



# Navigating Seismic Shifts

July 2020 US CBD Report



# TABLE OF CONTENTS

<a href="#">Introduction</a>	<a href="#">3</a>
<a href="#">The Impact of COVID-19</a>	<a href="#">5</a>
<a href="#">The Importance of Digital Marketing &amp; DTC</a>	<a href="#">6</a>
<a href="#">Innovation Does Not Slow Down</a>	<a href="#">8</a>
<a href="#">The Changing Competitive Landscape</a>	<a href="#">11</a>

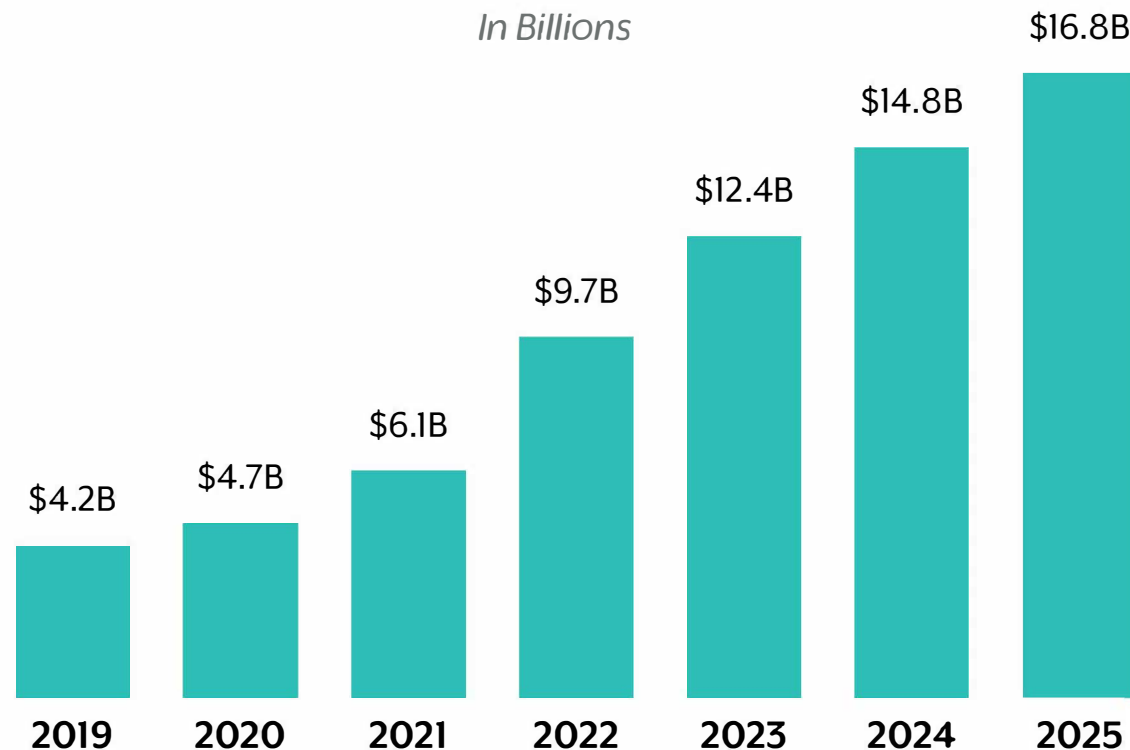
*Click on title to jump to page*



# INTRODUCTION

In 2020, the US CBD market is projected to reach \$4.7 billion in sales, with 14% growth from 2019 sales of \$4.1 billion. With Americans facing high unemployment levels (11.1% in June 2020 compared to 3.8% in February 2020) year 2020 retail sales are not expected to reach levels anticipated prior due to the emergence of the COVID-19 pandemic. In addition to the economic pressures faced by consumers and temporary store closures, inaction by the US FDA (Food and Drug Administration) is constraining growth of the US CBD market. By 2025, Brightfield Group estimates the total US CBD market could reach \$16.8 billion.

