2020 IN REVIEW: CANNABIS INNOVATIONS REPORT

BRIGHTFIELD GROUP

INTRODUCTION

After a difficult 2019, cannabis brands started 2020 with minimally available capital, and the COVID-19 pandemic didn't help that issue. Strapped for funding, brands had to be strategic with the products they brought to market – they couldn't afford a flop.

Despite this, we still saw **912 new products launched** so far this year (Q1 - Q3 2020) in our Innovation Insights portal. New launches become customer favorites, and some products gain widespread success on shelves. The innovations this year reflect a maturing market, interest in cannabinoids beyond THC & CBD, and – of course – everchanging consumer behavior.

In this report, we'll look at the high-level cannabis trends then dive into the data and explore the products that won on shelves this year. Spoiler: edibles and vapes had a better year than cannabis bud, but signs point to an improved product mix. Lastly, we reveal the most successful new product launches this year as our first edition of Brightfield Beacon – a new addition to our offerings.

It's been a wild ride for all of us this year. We commend all the cannabis brands who have fought hard and risen to the challenges of 2020. Your innovation is inspiring!

Now, let's dig into it.

912

new cannabis products launched in 2020*

*Q1 - Q3 2020

Two Roots
Shadow Monk THC-infused “beer”

Caliva
Blitzen OG

Chalice Farms
Pumpkin Spice Cannabis Truffles

Seasonality

As cannabis markets mature, there will be more room for seasonal options, and consumers will come to expect their dispensary shelves to change with the seasons. Cannabis marketers should pay attention to seasonal product trends in other industries and consider how these trends could be adapted to the cannabis market.

Flavors with strong associations to specific seasons can already be seen in the US cannabis market. For example, in winter 2020, mint flavored cannabis products grew in share of shelf. However, mint then lost distribution in April as fruity flavors increased in distribution.
But product type matters. Edibles have a close analogue in many traditional CPG industries and may be easily adapted to fit existing seasonal trends, such as pumpkin spice edibles playing into the wider autumnal pumpkin spice craze.

In the case of other products which typically do not contain flavor additives, like flower and concentrates, more creativity is required. Think about how cannabis can be integrated into the time of year. In the same way a beer's grains vary with the seasons, so too could the seasonal strains focus on sativa/indica balance and THC:CBD ratio to create seasonal differentiation which extends beyond branding.

Cannabinoids in the Mix

The US CBD industry has continued to grow, introducing additional legal minor cannabinoids along the way. This year, we reported on innovations in cannabinol, CBN, and cannabigerol, CBG. Both are part of a growing trend in differentiation.

A wide range of THC-dominant products containing CBN are available at cannabis dispensaries throughout the United States. CBN is widely promoted as a sleep-inducing cannabinoid. To differentiate from other nighttime gummies, brands lean in on CBN's purported sleep-inducing effects – although the science behind these effects is not yet clear.

CBG, on the other hand, does not have a distinct functional benefit; CBG's main appeal right now is its "newness." This hasn't stopped many CBD and cannabis brands from calling out the inclusion of CBG in their products and hoping for a halo effect from this "mother cannabinoid". As research uncovers key features and benefits of specific cannabinoids, CBG will ultimately find its role among other cannabinoids as others eclipse its newness.

