As legalization of cannabis has grown, so too has interest in CBD. As of 2019, 1 in 7 American Adults said they personally used CBD-based products.

With growth projected over the next few years, brands across industries like personal care, beverage, and retail are leaning into the ever-growing CBD category. If consumer access and demand continues, advertising norms for the category are poised to evolve. This presents an opportunity to understand the CBD marketplace and consider the implications for brand go-to-market strategies.
CBD Landscape Overview
CBD (cannabidiol) is a chemical compound found in the cannabis plant. It's a naturally occurring substance that's used in products like oils and edibles to impart a feeling of relaxation and calm. Unlike its cousin, THC - the major active ingredient in marijuana, CBD is not psychoactive.

**Is it legal?**
Yes, purchasing CBD is federally legal as long as it does not contain more than 0.3 percent THC, but some state laws have put restrictions on buyers. For example, Virginians can only buy and possess CBD if they have a prescription.

**How is CBD used?**

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Topicals</strong></td>
<td>Inclusive of creams, serums, tinctures, OTC supplements etc.</td>
<td>~81%</td>
</tr>
<tr>
<td><strong>Edibles/Consumables</strong></td>
<td>Inclusive of foods, beverages, pet care products etc.</td>
<td>~13%</td>
</tr>
</tbody>
</table>

Source: Hemp Industry Daily
**Timeline: The Evolution of CBD**

- **1937** The **Marihuana Tax Act** prohibits cannabis at a federal level.
- **1940** Harvard-trained chemist, Roger Adams, successfully extracts CBD from cannabis.
- **1963** The **Controlled Substances Act** classifies cannabis as a Schedule I Drug, prohibiting its use for any purpose.
- **1963** Dr. Raphael Mechoulam, “godfather of cannabis research,” describes the CBD chemical structure.
- **1996** California becomes the first state to legalize medical cannabis.
- **2012** Dr. Raphael Mechoulam, “godfather of cannabis research,” describes the CBD chemical structure.
- **2014** The **Controlled Substances Act** classifies cannabis as a Schedule I Drug, prohibiting its use for any purpose.
- **2014** California becomes the first state to pass a low-THC, high-CBD medical cannabis law.
- **2014** The **Marihuana Tax Act** prohibits cannabis at a federal level.
- **2014** Jack-in-the-Box Munchie Meal is first large QSR promotion aimed at cannabis users.
- **2014** Harvard-trained chemist, Roger Adams, successfully extracts CBD from cannabis.
- **2018** The 2018 Farm Bill legalizes low-THC CBD products at the federal level.
- **2018** Colorado and Washington become the first states to legalize the recreational use of cannabis.
- **2018** Constellation Brands buys stake in Canopy Growth.
- **2018** AB InBev partners with Tilray.
- **2018** Major retailers like Walgreens, CVS, Kroger etc begin to offer CBD products.
- **2018** Constellation Brands launches CBD beverage, Verywell, in Colorado.
- **2018** AB InBev launches CBD beverage, Verywell, in Colorado.
- **2019** AB InBev partners with Tilray.
- **2019** NY legalizes recreational marijuana.
- **2020** Arizona, Montana, New Jersey, and South Dakota legalize recreational cannabis.
- **2020** Molson Coors launches CBD beverage, Verywell, in Colorado.
- **2021** Walgreens partners with Hexo Corp.
- **2021** Unilever inks distribution deal with Neptune Wellness.
As cannabis legalization has grown, so has consumer interest in CBD

14% of U.S. adults say they personally use CBD products, according to 2019 Gallup research.

Source: Gallup, Google Trends, "CBD", 2/14/2016 to 2/8/21
**Consumer Observations:**
Characteristics of the evolving CBD Consumer

**Skews Younger but Used Across Ages**
Nearly 20% of both adults under 30 and over 50 say they personally use CBD products.

**More Popular Among Women**
15% of women (vs. 12% of men) say they use CBD products, driven by likelihood to be more adventurous in trying new personal care products.

