

Attract the CBD Consumer

Millennials, baby boomers and women are the biggest customers today

By Tammy Mastroberte

DESPITE THE AGRICULTURE IMPROVEMENT ACT of 2018 legalizing CBD, or cannabidiol, derived from hemp, the Food and Drug Administration (FDA) has yet to rule on the regulation of CBD used in food and beverage products. As a result, many retailers and manufacturers are hesitant to jump into the space until regulations are set.

However, in states where both cannabis and CBD are legal, there is a rapidly growing demand for these products. And if the FDA rules CBD as safe, experts believe the market will explode among both current and new users.

"After the FDA rules, I think the landscape of consumers using CBD will change because it's not readily available right now," Jessica Lukas, vice president of consumer insights at BDS Analytics, told *Convenience Store News*. "They are not seeing it while shopping at Target or the grocery store. But as product availability increases, you will see a lot more people trying and accepting these products."

There is already a growing segment of the U.S. population using CBD products, and others who are just starting to hear about them and showing interest.

In the past six months, 15 percent of adults aged 21 and older have consumed CBD products, according to BDS Analytics. Of those, 40 percent have a college degree or higher. And in following the trend of consumers looking for healthier and local products — which the convenience store industry has been responding to recently — the CBD consumer also falls into this category, Lukas said.

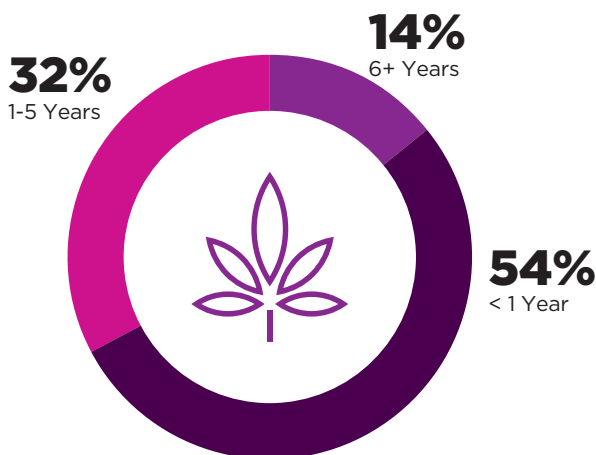
"CBD consumers are trying to live a natural and healthy lifestyle, so it's not surprising that hemp-derived products would appeal to them," she noted. "Also, more than others, they are interested in buying products local, natural and organic."

Consumers view products with CBD as a more natural alternative to pharmaceutical options for stress, anxiety and pain, according to Jamie Schau, CBD research manager at Brightfield Group, based in Chicago. Viewed as a natural product, CBD is said to be effective and affordable.

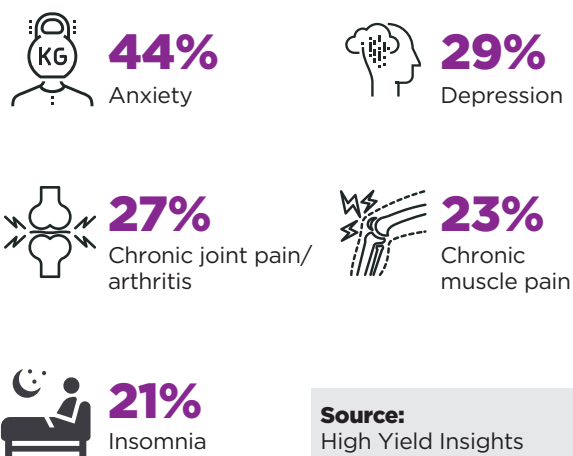
"Many natural food stores carry CBD products, and it's even being used as a tobacco substitute in some cases," Schau explained.

Current CBD Users

For many consumers, CBD is new to their lives. For more than half of current CBD users (54%), their tenure with the product is less than one year, with 86% of current consumers having used for less than five years.

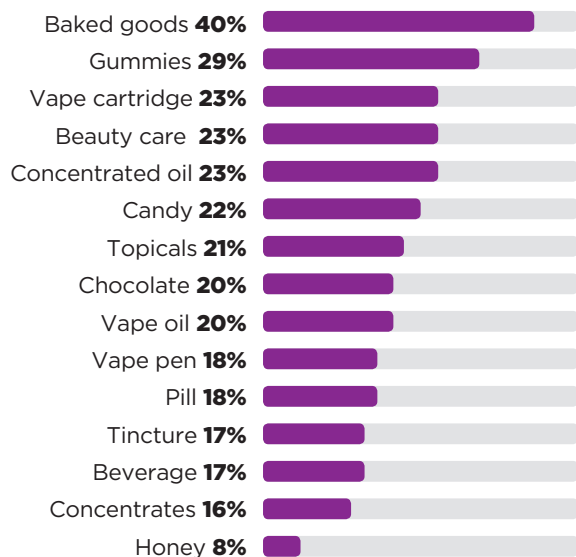


Conditions New Users Treat With CBD



Source:
High Yield Insights

Popular CBD Product Types, All Current Users



Some independent c-stores already carrying CBD products have them behind the counter along with tobacco, and even ask people for ID before purchasing, Lukas said, noting that there are currently two paths being taken when introducing these products into the store.

"One is temporary displays of the products to catch consumer attention and get them to try the products, and you will likely see some people with a shelf dedicated to CBD products — maybe starting with five," she said. "The second is shelving the products along with the non-infused counterparts. For example, sparkling water infused with CBD would be next to non-infused sparkling water. That will really drive awareness and purchasing as well."