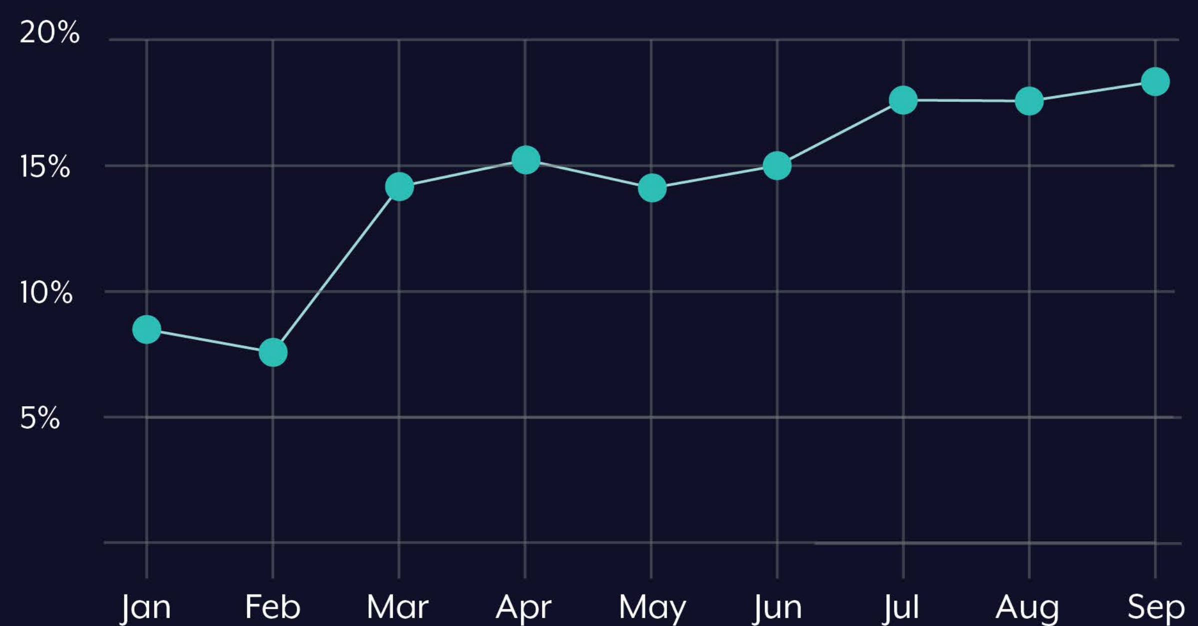
CBD American Shaman CBNight Tincture

Kiva Camino Midnight Blueberry Gummies

Cannabis & Stress Relief

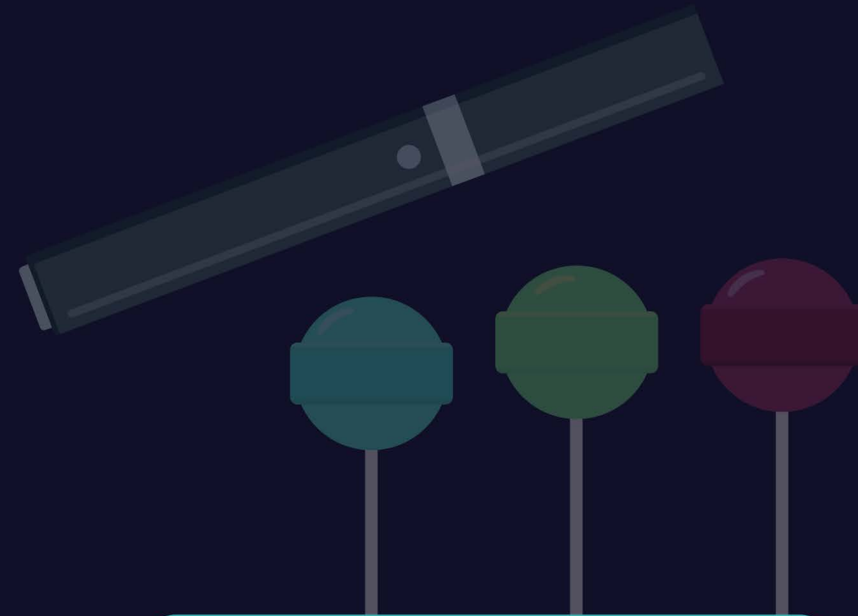
Cannabis brands responded to the pandemic with more products positioned for relaxation and stress-relief available on shelves. Our November 2020 report on cannabis consumers revealed that 81% say cannabis helps them deal with the stress of the pandemic, which is reflected in the growth of products positioned for relaxation and stress-relief. Together, these two positionings increased in share of shelf by 10 percentage points this year while other positionings like “beauty & personal care” and “intimacy” declined.

% OF CANNABIS SOCIAL CONVERSATIONS ABOUT SELF-CARE



Similarly, consumers online increased their interest in cannabis and self-care. Looking at conversations around cannabis on Twitter and Instagram since January 2020, we can see from the chart to the left that the topic of self-care began gaining interest in March (the start of the pandemic in the US) and continued to increase throughout the year.

