

How to Get Started in the CBD Category

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NATIONAL REPORT — In December 2018, when the Agriculture Improvement Act of 2018 legalized CBD, or cannabidiol, derived from hemp, both manufacturers and retailers started buzzing about the possibilities. Since then, new CBD products continue to hit the market, including food items such as gummies, candy, chocolate and popcorn, and beverages like CBD infused teas and water. There are even topical CBD products, beauty products and tinctures.

With Food and Drug Administration (FDA) regulations up in the air, however, some retailers are hesitant to jump into the CBD market. Meanwhile, other retailers who have taken the plunge can't believe how well the products are selling for them.

"I was in a mom-and-pop convenience store that was selling small packages of CBD gummies and then I went back six weeks later and there was a display of six or eight items at the checkout counter, along with a vape pen and cartridges behind the counter," Mike Luce, co-founder of High Yield Results, a Chicago market research firm covering the cannabis industry, told *Convenience Store News*. "The owner said he can't keep the items in stock."

So, how should convenience store operators go about getting started in the CBD category?

Convenience Store News recently spoke with several experts and here's what they advise:

- First, check the laws in the states where you operate stores. The Agriculture Improvement Act of 2018 legalized CBD, or cannabidiol, derived from hemp. However, as of now, hemp CBD retail sales are only permitted in 17 states.
- Check with your distributors to see if they are carrying any CBD products currently. The top items that distributors are shipping into c-stores are gummies, oils and tinctures, and vape items that contain CBD, according to Management Science Associates Inc.
- In the CBD edible space, consumers want things that are easy to consume, portable and discreet. Think gummies, chocolate, mints, snacks and beverages.
- Consider stocking small grab-and-go or single-dose products, which are ideal for the c-store market. Such products allow consumers new to CBD to experiment without having to spend a lot, and enable users to easily manage their intake and portions.

Once the FDA provides more clarity, the segment is expected to grow tremendously, both on the manufacturing and retailing sides, according to Jamie Schau, CBD research manager at Brightfield Group, a predictive analytics and market research firm for the legal CBD and cannabis industries, based in Chicago.

In fact, a February 2019 report from Cowen Research put estimated sales of CBD consumer products in 2018 at between \$600 million and \$2 billion, and projects it to grow to \$16 billion in retail sales by 2025.

The Hartman Group conducted a study among consumers aged 18 to 73 who live in Oregon, Washington, California and Colorado to see what the CBD and cannabis market might look like if it went nationwide, and the data showed consumers are interested in purchasing a lot of food and edibles, including brownies, candy, mints and beverages — although beverages were not as popular as the other segments. Also popular among the study participants were CBD concentrates or tinctures taken under the tongue, oils, pods for vaping, and topical lotions and salves.

“CBD has huge potential for manufacturers and retailers, and will definitely be a disruptor,” said Sarah Marion, director of syndicated research at The Hartman Group Inc., based in Bellevue, Wash. “Right now, it’s mainly the millennials interested, but I think it will go mainstream because of the benefits for older people, too.”

Click below to download our full report, “How to Tap Into the CBD Market.”