



Numerator

NEW FRONTIERS

Blazing a Trail:

The Impact of Recreational Marijuana Across
Categories

We've all heard of it ...

Growth of CBD, crossing multiple categories

Growth of medical marijuana, now legal in over 30 states



And the legalization of recreational marijuana

This is NOT CBD.....

This is NOT marijuana legal for medical use.....

But it IS big business!



According to the ***National Institute for Cannabis Investors***, legal marijuana sales totaled \$10.8 billion in 2018. In the next nine years, it's estimated the market could hit a **whopping \$2.6 trillion in annual sales.** That's industry growth of 23,974% in just over 10 years.

And 4 more states approved legalization during this past election

Weed was the real winner of the 2020 election

Americans are turning against the war on drugs.

4 states legalized marijuana on Election Day. Will Kentucky join them?

[Andre Toran](#) Louisville Courier Journal

Published 2:29 p.m. ET Nov. 6, 2020 | Updated 8:13 p.m. ET Nov. 6, 2020

How marijuana legalization made strides across the US in this election

Only 15 states still outlaw the drug in any form, but experts shifting public perceptions have reached a tipping point

Montana, Arizona, New Jersey and South Dakota approve marijuana ballot measures, CNN projects



By [Lauren Dezenski](#), CNN

Updated 6:20 PM ET, Thu November 5, 2020

House-Passed Marijuana Legalization Bill Would Add \$13.7B To Federal Budget, Congressional Analysts Say

This Election, a Divided America Stands United on One Topic

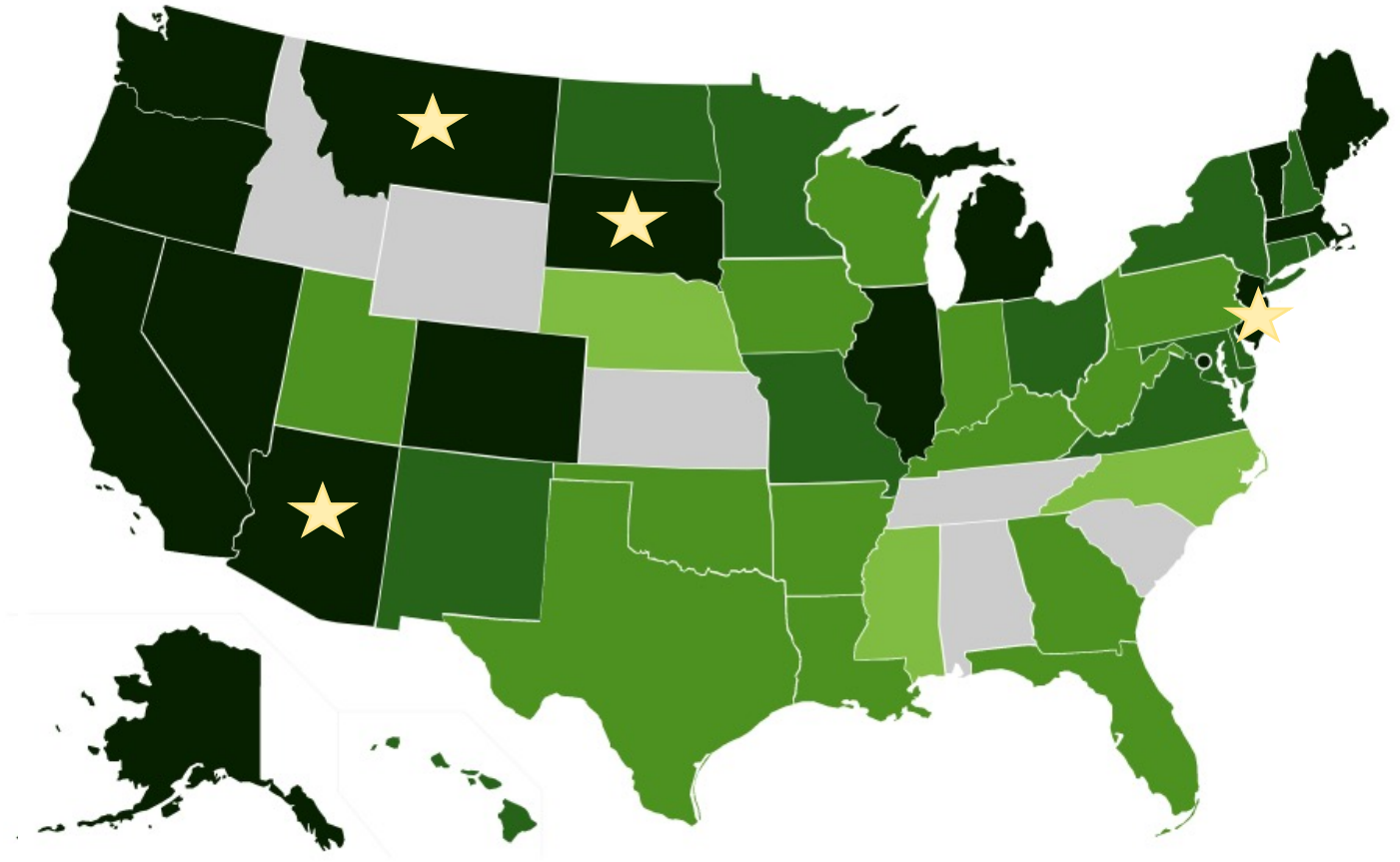
All kinds of Americans have turned their back on the destructive war on drugs.