WINNERS OF 2020



Now we'll look at the cannabis product types that gained the most share of shelf in the first three quarters of 2020. As markets come online or continue to mature, the cannabis product types available on dispensary menus will adapt to consumer demand. The selection a dispensary offers can limit customers if it doesn't provide enough variety, or it can empower customers with an array of options. Though some argue too many options could confuse shoppers, the point is that one type of edible on the menu doesn't leave room for exploration or insight into what the customer really wants.

Getting a gauge on the product types and attributes consumers desire will provide for a successful product mix that's in tune with consumer demand. By looking at the big picture distribution data over the entire US cannabis landscape, we can discern what products are maintaining their place on shelves. This provides a fuller picture than simple point-of-sale data because emerging markets are messy – lack of choice leads customers to purchase what's available and not always what they truly desire.

Terms to Know

Share of shelf/Distribution: the amount of shelf space a product has within the scope of the total amount of shelf space available.

Jan to Sep percentage point difference: The increase/decrease in share of shelf from January 2020 to September 2020 in percentage points. Not a percentage of growth. +3% indicates an increase in 3% points, such as a product type moving from 5% in January to 8% in September.

This is national-level data tracking cannabis products carried through thousands of dispensaries across the country, in emerging and mature markets alike

The product types that increased their share of shelf the most this year were...

1. Candy
2. Cartridges/Pods
3. Resin/Rosin
4. Disposable Pens
5. Baked Goods

CANDY

Since January 2020, cannabis candy has captured 12% of shelf, only third to vape cartridges/pods and bud. In August, candy held its highest share of shelf of the year with 14% share. From January to September, candy increased total distribution by 4 percentage points- a growth of 41%.

Top 10 Cannabis Candy by YTD Share of Shelf

1. Cheeba Chews - Chocolate Sativa
2. Smokiez Edibles - THC Tropical Fruit Chews
3. Kiva Confections - Watermelon Lemonade Camino Gummies
4. Wyld - Marionberry Indica Enhanced Gummies
5. Smokiez Edibles - Sour Jambery Gummiez
6. Smokiez Edibles - Peach Fruit Chew
7. Kiva Confections - Sparkling Pear Camino Gummies
8. Kiva Confections - Tart Cherry Petra Mints
9. Kiva Confections - Camino Wild Cherry Gummies
10. Wyld - 1:1 Pomegranate Gummies

TOP FLAVORS

by YTD Share of Shelf

1 Raspberry

2 Watermelon

3 Strawberry

4 Fruity

5 Chocolate

In the top 10 cannabis candy products on shelf by year-to-date share, we see only four brands: Cheeba Chews, Smokiez Edibles, Kiva Confections, and Wyld. All of these brands sell in at least four legal markets (including California), and- excluding Wyld - they have products in Oklahoma's expansive medical cannabis market. Kiva is the only brand on this list to have reached past the West coast with its presence in both Michigan and Illinois.

Candy Attribute Trends

Cannabis candy positioned as “natural” stayed on top this year. This positioning is appealing in the edibles category as consumers have come to expect alternative dietary options like natural, vegan, non-GMO, additive free, etc. **The natural positioning grew in share of shelf by 9 percentage points this year, gaining more points than any other positioning**.

TOP POSITIONINGS
by YTD Share of Shelf

1. **Natural**
2. **Relaxation**
3. **Focus & Creativity**

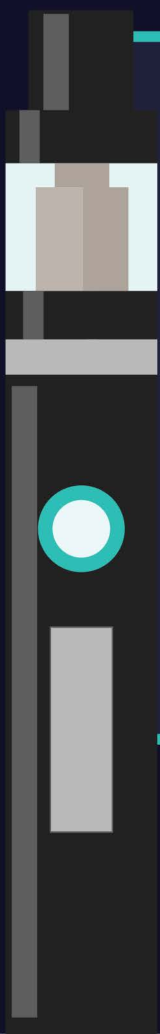
Looking back at our top 10 list, several of these brands highlight their products “natural” features. One example is Smokiez Edibles promoting their gummies as “Vegan, Gluten Free” on their packaging. As fun as the rest of its branding is, it still includes these details to serve ingredient-conscious consumers.