## US CBD Market Size & Forecast (2019-2025)



Source: Brightfield Group



## Much of the growth of CBD will be driven by:

**Extensive media coverage and natural health and wellness trends:** Growing awareness of CBD's health benefits, combined with a movement toward natural alternatives to pharmaceuticals, is driving consumer demand for CBD products.



**Expanded distribution channels:** CBD products went mainstream in 2019 as CVS, Walgreens, Kroger, Albertsons, and other national retail chains began to sell CBD in their stores. Sephora has also expanded its selection of CBD products in 2020.



**Product variety and evolution:** The growing diversification and sophistication of CBD products appeals to a much broader consumer audience beyond cannabis users and natural food store consumers.



**Strategic marketing:** CBD companies are using multiple methods including social media, podcasts, radio ads, print media, and infomercials to reach consumers.





# THE IMPACT OF COVID-19

As Americans shelter in place during the COVID-19 pandemic, CBD companies are facing both challenges and opportunities. A major challenge is the loss of revenue from store closures as many retailers selling CBD products have either closed temporarily during the crisis or are only offering curbside pickup and delivery. Even for CBD specialist retailers and smoke shops that remain open, they are experiencing steep declines in sales as social distancing guidelines and consumer worries about contracting the coronavirus keep shoppers at home. Another challenge is consumers' reduced ability to buy CBD products as the US is experiencing the highest unemployment rate since the Great Depression in the 1930s. Over 30 million Americans are receiving unemployment benefits as of July 14, 2020.

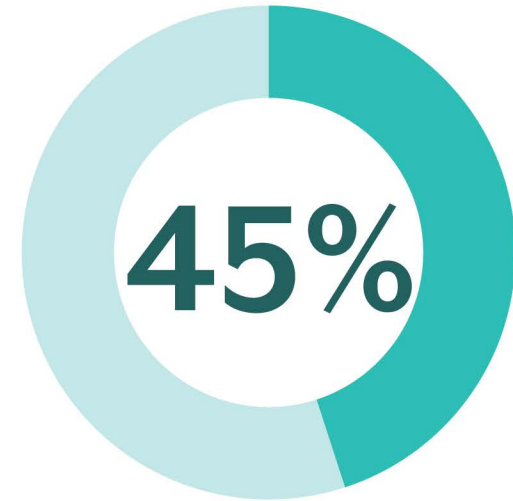




# THE IMPORTANCE OF DIGITAL MARKETING AND DTC

A strong e-commerce presence is especially important for CBD companies during this time as early stay-at-home orders shuttered retailers and sent many consumers to e-commerce. Many consumers reduced visits to stores when stay-at-home policies were in effect and are still wary of visiting physical stores. Nearly half (45%) of CBD consumers surveyed in June 2020 have moved their CBD purchases online as a result of the coronavirus crisis. Millennial shoppers are the most likely to have switched to online stores for their CBD needs, with 54% reporting switching from brick and mortar stores to online. Their usage and spending also increased during this stressful time.

**As a result of the coronavirus crisis,**



**of CBD consumers surveyed in June 2020 have moved their CBD purchases online**

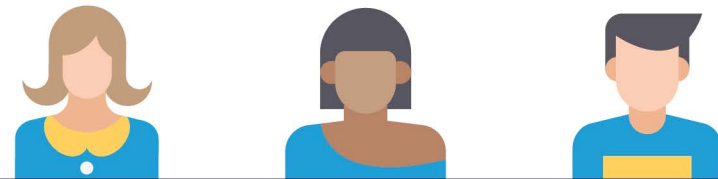


CBD market leaders have seen online sales increase dramatically in the first half of 2020 but are still making efforts to expand in brick and mortar retailers to set up for future success and broader brand awareness. CBD companies with extensive DTC (direct-to-consumer) experience, a database of e-newsletter subscribers, and a large social media following have been able to reach out to their consumers and sell through their brand websites.