**Pet Owners Lean into CBD**
Over 24% of pet owners use CBD products for themselves, their pets, or both. CBD market trends show that cannabidiol-infused products for dogs and cats will account for 3% to 5% of all CBD oil sales in the U.S. by 2025.

**Western States Set the Pace**
CBD usage is higher in the Western U.S. as CBD products have been available for a longer time to residents of those states.

*Source: Gallup, Pet Food Processing, Statista*
As a result, the overall CBD category is projected to grow.

U.S. CBD Market Size & Forecast (Billions)


5-Year CAGR: 26%

Source: Brightfield Group, July 2020 U.S. CBD Report
## Trends Fueling the CBD Category

### Health & Wellness

The larger trend of health & wellness is driving usage of CBD products, as consumers are drawn to its benefits as a source of relief from anxiety, insomnia, muscle pain, and other ailments.

### Innovation & Distribution

Innovations in CBD gene sequencing and portable packaging have enabled CBD to enter new markets, such as the booming RTD beverage category. Improvements to CBD purification and infusion technology has made the incorporation of CBD to everyday products easier than ever.

### New Market Entrants

The growth in demand and popularity of CBD, as well as its functional applications, has attracted the attention of large CPG and Beverage brands. MillerCoors, AB InBev, and Unilever, among others, are poised to bring even greater CBD awareness to the masses.

### COVID Impact

Self care has become the most common topic when CBD is discussed on social media. **39% of CBD consumers indicated they’re using CBD more frequently as a result of COVID-19.**

CBD ecommerce sales spiked as the pandemic hit, with many first-time users turning to ecommerce channels. **Online CBD sales remain strong** as stay-at-home orders are lifted.

While regular CBD consumers have increased their consumption, business pressures and the entry of new players led to **large scale consolidations** during the pandemic.

Source: Visual Capitalist, New York Times, Food Navigator, Brightfield Group
Key Players Within the CBD Category
Even as it consolidates, the CBD category is remarkably diverse as both new and legacy brands continue to enter.

<table>
<thead>
<tr>
<th>Big Players</th>
<th>Small Players</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cannabis Companies</strong></td>
<td><strong>Celebrity-Owned Brands</strong></td>
</tr>
<tr>
<td>HEXO Corp</td>
<td><em>Happy dance</em></td>
</tr>
<tr>
<td>Columbia Care</td>
<td><em>BARKER</em></td>
</tr>
<tr>
<td>TILRAY</td>
<td><em>Willie's Remedy</em></td>
</tr>
<tr>
<td>curaleaf</td>
<td><em>Martha Stewart</em></td>
</tr>
<tr>
<td>Cresco Labs</td>
<td>Disruptors (small but growing)</td>
</tr>
<tr>
<td>Aurora</td>
<td><em>cbdMD</em></td>
</tr>
<tr>
<td><strong>CBD-Only Companies</strong></td>
<td></td>
</tr>
<tr>
<td>Charlotte’s Web</td>
<td><em>NEPTUNE</em></td>
</tr>
<tr>
<td>CV Sciences</td>
<td><em>GREEN ROADS</em></td>
</tr>
<tr>
<td>American Shaman</td>
<td><em>Garden of Life</em></td>
</tr>
<tr>
<td>Level</td>
<td><em>Irwin Naturals</em></td>
</tr>
<tr>
<td>CBDistillery</td>
<td>Natures Plus</td>
</tr>
</tbody>
</table>

| **Supplement Brands** | |
| Barlean’s | *MEDTERRA* |
| Garden of Life | |

Note: Brand list is not exhaustive.
As CBD adoption grows, legacy brands are looking to capture growing demand