Edibles have a strong association with relaxation due to the body high they can produce, but two similar positionings that saw notable growth this year were “stress” and “self-care.” **With a pandemic on our hands, the positionings went from under 3% distribution in January to a combined year-to-date distribution of 9%.** An example is Kiva Confection’s top distributed Watermelon Lemonade Camino Gummies. The product offers consumers “bliss,” and its online product description includes information on the anxiety-relieving terpenes in the gummy.

Lastly, candy on shelves saw a shift towards luxury and premium prices. This year so far, luxury cannabis candy gained 5 percentage points of distribution and premium gained 4 percentage points. Meanwhile, budget candies lost 6 percentage points of distribution, making it the least available candy price on shelves in 2020.

CARTRIDGES/PODS

Though the vape crisis shook the industry in late 2019, vape cartridges/pods were the most distributed cannabis product type for 2020, with 22% YTD share of shelf. The vape crisis was attributed to illicit vapes containing toxic cutting agents. Accordingly, legal THC vape brands began increasing transparency and promoting the safety of their products. For example, Select launched an Elite Live Resin cartridge in March that markets itself as “now infused with freshly harvested live resin terpenes.” The increase in vapes on shelves points to new product formulations that address concerns around vape ingredients. **Overall, cartridges/pods share of shelf grew by 3 percentage points, surpassing cannabis bud’s share of shelf in March 2020 and holding a lead ever since.**



Top 10 Cartridges/Pods by YTD Share of Shelf

1. Stiizy - Birthday Cake Pod
2. Jetty Extracts - Gelato Gold Cartridge
3. Stiizy - Sour Diesel Premium THC Pod
4. Stiizy - Strawberry Cough THC Pod
5. Raw Garden - Blue Animas Cartridge
6. Stiizy - 1:1 Mango Pod
7. Stiizy - Juicy Melon 1:1 Premium Pod
8. Curaleaf - Cherry Pie Elite
9. Alpine - Granddaddy Purple
10. Pure Vape - Pure One Sativa Lemon Haze

Half of the top 10 cartridges are from Stiizy. With distribution in California, Nevada, Washington, and Michigan, Stiizy is aiming to create a nationwide brand with their proprietary pod system that, according to the brand’s website, “has garnered a cult-like following since its launch.” Except for Curaleaf, all the other brands on this list only have distribution in California. Curaleaf predominantly sells medical cannabis, but its dispensary model and reach across 23 US states allows for wide product distribution.

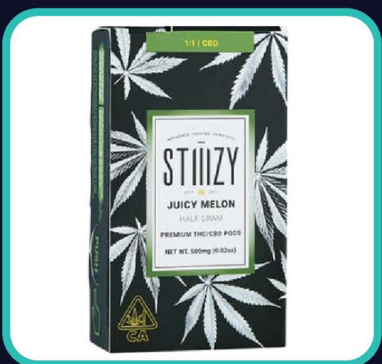
Cartridge/Pods Attribute Trends

Cannabis carts/pods were most available in 500mg packages, with 74% of shelf YTD being this size. In a far second was 1,000mg, or 1 gram, packages with 18% YTD distribution. 1-gram carts/pods, however, increased by 7 percentage points from January to September, possibly indicating a desire for variety in 1g carts. Larger cartridge sizes also allow for less trips to the dispensary and better accommodate heavy use, which has increased during the pandemic.

TOP POSITIONINGS

by YTD Share of Shelf

1. Relaxation
2. Stress
3. Focus & Creativity



A majority of vape cartridges/pods were positioned for relaxation or stress relief. Vapes provide a quick dose of cannabis, making the format well-suited for immediate relief. With the need to de-stress intensified during the pandemic, the relaxation positioning increased 13 percentage points and stress-relief increased 11.4 percentage points. The top 10 list includes two 1:1 CBD:THC offerings from Stiizy, ideal for consumers looking to avoid THC-induced anxiety. Though the pandemic provides an obvious shift in consumer needs, tracking increases in distribution is key to uncovering what's currently resonating with customers.

Unlike cannabis candy, vape carts/pods saw an increase shelf for budget priced products and a decrease in shelf for luxury priced products. The budget price tier holds the largest share of shelf for carts/pods; it gained 5 percentage points in 2020, while the luxury pricing tier lost 5 percentage points. In our Innovation Brief on budget products from May 2020, we discussed how brands could find opportunities to keep consumers in the market with lower priced items despite the challenging economic situation.

