



2022

Cannabis Digital Marketing Survey



How Cannabis Marketers are Chasing Their Share of a \$32 Billion Market



CANNABIS MARKETING ASSOCIATION

NXTeck

Summary

NXTeck, New Frontier Data's AdTech division, partnered with the Cannabis Marketing Association to conduct an open online survey targeting industry marketers to better understand and benchmark the current state of cannabis industry marketing practices with a focus on digital. Several themes emerged:

- 1 More than 80% reported difficulty getting the right message to the right audience.
- 2 Cannabis marketers currently focus a lot of their limited resources on social media and other top-of-funnel brand awareness campaigns.
- 3 Most cannabis marketers work with shoestring budgets; nearly half of all respondents reported having annual budgets less than \$50,000.
- 4 Cannabis marketers are misusing or underusing channels that perform well, presenting strategic opportunities to improve results from bottom-of-funnel efforts like email marketing and programmatic advertising campaigns.

Despite the limited budgets and small teams at their disposal, most cannabis marketers have ambitious goals. Many have national campaigns underway and market to both businesses and consumers, stretching resources even thinner. Getting the right messages to the right audiences will only become more difficult for marketers as the number and diversity of U.S. cannabis consumers continues to grow rapidly.

Yet, marketers have reason to feel optimistic – they have the power to overcome these challenges. Despite how often we hear about federal prohibition, regulations, and lack of access to some of the most premium advertising inventory, only 40% cited regulatory limitations as one of their top three digital marketing challenges in 2021. Budget constraints (63%) and staffing constraints (46%) topped the list of challenges, and leadership teams can solve these problems for their businesses. Other opportunities related to owned and paid media emerged from the findings as marketers told us how they spend their limited resources and the tasks they prioritize, and marketers themselves can solve many of these challenges by putting greater emphasis on the most effective tactics.

When asked, “what is your average marketing email open rate?,” 14% said “not sure,” but impressively 32% of respondents reported an average marketing email open rate equal to or greater than 20%. Understanding the importance of improving open rates can lead to monumental improvements in campaign performance. Even more marketing respondents are overlooking powerful yet slightly more advanced optimization strategies; fewer than half (47%) conduct A/B testing as part of their campaign implementation, for example. These and other tried-and-true strategies have been proving their worth in other industries for well over a decade, and marketers can expect to see improved results as they move to adopt these best practices.

The same is true with paid media. Marketers reported running campaigns in a variety of different top-of-funnel ad channels in 2021, but only 27% implemented programmatic ads. De-

spite the fact that programmatic ads have the unique ability to connect online, mobile and point-of-sales ads to a targeted subset of cannabis consumers for any given brand, more than two thirds of respondents reported having only a basic knowledge of programmatic advertising.

As more marketers learn and embrace the different strengths of various ad channels and put them to work in unison, results are sure to increase. Cannabis brands of all kinds should work to better coordinate their media buys to raise brand awareness (top-of-funnel) and convert prospects to sales (bottom-of-funnel). Those that evolve their media buying habits quickly will have the competitive advantage.

As part of the survey, we asked respondents which cannabis-related charity we should support with a contribution, and they selected the Last Prisoner Project. A donation has been made from New Frontier Data and the Cannabis Marketing Association.



Discussion:

Cannabis Marketing

GARY ALLEN

Chief Executive Officer, New Frontier Data

Gary Allen, a visionary thought leader in the tech space, is the Chief Executive Officer of New Frontier Data, the premier data, analytics, and technology firm specializing in the global cannabis industry. Gary's expertise in operations, marketing, and technology, applied to a high-growth company in a fast-moving, emerging market, is perfectly aligned with the evolution of his 24-year executive career.



LISA BUFFO

Founder & CEO, Cannabis Marketing Association



Lisa Buffo is an award-winning entrepreneur and marketer with a passion for launching companies with experience in both cannabis and technology. Lisa is the Founder & CEO of the Cannabis Marketing Association, a membership based organization focused on education and best practices for industry marketers with the vision of rebranding cannabis at the global level. She was named one of 2019's 40 Under 40 Rising Stars in Cannabis by Marijuana Venture Magazine and named "The Marketing Guru" by Women & Weed magazine.

GA Gary: In both of our roles, we connect with cannabis marketers and get anecdotal snippets of their successes and challenges. While those are certainly useful, it was apparent to both of us that to get a full understanding of the current state of cannabis marketing, we needed a higher-level perspective. I'm glad we could collaborate on this survey to provide that view to the industry.

