” he said. “At the time, retailers were really operating as microbusinesses, doing much more than is allowed in the California retail environment today. We were using QuickBooks point of sale, and it fell short when trying to manage all the cannabis-specific workflows and associated records

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**IN MARKETS LIKE COLORADO, YOU SEE BUSINESSES THAT HAVE MULTIPLE DEDICATED EMPLOYEES WHO ONLY DO TRACK-AND-TRACE, BECAUSE THE RECORD-KEEPING ONUS IS SO IMMENSE WHEN YOU START LOOKING AT ALL THE PROCESSES THAT HAVE TO BE LOGGED.**

—Dr. Juli Crockett, compliance director, MMLG

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in a single system. We looked at the cannabis-specific software, but it was apparent these systems had been designed to check the boxes of Colorado’s seed-to-sale system and were too clunky for use in the emerging California marketplace. We needed something that fit the scale and operations of our business.”

Creating the solution took six years, but “we created a different class of software,” said El-Sissi. “We designed the system with not only a focus but a working knowledge of the cannabis retail operator and their specific needs. We would take on and manage



the behind-the-scenes integration between our system of record and the state's. This was very different than what had been seen up to this point in the space, and we intend to continue with our operator-centric focus as we move down the supply chain, completing the Treez ecosystem."

Specific to track-and-trace, a term El-Sissi says is synonymous with batch tracking, Treez will help retailers stay compliant in three ways.

"First, Treez will assist in bringing in inventory from Metrc in a manner that promotes best practices by matching the physical manifest with a retailer's Treez invoice," said El-Sissi. "California is a unique onboarding situation for Metrc, with some of the supply chain transferring inventory using paper manifests and some transferring using Metrc manifests. This will present a unique challenge for retailers needing to not only create and upload their starting inventory, but also needing to regularly create and upload incoming inventory on an ongoing basis during the Metrc transition. Treez operators will have nearly no workflow disruption even with the non-Metrc transfers.


"Once the inventory is in Treez, keeping the physical counts, the Treez counts, and the Metrc counts in alignment will be a breeze using our inventory counting and reconciliation modules," he added.

"The third and most high-touch area between Metrc and Treez will be reporting sales as they happen," he concluded. "If an error

occurs, Treez will work in the background to attempt to resolve the issues automatically. We expect the transition onto Metrc to be a heavy lift across the state, and we have ramped up our staff."

Leaf Logix is another ERP solution making waves in the industry. Offering support for growers, distributors, processors, and retailers in recreational cannabis, medical cannabis, hemp, and CBD, the cloud-based software integrates with all regulatory compliance providers and assists with operational needs including POS, wholesale distribution, e-commerce, and reporting. At the end of 2018, the company's client list spanned three continents and twenty-eight states as well as D.C. and Puerto Rico.

According to Eric Livergood, vice president of engineering for the company, adequate training will be pivotal to ensure a successful rollout of CCTT-Metrc. "Proactive observance of state requirements prior to absolute deadline will reduce issues and penalties," he said. "Licensees should evaluate what their selected ERP is capable of in terms of working around areas of Metrc functionality. That is, to understand what their ERP can and cannot cover within Metrc and build their own POS accordingly."

What sorts of features should retailers look for in an ERP? Livergood offered a list of desirables: ease of integration, secure data hosting, reliable up-time, intuitive functionality, financial reporting, state compliance, post-product support, integration with key industry vendors, and value-add capabilities. 



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# Tips for Success

*A short guide to stocking and selling CBD.*

**A**CCORDING to New Frontier Data, the U.S. CBD market is expected to grow to \$1.9 billion in consumer sales by 2020, split almost evenly between hemp-based, marijuana-based, and pharmaceutical products. However, while CBD is an on-fire sector, it also remains one of the more difficult to navigate due to a lack of consumer education, ambiguous laws, and unfounded hyperbole. Budtenders and retail employees must possess extensive knowledge about CBD's effects and efficacy, how the substance compares to THC and interacts with it, and much more.

## STOCKING THE SHELVES

Sarah Mascara, manager of Los Angeles co-op The Syndicate, said quality is her first consideration when deciding which CBD brands to offer. She recommends carrying a broad selection of CBD-to-THC ratios. "Something for everyone is my motto," she said, "but the most important thing is for products to [convey] a clear understanding of dosing and ingredients."

CBD-related products compose a whopping 40 percent of The Syndicate's total sales. Mascara takes care to ensure the shop offers something for almost everyone. "I like to carry the Select tincture for customers who prefer only CBD," she said. "But I like the brands Care by Design and CBD Alive for their various ratios and many specific options and sizes."

In the past year, CBD packaging has become increasingly important. Mascara looks for brands that are packaged simply, bear proper labeling, and provide clear instructions. "People don't want to look at something that looks intimidating, and they need to understand what the product is without having to stare for too long," she said.

Price is a key to sales success, too. Mascara won't carry a brand she feels is not affordable. In addition, she likes to "look at the product and really see if the milligrams are worth the price for the customer purchasing it."

