



High-powered plants

Cannabidiol is being hailed as a wonder treatment for a variety of conditions – but how should brands approach this industry, which is invariably described as the new ‘wild west’? By Tim Phillips

There is a metaphor that pops up consistently when discussing the market for legal cannabis and cannabidiol (CBD) products. “You’re looking at this completely wild west industry, and the big players don’t have a grip on it at all,” says Joseph Oliver, co-founder of lifestyle brand LDN CBD.

“Regulation is absolutely needed in the industry. It’s like the frontier and, unfortunately, there are too many cowboys,” agrees Carl Boon, the managing director of retailer CBD Ultra.

If, at this point, you are wondering what CBD actually is, you’re in the minority. Research by tech-based market research firm GlobalWebIndex finds that 64% of US internet users – and 51% in the UK – would consider using CBD-infused products.

CBD can be derived from cannabis plants or their

cousin, the hemp plant. Unlike tetrahydrocannabinol (THC), the other major compound in cannabis, CBD is not psychoactive. There is little formal scientific research into the effect of CBD, but, anecdotally, users report feelings of relaxation and wellbeing. It is often bought as an anxiety treatment and a pain reliever.

CBD is also creating profound feelings of wellbeing in many R&D and product development departments. A naturally derived substance that few people had heard of at the beginning of the decade, which can be extracted as a by-product of an agricultural process, with few known side effects, and which capitalises on more or less every health trend of the past decade, CBD seems like a magic oil. It’s why the Brightfield Group predicts worldwide CBD sales will climb from \$591m in 2018 to \$22bn by 2022. That’s a compound growth rate of 147% – which would make it larger than the (already high-growth) global legal cannabis industry. The CBD beauty product market, says Brightfield, will be worth \$290m in 2019.

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In the UK, YouGov research for the Centre for Medicinal Cannabis found that the CBD market was three to six times larger than previous estimates, with 1.3 million UK consumers spending more than £300m per year on CBD products. If accurate, these figures would make the market bigger than the UK vitamin D (£145m) and vitamin C markets (£119m) combined, and larger than the entire existing supplement market by 2025.

In March 2019, the first Hemp & CBD Expo, at the National Exhibition Centre, had 110 exhibitors and 5,121 visitors. The September follow-up expects to attract 160 exhibitors and 8,000 visitors.

In the US, where the market is more mature thanks to cannabis legalisation in many states, Green Entrepreneur reports that sales of CBD gummies (the most popular way to consume the product) have grown 925% in a year, with a particular sales bump on Valentine’s weekend.

Chase Buckle, trends manager at GlobalWebIndex – which recently surveyed representative samples of internet users in the US and the UK about their attitudes to CBD (see box, p28, ‘Who uses CBD?’) – has found another reason to love CBD: its allure crosses traditional demographic and category

boundaries. “If you look at our research, and other research as well, you’ll see that the appeal isn’t really for a specific group. It’s really across all age groups. It straddles the medical industry and the wellness industry, and those two things cover such a broad age spectrum,” Buckle says.

Science still understands little about CBD; the human endocannabinoid system was only discovered in the 1990s, by Israeli researcher Dr Raphael Mechoulam. The projections for CBD are such that it’s easy to see why cowboys and big brands would be attracted to it.

If CBD and other products associated with hemp and cannabis are to achieve this growth – and sustain it – though, suppliers and regulators will need to understand why people want it, how they will use it, and how to control its quality. Brands getting involved will also need to explain what it does and how it does it, in a way that consumers understand – assuming the cowboys don’t cause a backlash first.

GlobalWebIndex’s research shows a remarkable level of trust in CBD among users, perhaps because the conditions it is associated with – chronic pain,

anxiety, insomnia, arthritis – cause people to search for new solutions.

“At the moment, people buy into the claims of companies, but they don’t really know what they’re doing,” Buckle warns. “Most people who have tried CBD think it’s effective for relieving symptoms of mental and physical ailments, but are unable to identify the correct minimum doses to do that.”

A history of tonics

If history is our guide, humans have been open to new products that promise to ease our pain for a long time. What Melissa Bane, managing director for strategic insights consultancy Grail Insights UK, calls the “mood management industry” (see adjacent box) has, over the years, embraced many innovations that make any current CBD or legal cannabis controversy seem tame. We are accustomed to the highly successful – at least in its messaging – categorisation of substances that the war on drugs created from the 1980s onwards, but these red lines are a relatively recent phenomenon.