Changing the way this map will look in 2021

States where **recreational marijuana** is legal:

- Alaska (2016)
- California (2016)
- Colorado (2012)
- Four more states approved legislation making recreational marijuana use legal:
 - **Arizona**
 - **Montana**
 - **South Dakota**
 - **New Jersey**
- Massachusetts (2016)
- Michigan (2018)
- Vermont (2017)
- Washington (2015)
- Wisconsin (2018)

Legend: ■ Legalized ■ Medical and Decriminalized ■ Medical ■ Decriminalized ■ Fully Illegal



Why is this important?



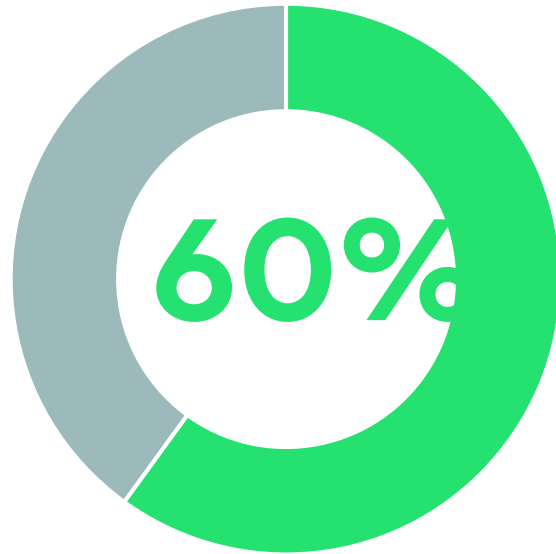
Recreational marijuana users make up

3.8MM HHs

= **11%** of households in states where it's
legal

This translates to big opportunities for complementary categories in newly legal states

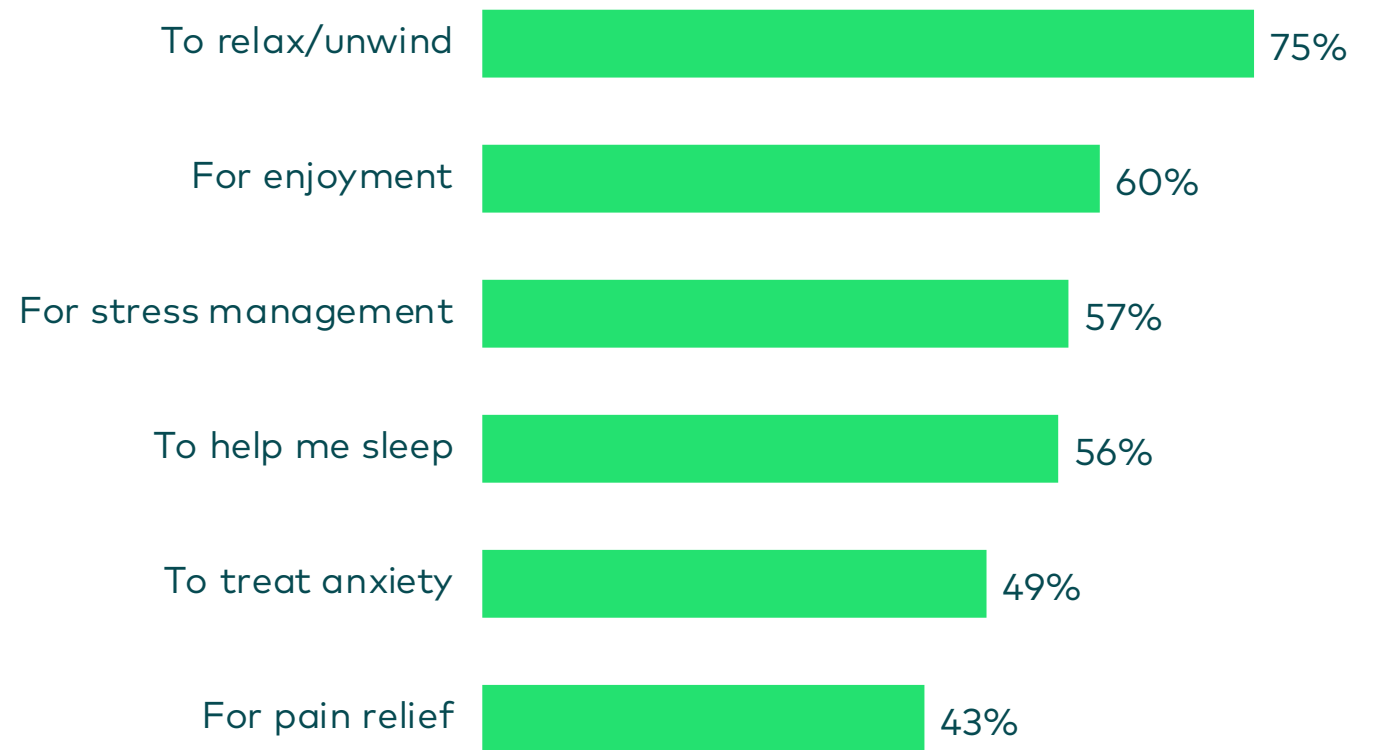
Over half of rec marijuana users use marijuana regularly for a variety of reasons



