2018–2019

CANNABIS CONSUMER REPORT

ARCHETYPES, PREFERENCES & TRENDS

IN PARTNERSHIP WITH

MJ FREEWAY

EXECUTIVE SUMMARY

The legal cannabis industry is undergoing extraordinary expansion. Following the November 2018 elections, there are now 33 states plus the District of Columbia (D.C.) which permit medical cannabis use, and 10 states plus D.C. where adult use is legal. Despite dramatic changes to the national cannabis landscape since Colorado launched the country's first adult-use program in 2014, scant focus has gone toward understanding who the cannabis consumer is, and why they consume.

New Frontier Data, in partnership with MJ Freeway, aims to address that intelligence gap with *The 2018-2019 Cannabis Consumer Report: Archetypes, Preferences & Trends* by identifying, quantifying, and individuating cannabis consumers' behavior, preferences, and views on the role of cannabis in their lives and in our society. The report features results from a groundbreaking national survey of cannabis consumers across adult use, medical, and unregulated markets. Additionally, we explore how evolving consumer preferences have become manifest in retail cannabis sales nationally. This groundbreaking report introduces a new benchmark of consumer intelligence at a critical period in the industry's growth.

By identifying and analyzing the respective perspectives of nine distinct consumer archetypes based on the survey results – each defined by their particular constituents' behavior and consumption patterns – this report provides better understanding of who consumes cannabis, how and why they consume it, and how their preferences are evolving as markets transition from illicit and unregulated to legal and regulated.

New Frontier Data has teamed with MJ Freeway, the cannabis industry's leading business technology solution provider, to analyze nearly $5 billion worth of transactions collected by MJ Freeway since 2015, yielding a first-of-its-kind analysis of retail sales across nearly every legal cannabis market in the country. The result of this collaboration is an insightful new perspective on the most important trends shaping today's cannabis consumer experience.

Consumer Survey

A nationally representative survey of more than 3,100 cannabis consumers across the U.S. collected detailed information about their use of cannabis, spending behavior, and purchasing decisions, along with their beliefs about cannabis and how it should be regulated.

KEY FINDINGS:

The survey results describe tendencies among U.S. cannabis consumers nationwide, and enabled certain consumer segmentation across a range of factors, including gender, age, consumer type (medical vs. recreational), and manner of market in which the consumer lives (adult-use, medical, or illicit).

- While most respondents (67%) consider themselves recreational consumers, their reasons for using cannabis vary widely, including for wellness and medical applications.

- The top-three reasons why consumers use cannabis are for relaxation (66%), stress relief (59%) and to reduce anxiety (53%). However, smaller percentages use cannabis for longer lists of reasons, including to improve sleep, treat medical conditions, enjoy social experiences, or stimulate creativity.
- Among medical cannabis patients, 94% report that using cannabis has improved their conditions, and 73% report substituting cannabis for other medications.
- Four in 10 consumers – both medical and recreational – report using cannabis to relieve pain, reflecting the growing research on the efficacy of cannabis for pain management Additionally, six in 10 medical patients report using cannabis to specifically replace either prescriptions or over-the-counter pain medications.
- Among respondents, 36% reported consuming at least once a day, with 59% consuming at least once a week.
- Likewise, 60% of consumers spend less than $50 each time they purchase cannabis, but (with many consumers buying multiple times per month) nearly half (47%) report spending more than $100 per month.
- Joints and pipes are the preferred methods to consume cannabis for more than half the market (53%); however, demand for non-flower products (i.e., concentrates, vaporizers, and edibles) has grown dramatically among consumers in both legal and non-legal markets.
- Approximately three in 10 consumers (28%) consider cannabis an important part of their identities, though younger consumers and those who consume more often are more likely to view cannabis as integral to who they are.
- Friends play a critical role in shaping a consumer's experience – they are not only most commonly cited as sources from which consumers get their cannabis, but they also play a vital role in educating and informing consumer perspectives.

Cannabis Consumer Archetypes

We identified nine consumer archetypes: three high-frequency, three moderate-frequency, and three low-frequency consumption groups. Beyond their frequency of use, they differ by their primary cannabis sources, spending, preferred products, openness about use, reasons for use, and many other themes explored in the survey. The nine archetypes are:

CANNABIS CONSUMER ARCHETYPES

User Type	Archetype	Archetype Profile
HEAVY	Traditional Lifestylers	The classic consumer
	Modern Lifestylers	The "Cannabis 2.0" consumer
	Functional Dependents	The extreme consumer
MODERATE	Medical Purists	The consumer of cannabis for health and wellness
	Weekend Enthusiasts	The moderate leisure consumer
	Discreet Unwinders	The passionate but secret consumer
LIGHT	Social Opportunists	The communal sharer
	Silver Dabblers	The occasional indulger
	Infrequent Conservatives	The graying traditionalist

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Detailed profiles of each of these archetypes, including their demographics, product preferences, consumption frequency and social attitudes, are included in the report.