For example, the Pan-Am in-flight menu from 1950 offered tired passengers a benzedrine inhaler to pep them up. Fifty years earlier, Vin Mariani was a wildly popular coca-based tonic wine that ‘nourishes, fortifies, refreshes, strengthens the entire system’. It was espoused by (among others) Émile Zola, Thomas Edison and Pope Leo XIII, whose testimony and picture appeared in the company’s advertising. The Pope was so impressed with his tonic that he awarded its inventor a Vatican gold medal.

In the UK, Stickney and Poor’s Paregoric was widely used to help newborns and adults get to sleep. A five-day-old baby’s dose would be five drops, with a teaspoonful for an adult. At the beginning of the 20th century, meanwhile, the Sears-Roebuck catalogue offered a cure-all patent medicine, sold in presentation kits for \$1.50, containing a syringe and instructions so that middle-class Americans could learn to inject it, ‘the efficient dose being very small.’

It’s hardly surprising that Vin Mariani would sustain the Pope through a particularly long Latin mass, because it contained 6mg of cocaine per fluid ounce, so a glass had approximately the same stimulant effect as a line of coke. Newborns dosed with the paregoric would have had no trouble dropping off, but it’s more surprising to our sensibilities that they ever woke up. As well as containing as much alcohol as whisky, its other active ingredient was opium.

Both these brands have been forgotten. Not so Bayer’s patent medicine. Its brand name survives, though you won’t find it in mail order catalogues any more: Heroin.

Mood management

“If you look at this more broadly as a mood management category, which is how we define it,” says Melissa Bane, at Grail Insights, “we would include not just tobacco and pharma, but sugar.”

These categories – as well as supplements, make-up and health food – are separate from a brand manager’s standpoint, says Bane. From a consumer’s point of view, however, they are the same in one important aspect: all the products are used to make us feel a bit better.

Grail Insights surveyed 1,000 people in the US – and recently repeated the research in the UK – about CBD, to come up with 10 recommendations for brands. It found that: two out of three CBD users have switched from a traditional product, whatever the product category. Two out of five people with insomnia who have tried CBD have given up their insomnia medicine, and use is high among smokers and alcohol drinkers. Among drinkers, relaxation comes with fewer calories. In the UK research, one in three respondents who used CBD claimed they were doing so to cut down on, or give up, cigarettes.

But is this working? One clue as to how CBD is lightening the mood is that users find out about it mostly through recommendation, according to Grail. “Friends and family are by far the largest referral source,” says Bane. “In the US, we even saw that 10% of people who’ve tried CBD are getting it through gifts. This is not just word of mouth – people are sharing it and gifting it to friends.”

The CBD Revolution: top 10 reasons big pharma and ‘mood management’ brands should brace for impact can be found at grailinsights.com/whatwethink/the-cbd-revolution

Who uses CBD?

GlobalWebIndex performed two surveys, from January to May 2019, among internet users in the UK and US on attitudes to CBD, cannabis and related issues. Among its findings were:

- Two out of three US internet users are regularly practising some type of alternative health or wellness routine, many of which are associated with stress relief. The most popular of these are using herbal supplements (29%), essential oils (27%) and meditation (24%)
- 54% of US internet users agree that the claims of CBD providers are 'trustworthy', while only 48% feel the same way about pharma. And 41% of UK internet users trust the claims of CBD companies, while 44% trust pharma
- Three out of four users would recommend CBD to friends or family
- 55% of US consumers who would use CBD are motivated by reducing stress
- Among US CBD users, 85% believe it to be effective for physical ailments and 84% believe it's effective for mental health symptoms
- 40% of US internet users say they are 'knowledgeable' about correct CBD dosage, but only 7% could correctly identify the minimal oral dosage required to effectively treat anxiety
- 30% of US internet users consider themselves knowledgeable about how the FDA regulates CBD products, and only 14% of UK internet users know how the MHRA regulates CBD.

Grey areas

These historical mood managers would now be illegal, but CBD and legal cannabis regulation (in the US) has been travelling in the opposite direction, gradually dissociating itself from the illegal drug market and its connotations. This has created an inconsistent regulatory mess that discourages many responsible companies and cedes a proportion of the market to cowboys, who are prepared to satisfy some of the pent-up demand.

In the US, Congress legalised growing hemp and its derivatives, such as CBD, in the 2018 farm bill, providing financial aid to stimulate hemp's transition into a commodity crop. Although hemp-derived CBD is now legal to sell, CBD derived from marijuana is still prohibited by federal law (though not in many state laws, as long as it is sold through a supplier of cannabis products).