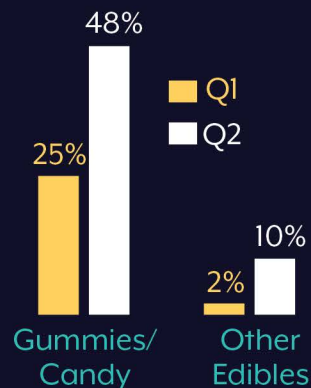
In addition to having DTC capabilities, CBD companies with a well-recognized brand and a strong digital marketing strategy are expected to fare best in this challenging environment. During this time of crisis and economic upheaval, consumers are looking for familiar and trusted brands. In fact, our brand health data shows the top 3 brand descriptors for US CBD consumers are High quality, Trustworthy, and Reliable. As consumers continue to minimize trips to stores or choose to buy online and pick up in stores (i.e., click and collect), CBD companies will not have the benefit of relying on employee recommendations at CBD specialist retailers and health food stores and point-of-purchase materials to influence consumers. CBD brands can maintain a direct connection with consumers and provide education about CBD through emails, blogs, and social media. At the same time, new CBD companies will find it difficult to enter retail channels as in-person sales calls have been paused and major trade shows such as Natural Products Expo West and NoCo Hemp Expo have been canceled. Brands prioritizing retail penetration will need to reevaluate as online channels grow stronger.

## EVOLUTION OF THE CBD CONSUMER



From Q1 to Q2 2020, CBD consumers not only switched their purchasing channel, but also explored different product types and continued to become more experienced CBD users.

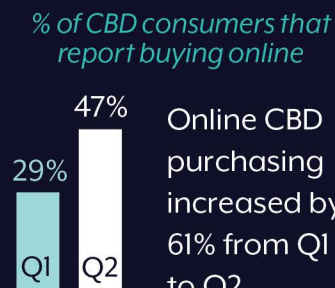
### PRODUCT TYPES USED



**88%** more CBD consumers used gummies/candy in Q2 than Q1.

**5X** more consumers reported using other edibles.

### ONLINE PURCHASING



Online CBD purchasing increased by **61%** from Q1 to Q2.

### USAGE HISTORY

Of all CBD users in Q2 2020,



have used CBD for more than 1 year

From Q1 to Q2, this increased by **13%**.

As time goes on, consumers become more experienced CBD users.

### USAGE RATE

The amount of consumers using CBD on a daily basis increased by **6%** from Q1 to Q2 2020.



# INNOVATION DOES NOT SLOW DOWN

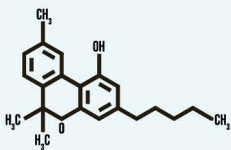
Many consumer packaged goods companies – especially food and beverage – are rationalizing their portfolios and focusing on core brands, rather than variety and innovation. This is to help streamline supply chains and reduce complexity in the uncertain environment created by the coronavirus. CBD companies and brands are doing the opposite and rolling out innovation at a high pace to draw in new consumers and keep existing CBD users interested in the industry. New functional ingredients can help bring new consumers to CBD, especially as natural ingredients complement the many uses of CBD and help consumers better understand how to incorporate these products into their daily or weekly wellness habits. Featuring these products that also offer accessible price points can help drive incremental CBD sales for convenience operators and encourage routine purchases. Major players such as CBDfx and Medterra who have rolled out innovation at a rapid pace in 2020 have been rewarded with increased brand awareness and sales in this challenging time.

Immunity support is a key area of focus in 2020 for CBD companies as consumers seek out ingredients that support immune health such as elderberry, echinacea, and vitamin C during the coronavirus pandemic. **Bluebird Botanicals'** new Immune Support+ Vitamin D3 & CBD Oil combines a full-spectrum hemp extract blend with vitamin D3, which promotes a healthy immune response. **Medterra's** new Immune Boost Drops combine elderberry, echinacea, vitamin D, ginger root, ashwagandha, vitamin C, reishi mushroom, and lemon balm to support immune health with the calming power of CBD.