Vape cartridges/pods turned out to be the most popular budget product on shelves, capturing 25% of all budget shelf space YTD.

RESIN & ROSIN

Cannabis concentrates provide some of the most potent doses of THC on the market; while cannabis flower contains 15% to 35% THC, concentrates can be 60% to 90% THC. With a variety of techniques to produce cannabis concentrates, there's several product types to choose from. *Though vapes are also concentrated THC, we exclude them from this product category due to their difference in prevalence and method of consumption.* In 2020, **resin/rosin increased in share of shelf more than any other concentrate**, gaining 3 percentage points to bring its YTD distribution to 6%. At the same time, shatter/budder and wax/crumble lost distribution, bringing their YTD totals to under 2%.

Moxie Seeds & Extracts 777 Wedding Cake Live Resin

This trend away from shatter, budder, wax, and crumble can tell us a few things. As dabbing continues to be the predominant method of concentrate consumption – especially in the West coast – experienced dabbers may be preferring specific concentrates over a general "dab."

Raw Garden Gluetopia Live Resin

Rosin and live resin garnered wider appeal this year likely because of the added emphasis on cleaner methods of dabbing. Following the vape crisis in 2019, brands with cannabis extracts have increased transparency around additives and extraction methods to address consumer concern. Rosin is made with a solventless method that relies only on heat and pressure to extract cannabinoids. And while live resin is made with more traditional extraction methods, it preserves terpenes to provide unique flavors without having to add anything else to the finished product. Both product types appeal to a consumer looking to gain more control over what is in their concentrates.

No matter the reason dabbers are turning to rosin/resin, consumers reported concentrate use was up the first two quarters of 2020 when compared to the last two quarters of 2019. **25% of cannabis consumers now report concentrate use, providing an ample base of dabbers for innovations in concentrates to shine.**

Baked goods and disposable vape pens play into the wider trends of candy and cartridges/pods. Both of these smaller product types only make up a fraction of overarching categories of edibles and vapes, but disposable pens and baked goods saw increased distribution in 2020.

BAKED GOODS

Cannabis baked goods are ubiquitous. “Special brownies” hold a special place in cannabis culture, and though they’re not the most efficient or precise method of consumption, they may be the tastiest. This product type makes up a small slice of the market - with only 3% YTD distribution, it’s barely 1/4th the size of cannabis candy’s share of shelf. However, growing 1 percentage points in 2020 was a 40% increase for baked goods. Coupled with cannabis candy’s growth, consumers this year seemed to have a sweet tooth.

Korova
Peanut Butter Mini Cookies

TKO Edibles
Espresso Brownie

DISPOSABLE PENS

Not everyone wants to deal with the technical side of vaping, so there’s disposable vapes to provide ease and efficiency. Though only earning 4% of shelf YTD, disposable pens’ distribution grew by 68% in 2020.

Pens had the same top positionings as cartridges, but **pens positioned for stress-relief increased in distribution by 18.7 percentage points** this year – an even steeper increase than vape carts/pods. Disposable pens allow for unmatched simplicity and dosage control – there’s nothing to stress about with this format, allowing it to be the ultimate stress-relief companion.

Unlike vape carts/pods, disposable pens are available in smaller doses. Though 500mg sizes still made up 26% of shelf YTD, 300mg pens have a greater share of shelf with 52% YTD distribution. 300mg vapes tend to be more affordable, making them especially appealing to those economically affected by the pandemic but not willing to give up their cannabis use.

Alien Labs
Live Resin Disposable Pen

Pure Vape
Disposable Pen

AND THE NOT-SO WINNERS...

Drinks

There was a lot of anticipation around cannabis drinks this year, but the category was not able to shine on shelves. Though dispensaries in California's market may have a cooler of drinks options, menus across the country still only have one or two drinks to offer consumers.