LB Lisa: Absolutely. I founded the Cannabis Marketing Association in 2016 in response to the unprecedented challenges cannabis communications professionals were experiencing. Marketers were unable to use traditional marketing tactics and technology and coupled with unclear regulations across fragmented markets and a pervasive

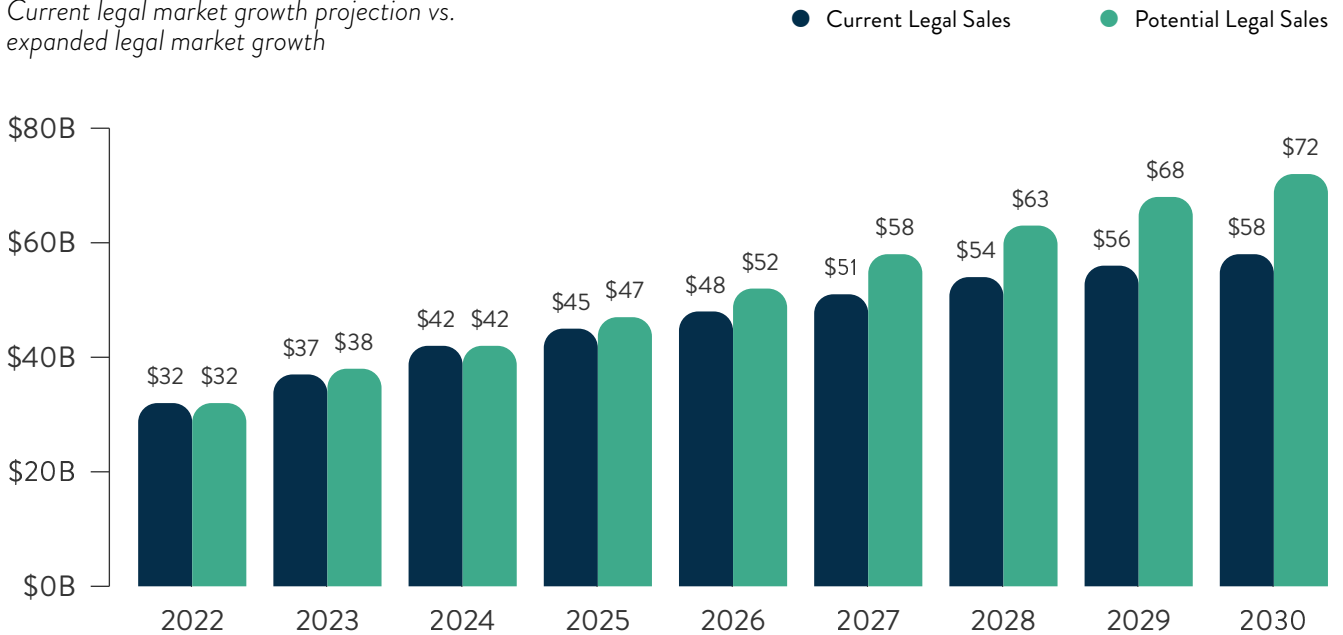
perception problem, cannabis marketers faced the daunting task of rebranding cannabis as the nascent industry grew rapidly. We bring cannabis marketers together to formally establish best practices based on collective knowledge and elevate the discussion about the modern brand of legal cannabis. This survey sheds invaluable light on where the industry has made strides and how far it still must go.

Quickly, before we get to the nitty gritty, can you quantify the cannabis market opportunities?

GA Gary: New Frontier Data's latest research projects the U.S. cannabis market to reach \$32 billion in legal sales in 2022. With a combined 148 million Americans

Legal Cannabis Sales Growth

Current legal market growth projection vs. expanded legal market growth

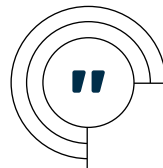


Note: Historically, states which legalize adult-use cannabis on top of existing medical markets experience declines in medical market patient participation.

living across 19 adult-use states, and 248 million living across the 39 medical-use states, 44% of American adults now have access to legal adult-use cannabis, and nearly three-quarters (74%) of the country now have access to legal medical cannabis in some form.

Based on New Frontier Data's analysis of state legalization efforts, we identified nine states demonstrating strong likelihood to legalize adult-use cannabis, and nine states likely to legalize medical use prior to 2030. If all 18 states are successful in enacting legalization measures over the next eight years, it would add an additional \$14.5 billion (from a projected \$58 billion to \$72 billion) to U.S. legal retail sales by 2030. The new markets would increase the percentage of Americans living in states with some form of legal cannabis access to 96%, and of those living in states with legal access to adult-use cannabis to 64%.

LB **Lisa:** That's a lot of money, a lot of consumers and massive opportunity. Marketing budgets typically account for between five percent and 20 percent of annual revenue; cannabis budgets appear to fall on the lower end of that scale. Even five percent of a \$58 billion industry equates to \$2.9 billion spent on marketing and advertising. With that much money and effort, marketers need resources and best practices to verify return on that investment.



If all 18 states are successful in enacting legalization measures, the percentage of Americans living in states with some form of legal cannabis access would increase to 96%

The big question is, are marketers prepared to capitalize? Based on the survey results, I'd say they're getting there but have room to grow.

GA **Gary:** I wholeheartedly agree. The results show a lot of cannabis marketers are headed in the right direction, but could use more support, be that tools, guidance or increased investment.