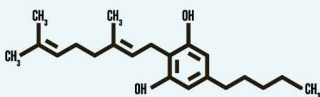




**CBN**  
cannabinol



**CBG**  
cannabigerol



CBD companies are also beginning to incorporate minor cannabinoids including CBG and CBN alongside CBD as combining cannabinoids and terpenes (found naturally in hemp) are believed to produce the “entourage effect” where the compounds work synergistically to enhance the effects of each component. The price of CBG has also come down recently as hemp farmers have found methods to cultivate hemp strains with higher CBG percentages.



**CBDfx's** Wellness 2:1 CBD + CBG Tincture offers a 2:1 ratio of CBD to CBG along with 18 proprietary terpenes, Curcumin, and Coenzyme Q10 to boost the entourage effect.



**CBDistillery's** Relief + Relax CBD CBG 1:1 Oil combines the benefits of CBD and CBG. CBG (cannabigerol) is believed to have antimicrobial, analgesic or anti-inflammatory properties.



**CBD American Shaman's** CBNight Water Soluble CBN Oil is a blend of cannabinoids to promote better sleep, without the common side effects of sleep aids.



Product innovation is also occurring as consumer packaged goods and pharmaceuticals companies enter the CBD market. From drinks, to vitamins, and personal care items, some examples include:



**Church & Dwight**  
**Vitafusion CBD Full Spectrum**  
**Hemp Extract Gummies**



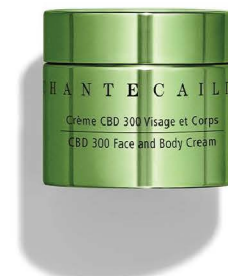
**GlaxoSmithKline (GSK)**  
**36 Bushels topicals**



**Brew Dr.**  
**Tranquil Kombucha With CBD**



**Hello Products (Colgate-Palmolive)**  
**Hello CBD Soothing Mouthwash**  
**and Fluoride Free Toothpaste**



**Chantecaille**  
**CBD 300 Face and Body Cream**



# THE CHANGING COMPETITIVE LANDSCAPE

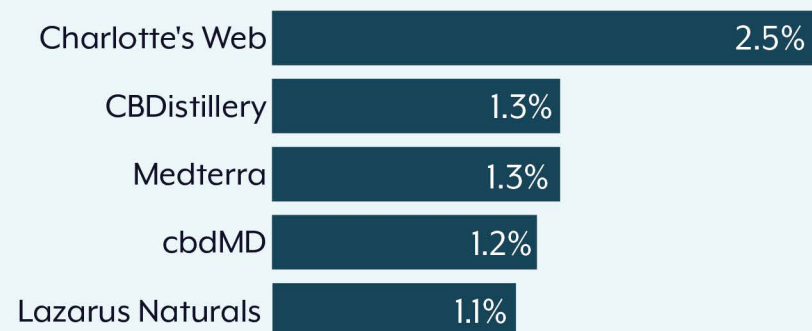
The US CBD market has experienced a significant extinction event for hundreds of small brands. Because the market is seeing both expansion and consolidation in 2020, the top 5 brands have technically lost market share but still maintain the majority piece of a now larger pie. The industry is primarily influenced by CBD-only companies along with cannabis companies, supplement brands, Canadian Licensed Producers (LPs), and new entrants from the CPG space.

## Q1 2020 TOP 5 CBD COMPANIES BY TOTAL SALES



Source: Brightfield Group

## Q1 2020 TOP 5 CBD COMPANIES BY ONLINE SALES



Source: Brightfield Group

**The number of consumers reporting they buy CBD online increased from 29% in Q1 2020 to 47% in Q2 2020!**



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](http://www.brightfieldgroup.com).