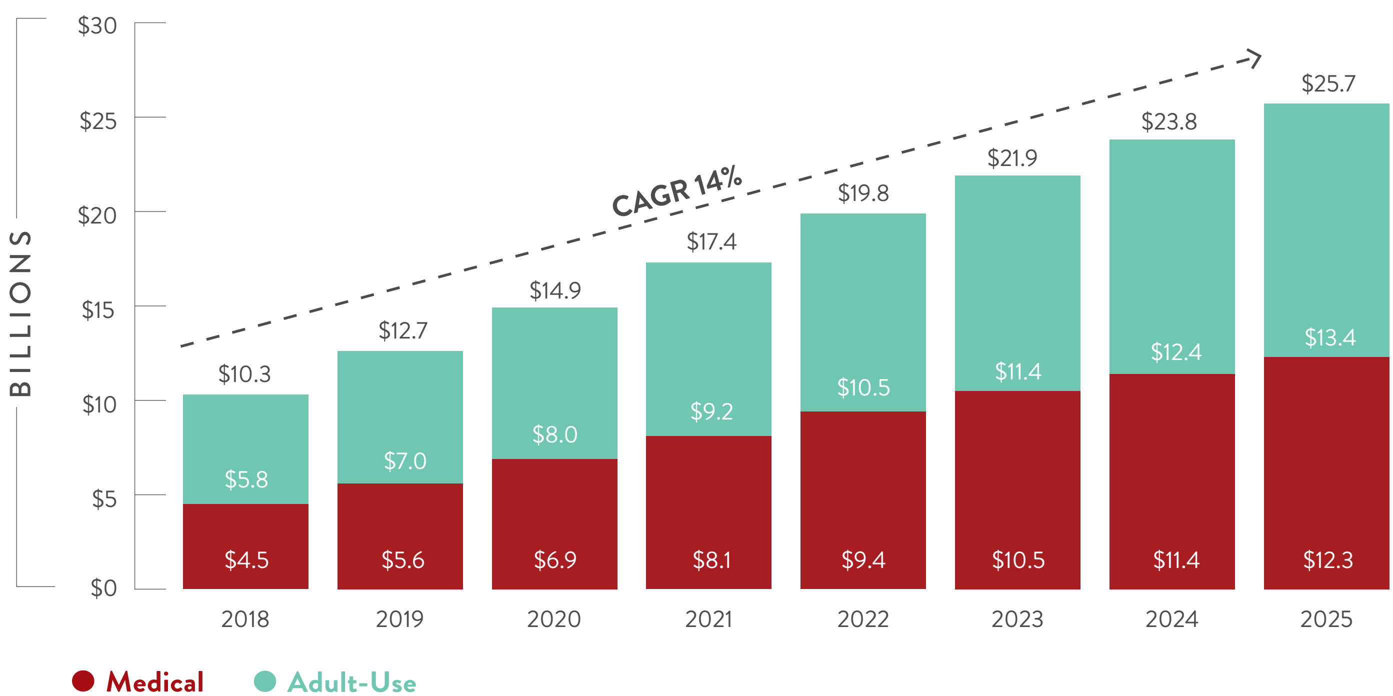
Revised National Cannabis Sales Projections

New Frontier Data has developed revised cannabis retail sales projections based on the results of the 2018 midterm elections (including Michigan voters' approval of adult use, and medical measures passed in Missouri and Utah), and on new sales data collected since the last public forecast release in the summer of 2018.

Based on our revised modeling, the cannabis industry within currently legal states is poised to grow from $10 billion in 2018 to nearly $26 billion by 2025. Meanwhile, adult-use markets' share of those sales will double, from 22% in 2018 to 44% in 2025.

As with previous updates, forecasts are based only on retail sales to medical and adult-use consumers. They do not include cannabis business transactions in other parts of the supply chain. Additionally, the forecasts are exclusively focused on those states where cannabis is currently legal: They do not include assumptions on any additional states that might legalize during the forecast

U.S. TOTAL LEGAL CANNABIS DEMAND PROJECTIONS (2018-2025)



Source: New Frontier Data

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period, nor do they assume any changes in federal law (such as passage of a national decriminalization measure) which would leave the decision of whether to legalize up to respective states.

Retail Sales Data from MJ Freeway

MJ Freeway, the legal cannabis industry's longest operating point-of-sale platform, has since 2010 accrued data from billions of dollars in transactions nationwide. To date, MJ Freeway is installed in every regulated retail sales market in the U.S., and curates the largest consolidated central repository of retail sales data for the cannabis industry.

The report is based on nearly $5 billion worth of transactions collected by MJ Freeway since 2015 across every major U.S. legal cannabis market.

The size of the dataset makes this the most comprehensive analysis of national retail cannabis sales yet produced: MJ Freeway's proprietary point-of-sale data provides visibility into retail sales trends including evolving products, pricing trends, top-selling products, and sales variability across state markets. Included among the findings:

- After years of dominating cannabis consumer purchases, the market share for flower has fallen to near parity with sales of concentrates;
- The share for flower fell 39% since 2015, from 66% to 40% in September 2018;
- Conversely, the share for concentrates grew 144%, from 16% to 39% over the same period;
- While flower prices have dropped significantly since 2015, prices in 2018 remained widely varied across markets. Of the state markets analyzed, Alaska, Arizona, and California are paying the highest prices for flower, while Colorado, Montana, and Oregon have experienced the lowest average prices;
- Older adults represent a growing proportion of sales, with 24% of all purchases being made by consumers aged 55 and older.

Propelled by increasing social acceptance, expanding markets, and large waves of investor capital, legal cannabis is poised for significant growth in the years ahead. As the industry grows in size and complexity, it is becoming ever more important that operators (and public policy decisionmakers) understand who the cannabis consumer is, and the influences motivating their behavior. This report provides a framework by which to better understand the diversity of cannabis consumers nationally, enabling you to more effectively identify and target not just any consumer, but the right consumers for your enterprise's success.

NewFrontier® data

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