



ESSENTIAL CANNABIS INSIGHTS

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BDSA CONSUMER INSIGHTS OVERVIEW:

CONSUMER PARTICIPATION CONTINUES TO GROW IN EMERGING MARKETS

There is much discussion around the legal cannabis market's slowing growth, with single digit growth in 2022. However, BDSA does continue to predict growth nation-wide, and BDSA's most recent Consumer Insights data presents an optimistic picture of the industry's prospects. The cannabis consumer landscape has continued to grow, and is more engaged than ever before. As we head into Spring, we thought it would be the perfect time to check in on the top trends from BDSA's newly updated 11th wave of trended Consumer Insights.

Consumer Participation Still on the Rise Across the US

Consumer participation passed a major milestone in early 2022, when BDSA's Consumer Insights found that over 50% of the adult population in adult-use states are past six-month consumers of cannabis. While consumer growth in the most mature markets like California and Colorado has begun to stagnate, the consumer pool across medical markets and newer adult-use markets saw sizable gains over 2022. Medical markets alone saw a ~10% growth in the consumer segment over the past two years, now rising to 42% of the population. The consumer segment penetration of medical markets growing closer to that of adult use markets correlates to the quicker maturation markets experience as they transition from medical to adult use.

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Rising Adult-Use Markets see Sharp Jump in Cannabis Consumption

Rising markets in the Midwest and Northeast saw stronger consumer growth than the mature, Western states. The Illinois consumer penetration grew to a staggering ~57% in Fall 2022, 9 points higher than just a year prior. Michigan, which saw strong dollar sales

growth in 2022 despite -48% price compression between Q4 2021 and Q4 2022, saw its consumer rate jump ~5% to land at ~56%.

Another region with especially strong consumer growth in 2022 was the Northeast. New Jersey, which launched adult-use sales on April 21, 2022, saw its consumer penetration grow from 37% to 46%. Consumer participation in New York also saw a significant rise leading up to the launch of adult-use sales in late December 2022, growing from ~38% to ~44%.

Inhalable Products Lead in Consumer Preference

When looking at which cannabis form factors consumers use and prefer, inhalable products continue to be the most used and preferred cannabis category, with ~73% of consumers reporting inhalable consumption and ~58% claiming to prefer inhalables. While inhalable usage and preference remained relatively flat since Fall 2021, past six-month edible consumption fell -7% between Fall 2021 and Fall 2022, and past six-month topical consumption fell by -13%.

When we drill down into product subcategories, loose flower was the most consumed and preferred product by inhalable consumers, with ~65% of inhalable consumers in Fall 2022 claiming flower consumption and ~50% preferring flower. After flower, vape was the next most popular, with ~43% claiming to have consumed vapes and ~22% preferring vapes.

Dispensaries Most Common Cannabis Source, Friend and Family Purchases Decline

As consumer participation across the country has expanded, more and more consumers in both medical and adult-use markets are opting to get their cannabis from a licensed dispensary rather than sourcing it through a friend or family member. Between Fall 2021 and Fall 2022, the share of consumers in medical-only states who claimed to have obtained cannabis from a friend or family member in the past six months fell from ~45% to ~17%, now making medical dispensaries the most cited source for cannabis in medical states, with ~37% of consumers claiming to have bought from a dispensary in the past six months.

A similar trend played out in adult-use markets, where the share of consumers claiming to have gotten cannabis from a friend or family member in the past six months fell from ~30% in Fall 2021 to ~13% in Fall 2022, making recreational dispensaries the most reported source for cannabis, with ~57% of consumers claiming to have bought from a recreational dispensary in the past six months.

Legal cannabis may be in a transition period as the “green rush” days of hockey-stick sales growth have faded, but consumer trends paint an optimistic picture of a highly penetrated industry here to stay. Going forward, a detailed, data-informed understanding of the consumer and all its different micro-segments will be key for brands and retailers looking to attract and retain consumers to stay ahead of the competition.

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