Cannabis drinks have yet to find their niche in the market. They aren't cost-effective for heavy users, and occasional users enjoying a weekend buzz isn't enough to scale. Though some brands try to mimic alcohol, the delayed onset for THC drinks will always be a barrier; cannabis drinks will need to find their own occasions of use rather than compete with alcohol's. If US cannabis legislation plays out in their favor in the coming years, large alcohol companies will be able to acquire smaller THC drink companies and expand them nationally. For now, we'll continue to watch who gets involved and whether drinks can find their place on shelves in 2021.

Bud

Once the top distributed product type, bud lost share of shelf this year and now ranks second in share of shelf. However, cannabis bud is still widely popular among consumers; 57% of cannabis consumers reported bud use in 2020. The drop in distribution could indicate dispensary menus are carrying fewer strains or brands of bud. With bud being the first cannabis item to hit shelves as markets emerge, this decrease in distribution says more about movement towards a healthier product mix than lack of desire for bud.

Tinctures & Topicals

Tinctures and topicals did not see the same consumer enthusiasm as cannabis bud. Both lost distribution and saw decreased levels of consumer use. These product types are not as ubiquitous as bud, vapes, or candy, and brands have yet to crack the code in attracting cannabis users to these interesting product types. With US medical and adult-use programs operating through dispensary channels, tinctures and capsules can feel too clinical when compared to more exciting product types.

WHAT'S NEXT FOR 2021

Into 2021, cannabis innovation will only continue. In the 2020 US election, Arizona, Montana, and New Jersey legalized adult-use cannabis; Mississippi legalized medical cannabis; and South Dakota passed both medical and adult-use. Of these states, New Jersey and Arizona will see adult-use sales in late 2021. New York and Rhode Island could also see sales this year as both state legislatures are already talking about adult-use legalization as of November 2020.

The West coast has maintained a competitive edge over the East coast in legalizing cannabis due to its well-established markets, cannabis-friendly climate, and access to capital. Brands already operating in California or Nevada will be able to enter Arizona's adult-use market with experience. Additionally, many brands already operate in Arizona's medical market, such as Keef and DNA Genetics.

The East coast cannabis market is much less established, with only Massachusetts having adult-use dispensaries for more than a year. The multi-state operators that sell medical cannabis on the East coast – like Curaleaf and Cresco- likely help transition East coast markets to adult-use, as has similarly been seen in Illinois. East coast legalization will provide much-needed capital to the US cannabis market; but with brands fiercely competing in the West coast, we'll likely see most of the innovation on the West rather than the East. Products that can successfully compete in these markets may then establish themselves across the US.

BRIGHTFIELD BEACON

TOP NEW LAUNCHES 2020

Top 10 New Product Launches of 2020

by Share of Shelf

1. Care by Design – 8:1 Vape Cartridge
2. Claybourne Co.- 501St OG Bud
3. Kiva Confections – Midnight Blueberry Camino Gummies
4. Stiizy – Wedding Cake Live Resin Pod
5. Raw Garden Sleeroy G Pod
6. Yummi Karma – YK Drops – Drift Away
7. West Coast Cure – Venom Og Live Resin Sauce
8. Pacific Stone – 505 Sour Hybrid Bud
9. Heavy Hitters – Forbidden Fruit Cartridge
10. Connected Cannabis Co. – 100% Live Resin Disposable

Brightfield Beacon showcases the best of the best in their category. In our Top New Launches category, we can see the products that have the shelves running. New cannabis products need more than press releases to be innovative. By watching what products can maintain or grow share of shelf, we can understand which new product launches are resonating with cannabis users. Innovative products can solve a problem, make something better, or simply excite. Beyond being accessible on dispensary menus, a truly innovative product will seamlessly fulfill consumer needs, fit into their day, and keep them coming back for more. **Congrats to our first-ever Brightfield Beacon: Top New Launches winners!**

To learn more about our US Cannabis capabilities, request a demo here.

Market Landscape

Brand Health

Innovation Insights

Consumer Insights

We're Brightfield Group, and we provide consumer insights and market intelligence for the CBD and Cannabis industries. Fusing intelligent machines with real human analysis, we help you navigate the dynamic CBD and Cannabis markets as data-driven storytellers. With us, you don't just get the numbers; you get a trusted partner, providing a robust picture of the landscape and an actionable plan for the road ahead. See what we can do for you at www.brightfieldgroup.com.

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