The Food and Drug Administration (FDA), however, does not yet have a regulatory framework for CBD, which means that ingestible CBD – rather than oils or creams – are a legal grey area. With only around 300 FDA agents for the entire country, however, suppliers are unlikely to have their door kicked down any time soon. Even so, it is enough to make large brands wary.

In October 2018, for example, Coca-Cola (whose product, lest we forget, once contained 9mg of cocaine per glass), distanced itself from speculation that it was exploring a CBD-based beverage. In May 2019, Mondelez chief executive Dirk Van de Put told CNBC: "Yes, we're getting ready, but we obviously want to stay within what is legal and play it the right way."

In both the US and the UK, the lack of scientific knowledge about the dosage and effects of CBD and legal cannabis mean that products are years from being regulated as medicines. That doesn't stop overzealous consumers from assuming that they can cure or treat hundreds of conditions, or a few overenthusiastic salespeople from marketing it in that way on social media.

In the UK, it is not permitted to claim that CBD acts as a medical treatment and, from 2015 to June 2019, the Medicines and Healthcare products Regulatory Agency (MHRA) investigated more than 180 complaints of mis-selling. The multi-level marketing (MLM) vendor HempWorx is an interesting example. The devolved nature of MLM meant some salespeople ignored guidance and claimed that CBD treats diseases from multiple sclerosis to cancer, suggesting it as an alternative to traditional treatments. In 2018, the website Truth in Advertising investigated HempWorx and published these sales messages. In response, the company recruited a director of compliance, removed many of the claims its salespeople were making, and put in place

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“aggressive” measures to ensure compliance.

However closely the claims of industry salespeople are regulated – and however much we learn about the effectiveness of the active ingredients – there is also a problem of product quality in the industry, as demand for the ingredients exceeds supply.

In the UK, the Centre for Medical Cannabis recently tested 30 CBD products and found that 45% had measurable levels of THC, making them illegal to sell. Seven of the products contained dichloromethane, a solvent, at levels above food-safety limits. One product bought in a high-street pharmacy had no CBD in it at all, and three out of five of the products in the tests had levels of CBD that were more than 10% outside the amount advertised on the bottle.

Mainstream involvement

Given these structural problems, one might wonder why there is a market for CBD at all – but trusted brands such as Ben & Jerry’s are promising imminent product launches. The company has been packaging the counterculture for mainstream consumption for years, but it is owned by Unilever, a firm that doesn’t take risks with compliance. However, a recent post on its official website said: ‘You probably already know that we’re fans of all things groovy... So it’s no surprise that we can’t wait to get into the latest food trend: cannabidiol, or CBD. We are committed to bringing CBD-infused ice cream to your freezer as soon as it’s legalised at the federal level.’

The reason, we must conclude, is that CBD and legal cannabis are unique products. They promise to be the perfect solution for much of what ails Western culture. If we are in pain, we hope they will take the pain away; if we are stressed, we hope they will relax us; if we are depressed, we want them to lift our mood; and if we pay a high cost for healthcare to companies we despise, then maybe they can help us avoid punitive costs, as well as the horror of the opioid epidemic. This, delivered in a single ice cream, is quite a package.

Who doesn’t want this to be true? The scale of the ‘anxiety economy’, for example, has created a variety of ways by which consumers choose to cope. In the US, 40m adults now suffer from an anxiety disorder, according to the Anxiety and Depression Association of America. Also in the US, economists Anne Case and Angus Deaton have found that life expectancy among older, non-college-educated people is falling – the first time this has occurred. Their work shows that this is because of what they call ‘deaths of despair’: suicide, alcoholism, dependence on opioids or illegal drugs.

At the same time, we are losing our faith in the medical establishment to help us. GlobalWebIndex found that trust in traditional pharma is lower than trust in the CBD industry in the US. More than half

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(54%) of internet users in the US agree that the claims of CBD companies are ‘trustworthy’, compared with 48% who believe the same about pharma brands. In the UK, 41% of internet users trust CBD companies – close to the 44% who trust pharma.

Sustainable growth

We can dismiss this as naivety, wishful thinking, or part of the long-term decline in trust in authority, but some of the responsible, smaller brands have embraced the social purpose of what they do as much as the commercial opportunity (see box, p33, Foria Wellness). Where regulation struggles to keep up, they do not see the opportunity to make a quick buck as much as the responsibility to build sustainably and transparently.