The Current Landscape

Most research shows both men and women utilize CBD products, with females slightly more than men — although this does vary by product. For example, topicals are used more by women, especially since CBD is being featured in beauty products already on the market today.

"Right now, it's slightly more women than men as CBD consumers, but we see this as being such a huge growth industry and used by people across the spectrum," said Schau.

Brightfield Group conducted a CBD consumer insights poll, collecting thousands of surveys from those who use CBD, as well as utilizing artificial intelligence technology to scan social media profiles. The results included 5,000 responses that the company turned into one million data points.

What is the most popular form by age range?



Ages 21-34

Vape pens (disposable)



Ages 35-44

Chocolate



Ages 45-54

Topicals



Age 55+

Tinctures

Source: High Yield Insights

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The two biggest consumer segments that stood out from the survey are "stressed out millennials," ranging in age from 21 to 35, who are using CBD products for anxiety, depression and insomnia; and baby boomers, aged 56 and older, who are looking to address chronic conditions for pain management and inflammation, Schau shared.

Additionally, because CBD is a newer and emerging category, a little more than half of the current users (54 percent) are fairly new to CBD, meaning they have been using it for less than a year, according to *The CBD Consumer Experience Study* by High Yield Insights. This study surveyed current, potential, former and non-users. The results also showed that 85 percent of current users have been using CBD for less than five years.

"This was separate from consumers using the THC form of cannabis, and it's really a new market, even for those who have been using the product for some period of time," explained Mike Luce, co-founder of High Yield Insights, a market research firm covering the cannabis industry, based in Chicago.



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The *CBD Consumer Experience Study* also showed the conditions new users are treating, which include anxiety (44 percent), depression (29 percent), chronic joint pain/arthritis (27 percent), chronic muscle pain (23 percent) and insomnia (21 percent).

In terms of current users, the study breaks consumers into segments, with the top users (31 percent) falling into what High Yield Insights calls “Goop-y Gwyneth.” These are females aged 21 to 34. The second-largest group is millennials, predominately white, single men, who represent 26 percent of current users.

“One of the most public supporters of CBD is actress Gwyneth Paltrow, and almost without exception, this [Goop-y Gwyneth] group is white, married women who have children at home and span all income ranges,” Luce said. “Baby boomers will also be a big area of growth. They are using it for chronic joint pain, arthritis, muscle pain and insomnia. But there is a degree of education needed on hemp-derived products and what they deliver for this group.”

Management Science Associates Inc., an analytics company based in Pittsburgh, Pa., also did a survey called *Consumer Research Around Cannabis*, which included 70,000 legal adults in 69 different markets. The goal was to uncover who is most likely to purchase CBD and/or cannabis products. The research discovered that those interested in cannabis are also “highly interested” in CBD, according to Don Burke, senior vice president of the company.

“We found males ages 18 to 39 and females from 18 to 34 as the consumers most interested, and their incomes tend to be higher,” Burke noted. “We also found it far more likely for the tobacco consumer to also have an interest in CBD amongst the general population.”

Purchase Behavior

Today’s consumers of CBD are buying products based on their needs and availability. Topical, tincture and sublingual products are currently driving the marketplace, although gummies, chocolates and beverages are expected to grow once the FDA comes out with regulations.

What is true today may not necessarily be the case six to 12 months from now as the availability of products changes, according to Lukas.

“If you look at beverages, which is still a small market, people are buying them to help them relax, manage stress and have fun, so that is less medically related and more wellness,” she explained. “Infused foods and candies are often to sleep better, relieve pain and manage stress. There are also people buying products for their pets to treat or manage a health problem, avoid prescriptions, and manage stress or pain.”

The prediction for the CBD marketplace is that it will grow much more in the next six to 12 months when product availability increases, with CVS, Walgreens, Sephora and other major retailers currently offering topical creams, bath bombs and beauty treatments, as these don’t fall under the category of ingestible, which the FDA has yet to rule on, Lukas said.

“As soon as the FDA comes out and communicates how it will be regulated, ingestible will be a bigger growth driver than topical application and will drive a big percentage of the growth we expect to happen over the next five years,” she added.

Both current and potential users are looking for easier access to the products (43 percent), according to High Yield Insights, citing this as one of the drivers that would make them consume CBD products more often. Right now, the primary way CBD products are purchased is through a CBD brand’s website (31 percent) or a cannabis dispensary (31 percent). Additionally, 24 percent purchase from an online retailer and 21 percent buy at a natural or health food store.

When asked their current preferred product type, 40 percent of current CBD users cite baked goods, 29 percent buy gummies, 22 percent purchase candy, 20 percent prefer chocolate and 17 percent cite beverages, the High Yield Insights survey showed. All of these categories fit into the c-store product assortment, along with vape cartridges (cited by 23 percent of the study participants) and vape pens (cited by 18 percent).

“Topicals will remain very important for pain management, and the ingestible products need to be delivered to the consumer in a vessel that makes sense from a functional perspective,” Lukas pointed out. This is echoed by the High Yield Insights research that shows 52 percent of consumers consider the product form before purchase.

“Every product in the grocery store will be infused at some point, but what will survive is the most functional formats, and here beverages make sense,” said Lukas. “People are already interacting with beverage in a functional manner, with coffee or energy drinks to wake up, sports drinks to recover and tea to calm them.”

Also, while gummies have been a huge category in cannabis dispensaries to date, retailers must realize consumers are not looking to them as candy, but more as a vitamin or supplement in terms of behavior. **CSN**

THREE-PART SERIES

This is the second in a three-part series exploring the CBD opportunity for convenience stores. Look in the August issue for part three.