Rec users that use marijuana at least weekly

Top Uses for Recreational Marijuana

Among Rec Users Surveyed



Legal state rec users have also been buying more rec marijuana during the COVID-19 Pandemic

...and using it often when relaxing alone *or* with small groups of people

32%

Legal state respondents who **bought more** rec marijuana since the beginning of COVID-19 Pandemic

77%

Of respondents use rec marijuana when **relaxing alone**
(over half also use when relaxing with a small group of people)

Rec marijuana is most often used as a complementary product across age groups

1/3 of respondents in newly legal states expect to use rec marijuana over the next 3 months. These expected users are more likely to be **younger generations**.

34%

of Gen Z and Millennials plan on using rec MJ as a **complement** for alcohol, CBD, and similar products

25%

of Gen Z and Millennials plan on using rec MJ as a **replacement** for alcohol, CBD, and similar products



Gen X and Boomers are overall less likely to purchase rec marijuana in newly legal states over the next 3 months, but similar to other generations, they are still more likely to use rec marijuana as a **complementary product instead of a substitute**

And big opportunities exist for complementary categories in newly legal states, especially with alcohol and CBD

Top 3 Complementary Products

Which of the following products do you expect to use in addition to recreational marijuana over the next 3 months?



52%

Alcohol



33%

CBD Drops/Gels



33%

CBD Infused Food

Given the complementary nature of these products with rec marijuana, there is a huge growth opportunity for **Alcohol and CBD** products in newly legal states!

Alcohol could attract rec users in newly legal states by appealing to relaxing occasions

Top Occasions for Alcohol Consumption

Among Rec Users Surveyed

■ Currently Legal ■ Newly Legal



While more respondents in Currently Legal states drink weekly vs Newly Legal States (50% vs 41%), Newly Legal States (93% vs 89%) have more respondents who drink **overall.**

Although alcohol is a highly social product, **respondents also drink while relaxing alone or in small groups.**



Alcohol messaging can continue to emphasize larger social gatherings, but as rec marijuana gains usage in newly legal states there is also an opportunity to feature more **"treating yourself to relaxation"** messaging.

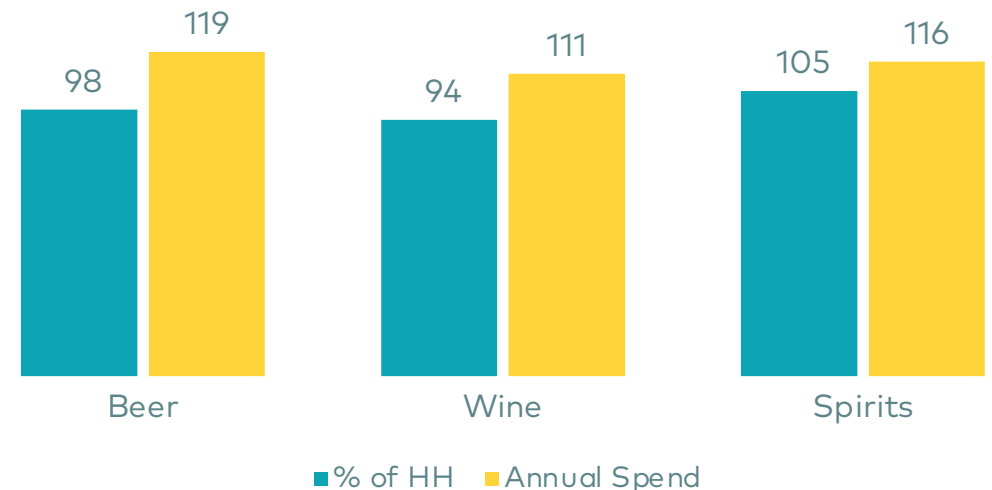
Especially considering how valuable rec user households are to the alcohol category