LDN CBD, a boutique retailer and mail order CBD supplier, rejects 98% of the products it is offered, and co-founder Joseph Oliver dismisses the usefulness of many of the products he sees, as well as the long-term prospects for companies that cynically offer CBD-infused consumer goods with tiny active doses. “If you’re going to eat CBD granola from some big cereal brand, the first thing to

know is that it probably isn’t going to work,” he says. “The bio-efficiency and the bio-availability of it will probably be very low, so you’re paying to pee it out – or else the acid in your stomach will destroy it.

“As awareness grows, people will start to understand how to distinguish between products, so we welcome bigger brands, because this increases the scrutiny and the level of compliance in the industry.”

Oliver has spent 15 years building sustainable businesses and is pleased by the attention LDN CBD got when it became the UK’s first high-street CBD retailer in 2018 – but he is wary of it too.

“We’re not trying to turn a quick buck,” he says. “There are about 700 CBD brands in the UK right now, and a lot of them are jumping on the bandwagon. It’s going to be regulated at some point and, as long as you have high quality and are doing this for the right reasons, you can sustain your business. The others will crash.”

This means offering only the small range of products that LDN CBD has tested in a specialist lab in Spain. On the other hand, it also means adopting the logistics of a much larger organisation, with

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batch numbers and track-and-trace. In addition, it means listening to customers.

A survey of LDN CBD's shoppers from its first year in business shows that they are roughly equally split between men and women, of every age, and only loosely connected with cannabis. "We thought people might be buying CBD to help get them off cannabis, but 3% of our respondents gave that reason," says Oliver. "I came in with some assumptions and biases, and several of them have been proven otherwise."

The company is currently taking on investors, but it is testing their purity in the same way – and that means turning down interest from organisations that don't share the same ethical standards.

Carl Boon, managing director of Manchester-based CBD Ultra, has also boot-strapped his growth to this point. He is one of the vendors trying to create a culture of self-regulation, and that means helping out many would-be entrepreneurs who call him. "There is a huge education gap. Even a lot of the companies that operate in this space don't know much. It is not just about educating the public, it's educating the industry," he says.

As well as creating its own products, CBD Ultra works with start-ups to ensure they are compliant, and Boon occasionally consults for investors and hedge funds, warning them off opportunist companies and low-grade suppliers. A lot of this work is not very profitable, he says, but "by doing everything right, having a good product and ethics, looking after the staff and the customer, I'm sure success will come".

Boon is also active in the Cannabis Trade Association, a pan-European voluntary regulation body that plans to have a directory of products, re-registered every year, third-party tested, with product communication vetted and sanctions against non-compliant members. "We've got direct relationships with the farms and we've been doing this a long time, so we know where a product is coming from. We know all the labs – everything is lab tested before we get it, and then we third-party lab test it."

Cautious steps

So how should large businesses respond? Nielsen recently issued a note advising brands to "think broad with cannabis and its CPG impact". Rick Maturo, associate client director for the company's beverage, alcohol and cannabis business in the US (a job that would have been inconceivable only a few years ago), has seen exactly that response, having had behind-the-scenes strategy conversations with many household brands that are developing products in the shadows, waiting for regulation to be clarified.

Product development has crossed the boundaries of every type of consumer retail business – from



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beverages to vaping, food and pet supplies – as brands try to offer a product for consumers who would use cannabis or CBD to switch from cigarettes, alcohol or other medicines.

The conversations began at the time the Farm Act kickstarted hemp production at the end of 2018, according to Maturo. "Frankly, they haven't slowed down since," he says. Nielsen research shows consumers switching from traditional health and lifestyle products to CBD-based alternatives.

Education and transparency will be a risk, Maturo adds. In the short run, this might lead to large companies rapidly acquiring CBD and cannabis brands that have strong ethical values. Either way, he feels the industry needs to do "a lot of clarifying" to "help consumers find the product that's going to work best for them and do so in a way that's most honourable and truthful to what the product aims to deliver."

The high stakes in getting this right has led Havas to launch Havas ECS under the leadership of Rob Dhoble, whose career has been in pharmaceutical communications. While pharma brands in the US have lobbied aggressively against cannabis and related products, Havas ECS will attempt to educate consumers and medical professionals about their best use. "At the moment, doctors are asking, 'what do I freaking do?'," Dhoble says. "The answer to that question has a lot to do with the amount of risk that the doctor wants to take."