On an average day, The Syndicate serves at least twenty customers asking for only CBD, up substantially from 2017. In fact, most don't even know what CBD is when they inquire. "For the most part, they just heard about it," said Mascara.


## MAKING THE SALE

Although consumer knowledge about CBD is growing, expect to spend significant time answering questions before making a sale. According to Mascara, when customers inquire about CBD, she first asks if they've used any kind of cannabis before. Next, she asks what effect they wish to achieve. "When I get those answers, I run through the different ways to take [CBD]," she said. "I like to get to know the person and match the product based on their lifestyle or their tolerance. Some people work in an office and need vape pens for quick dosing, while others are using it for heavy pain and such, where I would offer a tincture."

When it comes to interest in CBD, Millennials are the number one consumer, but Baby Boomers and senior citizens rapidly are becoming a significant demographic,

Mascara noted. Many senior citizens visit the shop based on a recommendation from their kids or grandkids, she added.

"Older people talk about CBD as if they kind of know about it and want to learn more," Mascara said. "The truth is everybody just needs proper education."

"My budtenders are always confident and happy to educate and to make sure people are using CBD properly," she said. "When customers come back talking about how what they are using works and how great they feel, it all just makes it so worthwhile and reminds us why we do what we do each day." 

—Rob Hill

## 3 CBD RETAIL MUSTS

**Know the source.** Full-spectrum CBD oil derived from industrial hemp is one of the hottest commodities on the market, but not all products are created equal. "Know where your hemp is coming from," advised Bo Becker, vice president of marketing for CW Hemp. "Know where the fields are; know the soil health and what's put on the plant."

**Product placement.** Bear in mind CBD products compose their own category. Merchandise them on an endcap or a side wing to an endcap, create an island, or set up a stand-alone cabinet.

**Education, education, education.** Make sure all employees know CBD inside-out. It might even make sense to have a dedicated CBD specialist on site. "I think we've had such success selling CBD because the staff is well trained," said Mascara.





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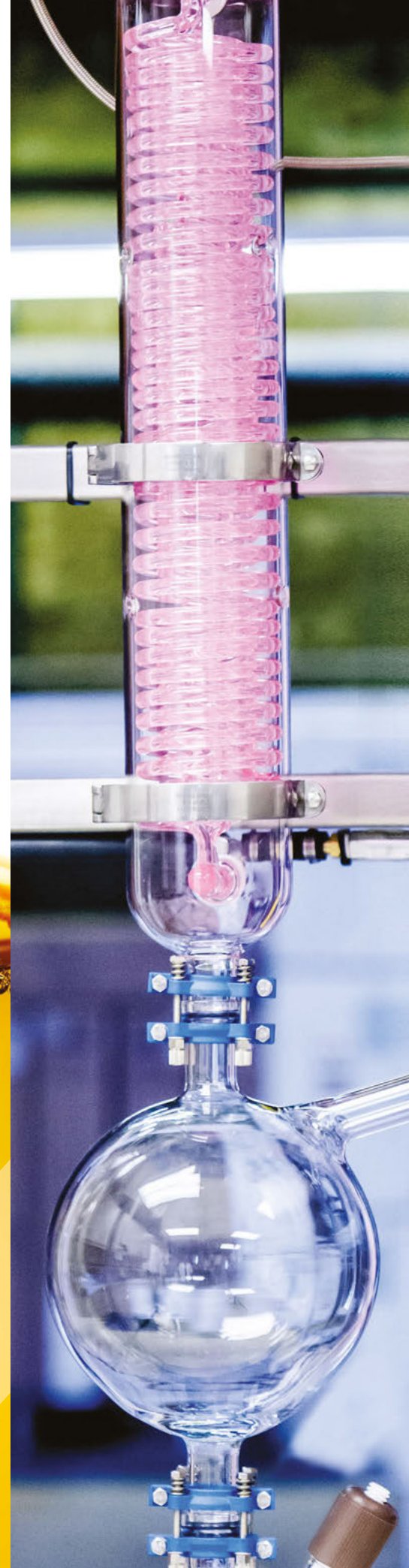