Shoppers and rec users in states where recreational marijuana is legal spend more on alcohol than shoppers in other states. Rec users differ slightly in the categories they purchase, though – more Spirits HHs, fewer Wine HHs

	Alcohol Buyers in Legal States	Rec Marijuana Users in Legal States	Alcohol Buyers in All Other States
Annual Spend on Alcohol	\$536	\$440	\$407
Growth (2yr trend)	+43%	Low sample for trending	+16%

Rec User Index to All Alcohol Buyers

In the 11 States where recreational marijuana is legal



And given that rec users' alcohol spend has grown significantly compared to last year

Alcohol Categories

Increase vs YAGO among rec users in currently legal states



Beer



Wine



Spirits

Increase in total spend vs. YAGO:

+28%

+28%

+17%

More trips per year vs. YAGO:

+2.2

+1.4

+0.8

'Share of stomach' preserved!

With CBD, there's an opportunity to capture more shoppers



vs.

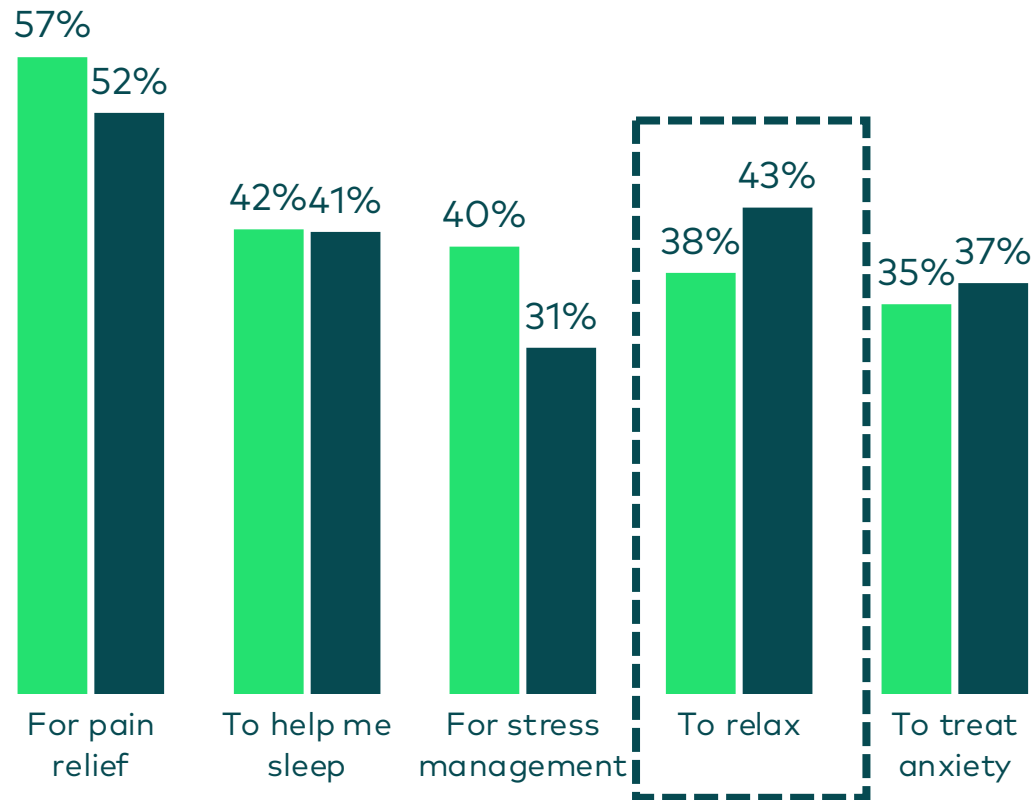


As well as more occasions, especially with relaxation

Top Uses for CBD

Newly Legal States vs Currently Legal States

■ Newly Legal
■ Currently Legal



CBD users in newly legal states currently are **less likely to use CBD to relax**, a **huge opportunity for complementary messaging** given rec marijuana's relaxation-based occasions.

Additionally, CBD is still typically used **relaxing alone** (78%), providing growth potential for CBD products focused on **personal care, sleep, and relaxation with self care messaging**.