Havas ECS will promote scientific research and publicise the findings, but it has clients in the pharma business and in consumer goods. Dhoble says ECS will not favour one side or the other (he claims that its mission statement sounds more like that of an NGO than of an advertising and PR company) but clearly his pharma clients are rattled – and with good reason.



A 2016 paper in the journal *Health Affairs* found that, in the 17 states with a medical marijuana law in place, the average doctor prescribed 265 fewer anti-depressants each year, 486 fewer doses of seizure medication, 562 fewer doses of anti-anxiety medication, and 1,826 fewer doses of painkillers. This may be good or bad news, because we don't know the outcome of patients who are self-medicating, or whether they are doing it because cannabis and

Foria wellness

Foria, a California-based health and wellness start-up, markets its vaginal suppositories, containing CBD, as a natural way to alleviate the discomfort of menstruation, and its 'lube' products – "though we prefer to call them arousal oils," says Kiana Reeves, chief community educator – as a way that cannabis and CBD can improve our sex lives.

With its marketing through testimonials, feedback, and willingness to sponsor medical research, Foria is the archetype of the innovative, transparent,

sustainable CBD and legal cannabis start-up. Its website is packed with testimonials and information, but there's a community feel, rather than a sales pitch or a lecture.

"Purity and transparency are key," Reeves says. "Many women's products, from tampons to lubes, use convenient or cheap inputs that aren't regulated, and research shows that these toxins and oestrogen-mimicking compounds can have serious effects on health. We consciously avoid perpetuating shame and unattainable aspirations."

Like other start-ups in this market, it prioritises word-of-mouth growth, and frets about talking down to its users. "Our more measured approach can be frustrating when other companies ramp up the hype and do a disservice to these remarkable plants by overpromising, or by delivering lower-quality products that leverage the hype around CBD," Reeves says. "But, in the end, we're building a brand that will stand the test of time, because of the trust we've built from the beginning."



CBD provide better results or because it is cheaper.

“What we’re talking about is wellness,” says Dhoble. “But with CBD products, I have seen statistics that show patients have reduced or eliminated their prescription medicine, and I don’t know if that’s a good thing.

“We will be ensuring that physicians and patients know why the product works, because there are some drugs that may be at risk of discontinuation because of overzealous CBD advocacy. Having some street-corner CBD vendor saying ‘don’t take that medicine’ is a risk right now.”

Despite their nervousness, hundreds of consumer-facing companies – whether in pharma, food or beauty – will be releasing CBD or legal cannabis products in 2019 and 2020, and riding a profound change in attitudes to consumption.

Maturo believes everyday items that people use habitually will be a focus for the CBD market, and that it will become as acceptable as putting fluoride in toothpaste. “Whether it is something like a shampoo or a toothpaste, or an infused coffee or tea that someone has every morning, those are the products that are going to win out in the long term,” he says.

Putting the customer first

The rapidly growing CBD trend is just one of many that has been overlooked by businesses unaware of the vast potential that lies at its core.

A common mistake we see organisations make is not keeping the customer in view at all times. This is how big opportunities are missed – and, worse still, how big mistakes are made when it comes to communicating the right message and investing your spend in the right platforms.

The success of your brand is defined by how the customer sees you, and this has never been truer than it is today. Consumers are taking control of their purchase journey, choosing to opt out or block the advertising and marketing to which they don’t want to be exposed. This is putting brands under pressure to serve the messages that are sure to resonate, packaged in the ways that consumers are demanding it.

Regional data sets make getting to know key audiences easy, enabling brands to put the consumer front and centre of their strategies:

Stay ahead of global trends

Trends sway consumer behaviour and change faster than ever, so staying clued into those that might be key to your success is crucial. Similarly, being aware of trends that may impact negatively on your industry is invaluable.

Build accurate personas

Understanding today’s audiences means going beyond demographics. Develop your target personas and analyse their behaviours, interests and perceptions. This not only focuses targeting, but also guides wider business strategy.

Zoom in for a local view

No two markets are the same, and neither are the consumers within

them. Getting the right insights into each region you’re targeting is vital if a campaign is to succeed. Compare regions using local data, and identify the key opportunities in each, to reach consumers on a deeper level.

Map the purchase journey

A customer’s path to purchase has changed drastically. Mapping the touchpoints along the way helps identify any gaps in your marketing, while also highlighting the crucial moments that should be top of mind. Analyse the journey of your target personas within the regions of your choice.

Taking these steps to ensure your approach is always customer-first guarantees you the best return. You create a product or service to serve the need of a consumer – and this is something of which we should never lose sight.

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