<table>
<thead>
<tr>
<th>Beverage</th>
<th>CPG</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Molson Coors expands partnership with Hexo to launch CBD beverages in Colorado.</td>
<td>Avicenna, hosted by J&amp;J, enters agreements to develop CBD products for U.S. distributors.</td>
<td>Walmart partners with New Age Beverages to distribute their CBD beverages.</td>
</tr>
<tr>
<td>AB InBev partners with Tilray to produce CBD beverages.</td>
<td>Neptune Wellness partners with CPG giant, Unilever, as a stocking and logistics partner in the U.S. and Canada.</td>
<td>Kroger adds Charlotte’s Web, The Yield Growth Corp., CV Sciences Inc., among others to its growing list of CBD brand offerings.</td>
</tr>
<tr>
<td>Constellation Brands</td>
<td>Kellogg's joins Coca-Cola and Pepsi in forming a regulatory and advocacy council for CBD.</td>
<td>CVS Pharmacy begins selling hemp-derived CBD products in eight states, marketing the topical cannabidiol products, as “an alternative source of relief.”</td>
</tr>
</tbody>
</table>
CBD is a growing priority for brands across industries

CVS Pharmacy

“We have partnered with CBD product manufacturers that are complying with applicable laws and that meet CVS’s high standards for quality. We think this is something that customers are going to be looking for as part of their health offering.”

CVS CEO, Larry Merlo

Schmidt’s Natural (Unilever)

“CBD is probably the most powerful ingredient that we’re going to see over the next decade in the personal care market.”

CEO, Michael Cammarata

Molson Coors

“We’ve laid out a clear vision of leveraging the competitive strengths of our foundation in beer to grow in new spaces beyond the beer aisle. The launch of [CBD beverage] Verywell is a key example of expansion into new beverage categories.”

President of Emerging Growth, Pete Marino
CBD Media Considerations
CBD Media
Spend Overview

- Overall CBD media spend increased **350%** in 2020

- Print was the largest channel for CBD spend in 2020, representing **75%** (Lifestyle magazines such as OK! Weekly, Life & Style Weekly, as well as Golf magazines)

- **$3.7M** in Podcast spending in 2020 (included in digital)

- Between 2019 and 2020, the number of CBD advertisers increased **70%**

- CBD TV spend is exclusively composed of **topical CBD products**

Source: MediaRadar, CBD Products (Cannabidiol)
CBD Considerations
As the CBD market matures, brands will be looking to achieve objectives and drive impact

1. Generate Awareness
Build consumer awareness and understanding around CBD products to support brand initiatives and grow the category.

2. Build Trust
Provide education to combat category stigmas, create reassurance and ultimately drive consideration.

3. Create Differentiation
Connect with consumers and differentiate from growing competitive set by by communicating unique brand proposition.
## A Case Study: The U.S. Sports Gambling Category

U.S. sports gambling was federally legalized in 2018, and like CBD, faced both legal restrictions and social stigmas.

### Current U.S. Sports Gambling Advertising Restrictions

- All marketing is regulated by state-by-state gaming commissions
- Commissions frequently ban betting on college and youth sports
- Like CBD, no national advertising standards until Supreme Court overturned Federal ban on sports betting in 2018

### Short-term Impact:

**Limited Spend: In Line with Regional Restrictions**

- 2017 Category Spend Overview:
  - $4M category spend in Print
  - $5M category spend in Digital
  - $30M category spend in TV

### Current Landscape:

**TV Spending Grows +650%**

- 2020 Category Spend Overview:
  - Print declined tremendously
  - Digital remained constant
  - TV spend explodes: $195M category including presence in tentpoles (i.e., Super Bowl)

### The Future:

**Continued Category Growth & Engagement**

- Massive push into Sports Betting by broadcast and cable networks:
  - NBCUniversal buys 5% stake in PointsBet ($500 million)
  - CBS locks in William Hill official sportsbook sponsor
  - Turner Sports develops integrations with DraftKings and FanDuel to leverage new multi-year partnerships
  - Fox Sports launches online betting app, “Fox Bet”, as well as 5% stake in online gaming/gambling company Starts Group Inc ($236 million)

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Sources: Adage, MediaRadar
Note: Spend numbers are estimates
Thank You!

NBCUniversal