The recreational marijuana user looks fairly different based on age – and each cohort presents some different opportunities across categories

Rec marijuana users vary by cohort



Millennials*

18% of HHs use rec marijuana
Low Income
1 HH Member
66% are Urban
41% are Male
54% are Non-White
Spend more at Liquor and C-stores



Gen X*

9% of HHs use rec marijuana
Low Income
1 HH Member
62% are Urban
42% are Male
54% are White / Caucasian
Spend more at Liquor and C-stores



Boomer+*

4% of HHs use rec marijuana
Low Income
2 HH Members
56% are Rural / Suburban
28% are Male
72% are White / Caucasian
Spend more at Liquor stores

And rec marijuana usage varies by generation, too



Millennial Rec Users

60% use weekly

Significantly more likely to use it when **socializing or celebrating**, and to **treat anxiety**

Stress management presents additional top usage occasion



Gen X Rec Users

60% use weekly

Stress management presents additional top usage occasion



Boomer+ Rec Users

50% use weekly

Most likely to use just when **relaxing alone**

Sleep support presents additional top usage occasion



To relax / unwind and for enjoyment are top uses for all three groups

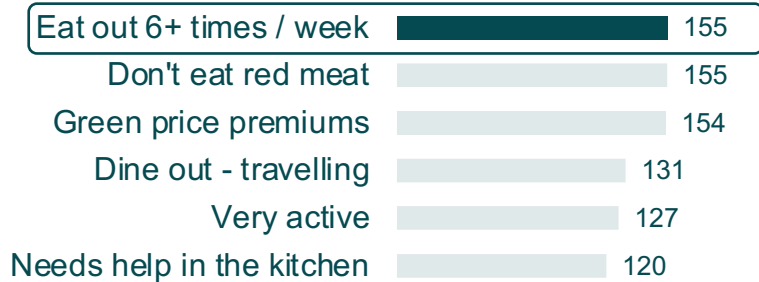
Millennial rec users are heavier wine & beer buyers



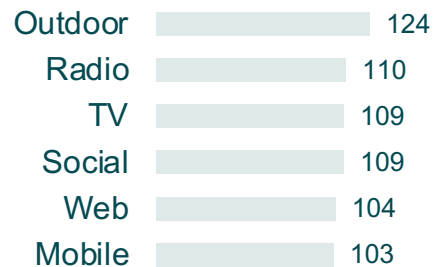
Compared to Millennials in the Legal states, Millennial Rec Marijuana users are more likely to be **urban, non-white males** living an **active, on-the-go lifestyle**. They like to entertain and to be entertained, eat out frequently, are heavy media users and have a higher propensity to **buy on impulse** and to be **values-driven when shopping**. They purchase energy drinks, **wine**, and **beer** more than their peers.

Highest index social media:

Motivations

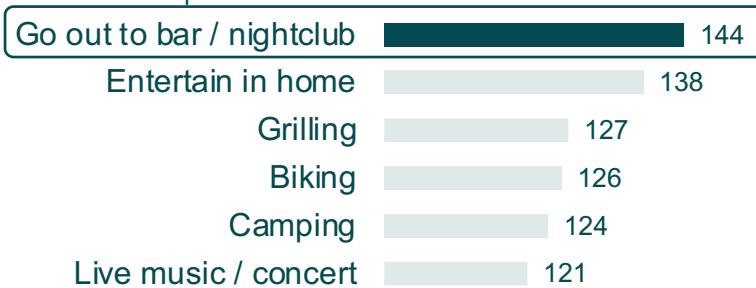


Advertising Exposure



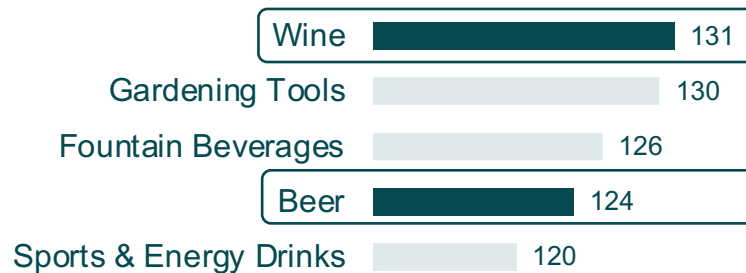
Hobbies & Activities

>15% Participation



Category Affinities

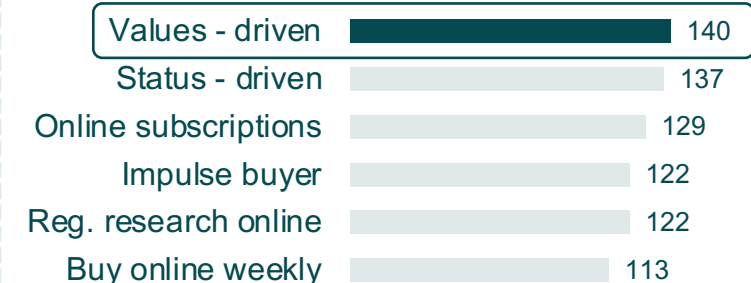
Buy Rate Index



Media



Shopping



Energy drinks have an opportunity with Millennials in newly legal states

33% of Millennial Rec Users in currently legal states **consume Energy Drinks at least once a week**
(+6 pts vs. newly legal states)