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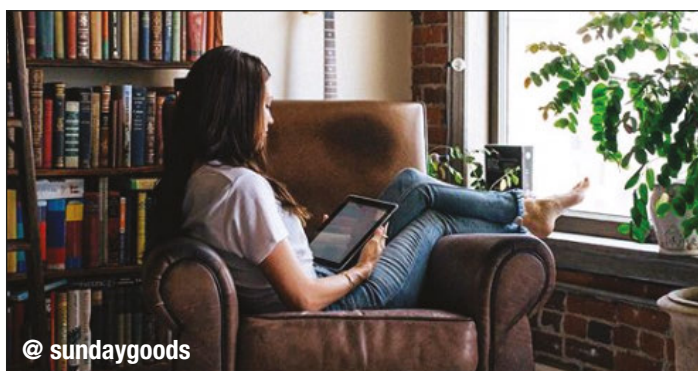
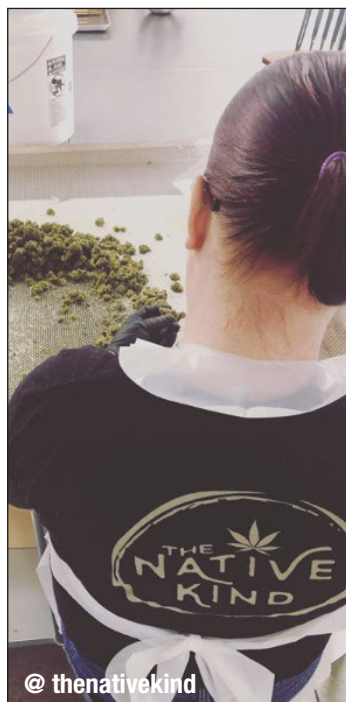
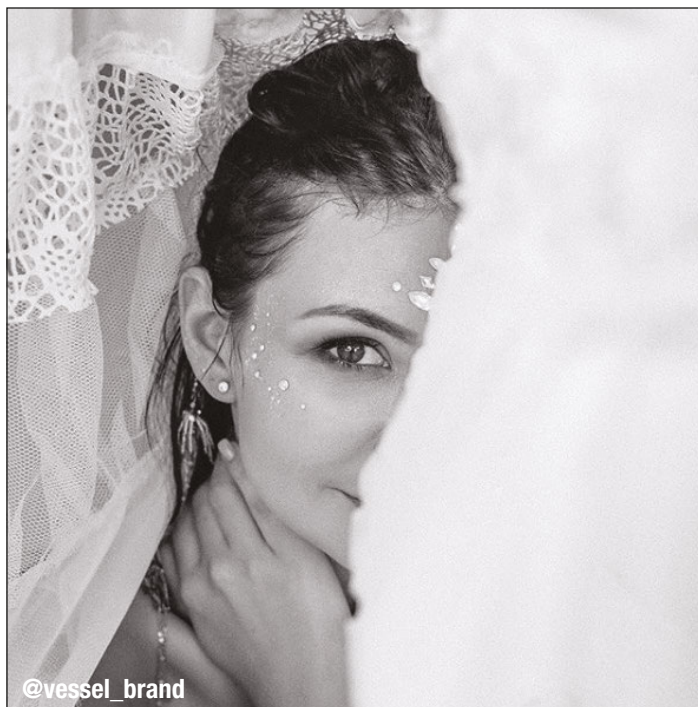
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## HASHTAG



Our personal collection of noteworthy Instagram accounts. While we do our best to credit the original image source, sometimes this is challenging with social media. If you would like to call attention to an account, you may email us or tag your image with **#mgmagazine**.

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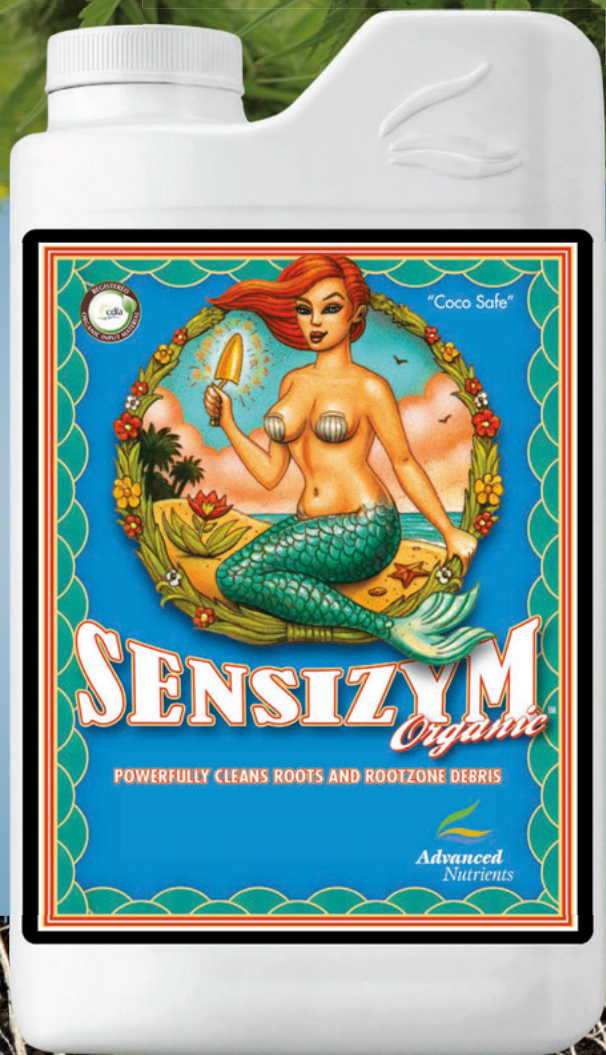


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