13% of Millennial Rec Users in currently legal states **consume Energy Drinks every day**
(+4 pts vs. newly legal states)



*Significantly more likely to be **consuming while socializing with others** – same reason they are more likely to be using recreational marijuana: Messaging could emphasize the complementary nature of the categories*

Millennials are also consuming snacks increasingly often, as COVID and legalization create more occasions

39%

Of Millennial Rec Users
consume snacks every day,
*which is significantly higher
than Gen X or Boomers*

Since COVID started: In newly legal states, **33%** say they **started buying or are buying more**, while in currently legal states, it's **1.3x as many shoppers**



*Millennials were significantly more likely to say they are buying more snacks in the next 3 months → **COVID and legalization are increasing Millennial's consumption of snacks**, creating an opportunity to capture shoppers and trips*

And there's definitely an opportunity for alcohol amongst Millennials in newly legal states, too

23%

Share of Millennials in newly legal states **increasing their amount of alcohol bought**

since COVID

(higher than Gen X or Boomers, who are more likely to buy the same amount)

56%

Share of Millennials in newly legal states who report **drinking alone to relax** (vs 48% in Currently Legal States), a crucial shopper base to retain

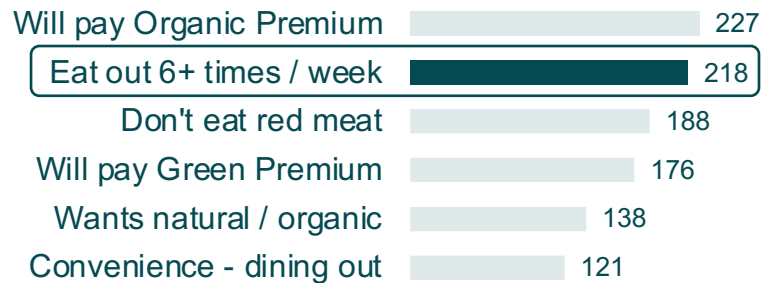
Given these trends, there is an **opportunity to position alcohol as a complement** to rec-based relaxing, smaller gatherings in newly legal states.

Gen X rec users are heavier spirits & beer buyers



Compared to Gen X-ers in the Legal states, Gen X Recreational Marijuana users are more likely to be **urban, white males** spending large amounts of time on digital media for a variety of reasons. They tend to be more **socially responsible**, enjoy eating out + **outdoor activities**. **Status** is a larger driver of their shopping choices compared to their peers, and they purchase **spirits** and **beer** more heavily.

Motivations

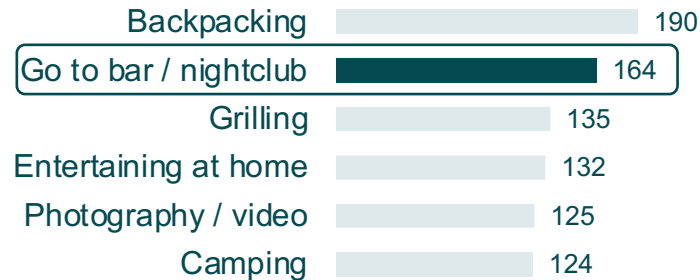


Advertising Exposure



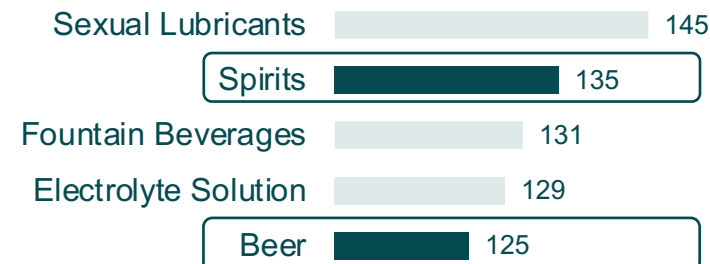
Hobbies & Activities

>15% Participation



Category Affinities

Buy Rate Index

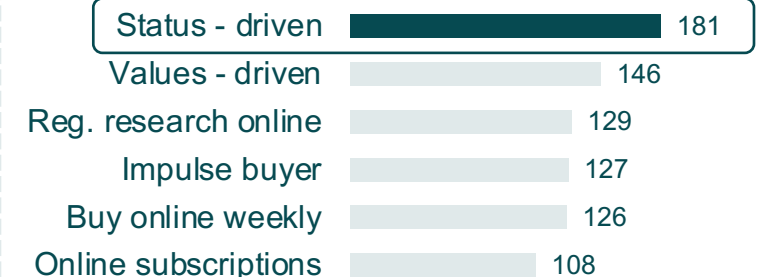


Media

Highest index social media:



Shopping



The Gen X opportunity: focus on affinity to spirits & beer

In states where recreational marijuana is legal, Gen X consume alcohol more frequently

48%

of Gen X rec users that drink alcohol at least once a week **currently legal states**

42%

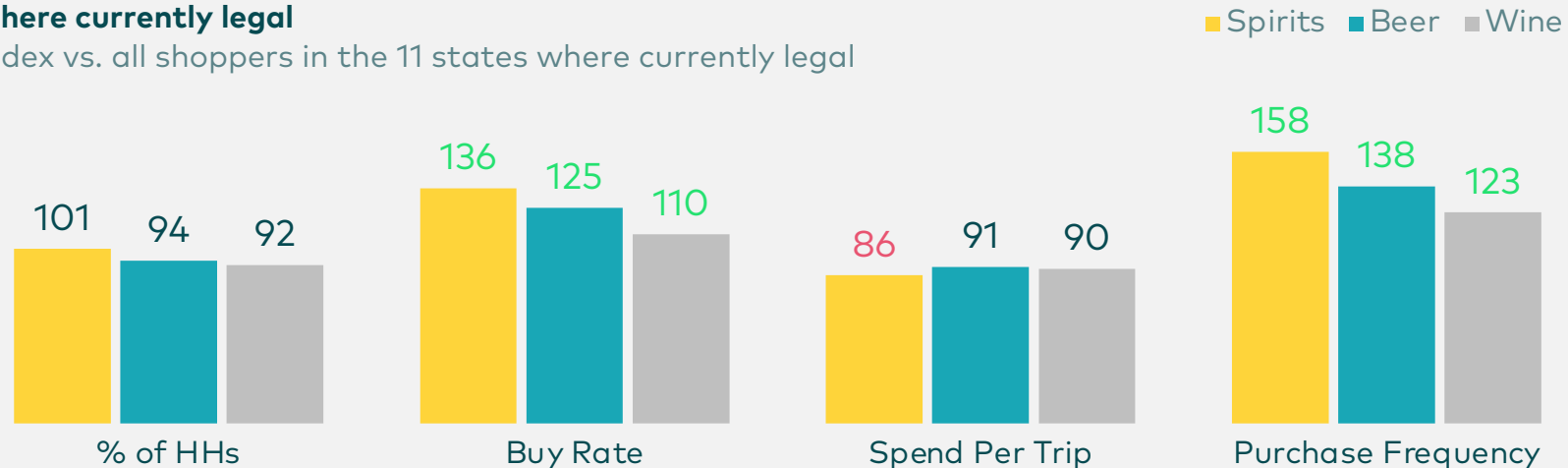
of Gen X shoppers that drink alcohol at least once a week **newly legal states**

There is potential to capture more occasions in these new states, especially with Beer & Spirits!

*Similar to Millennials, Gen X is more likely than Boomers to consume alcohol when **relaxing with a small group or socializing with a large group of people***

Gen X Rec Marijuana Users Alcohol purchases in states where currently legal

Index vs. all shoppers in the 11 states where currently legal

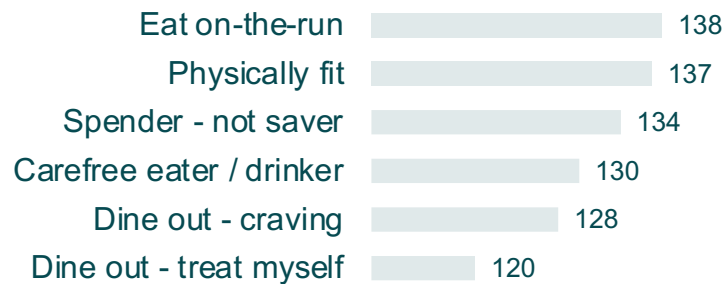


Boomer+ rec users are active and prefer beer, spirits

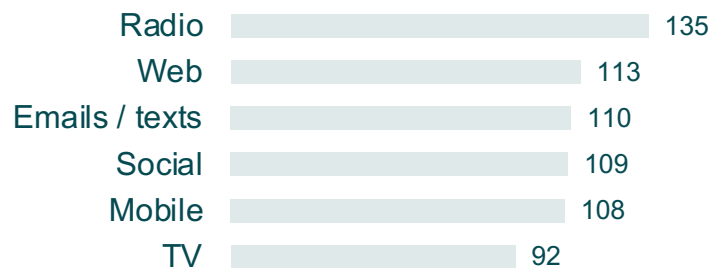


Compared to Boomer+ in the Legal States, Boomer+ Recreational Marijuana users are more likely to be **non-urban, white couples** who **are more tech-savvy and embracing their 'inner youth'**. More than half eat out less than 1x a week, and when they do, it is for different reasons than younger rec users. They have a higher propensity to **enjoy online shopping** while disliking grocery shopping, & buy home / auto air fresheners, **cigarettes, beer, and spirits** more than their peers.

Motivations

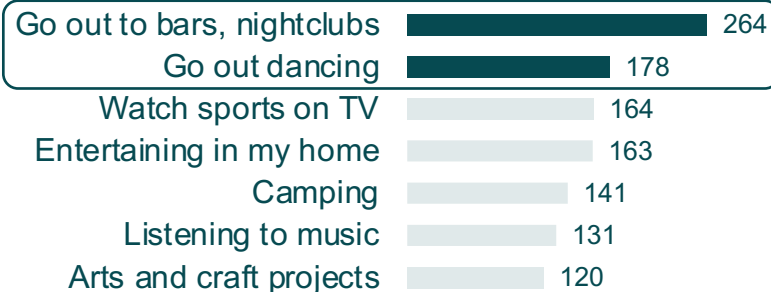


Advertising Exposure



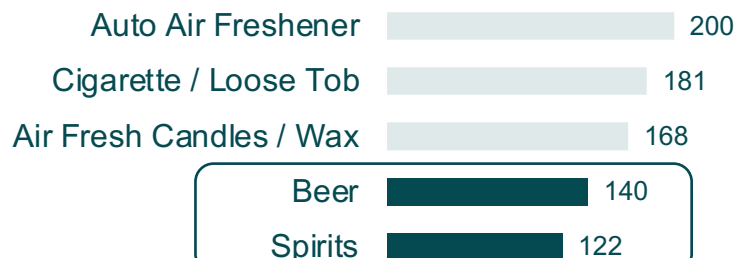
Hobbies & Activities

>10% Participation



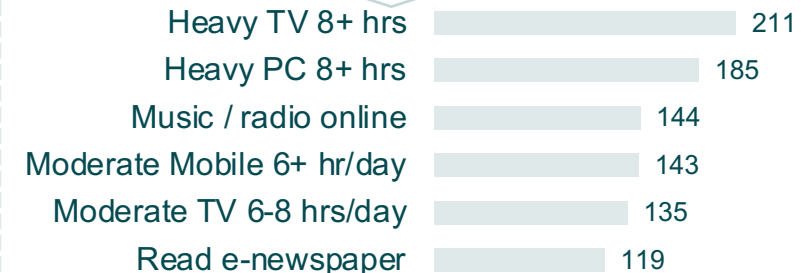
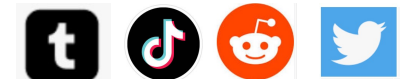
Category Affinities

Buy Rate Index

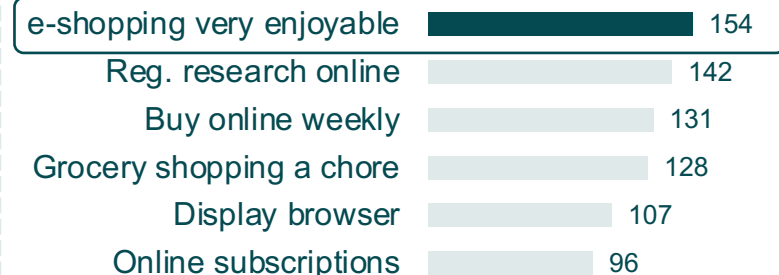


Media

Highest index social media:



Shopping



Boomer rec users and wine – a warning sign to focus on retention

Boomer Rec Users' repeat rate for Wine has declined YoY

79.1%



71.8%

But these Boomer Rec Users are valuable wine buyers!

113

Buy Rate Index
vs. all Boomers

123

Purchase Frequency Index
vs. all Boomers



*Boomers in states where marijuana has been newly legalized are much **more likely to be consuming alcohol when celebrating a special occasion** than boomers who are rec users in currently legalized states (60% vs. 42%), presenting an **opportunity to retain an occasion with these shoppers***

What we're seeing

Recreational marijuana is actually complementary to – not a substitute for – many categories

Alcohol and CBD are the two categories with the greatest opportunity in the 4 newly legal states

Rec users and usage vary by generation, creating different opportunities

Why it matters to you

Retention is key! The recreational users that consume complementary categories in currently legal states actually spend and consume more

Capturing the right people and the right occasions will define the winning strategies

How you can take action

Reach out to your Numerator team about our Health Premium People Groups and marijuana and CBD segments to better understand how these groups relate to your categories and brands

Track purchase behavior and sentiment of those shoppers in newly legal states to ensure your strategies remain fresh and relevant



Numerator

NEW FRONTIERS

Refresh your cannabis strategies to engage new consumers with omnichannel insights

hello@numerator.com