When looking over the findings, what caught your attention in this regard?

LB **Lisa:** One of the eye-openers from this survey for me is the combination of nation-wide marketing efforts and top of funnel activities producing a high volume of small email marketing

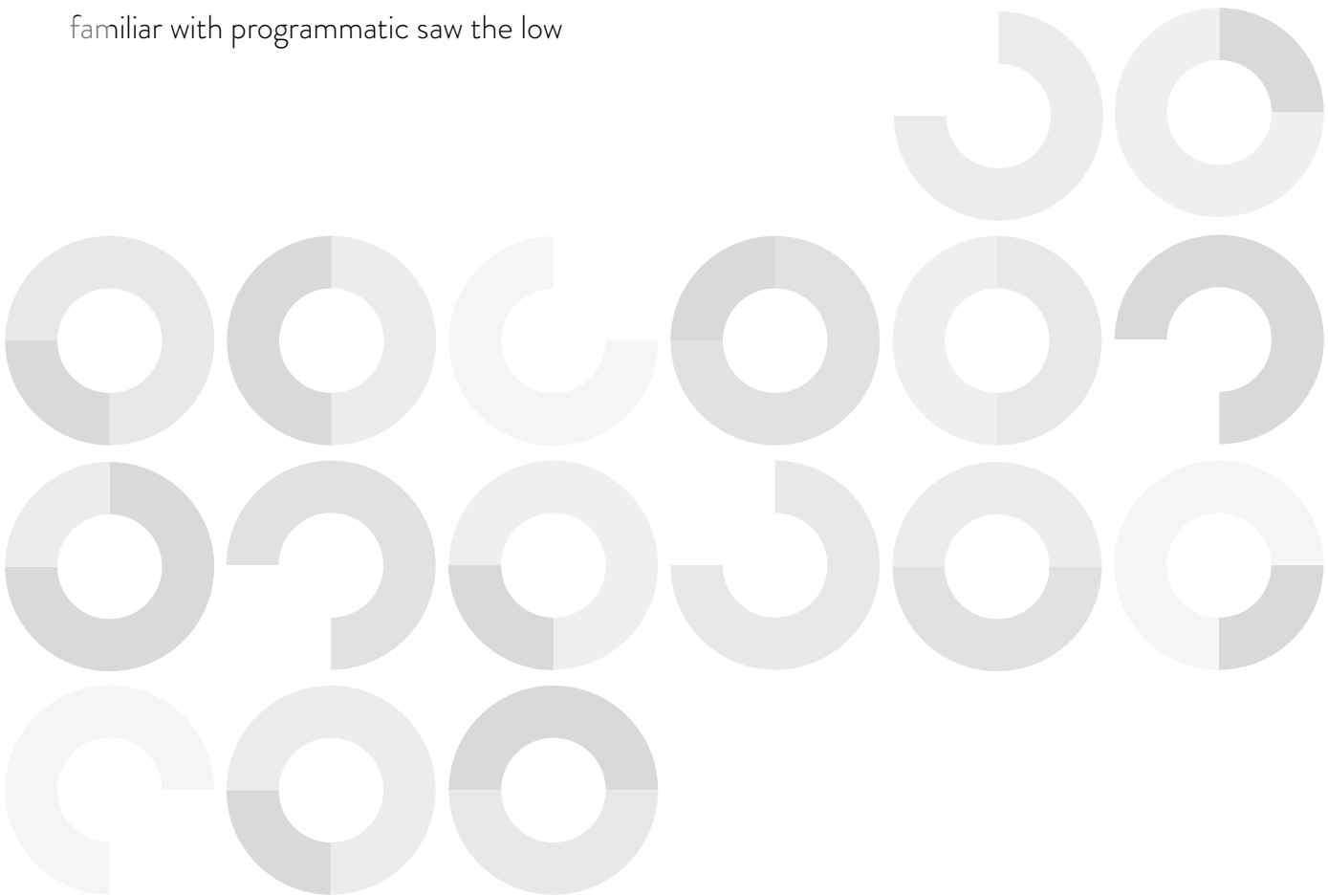
databases. Traditionally, a broad scope plus early awareness building leads to larger, less-refined databases. That's a disconnect that feels like it needs to be addressed.

What stood out to you?

GA Gary: For me, it was the declining use of programmatic advertising year to year. My gut says that's caused by a lack of understanding of the role programmatic plays in the marketing mix and the survey results back that up. Programmatic should be the high-efficiency, repeatable, data-driven portion of the portfolio used to move consumers from the top of the funnel down to the conversion. My experience tells me cannabis marketers who aren't as familiar with programmatic saw the low

cost and jumped in too early, foregoing their remarketing databases and opting for volume. That likely led to predictably poor performance. Thankfully, marketers can correct this by better understanding their best and most likely customers.

LB Lisa: To me, that's the biggest takeaway. More education on tools, tactics and strategies to help marketers better understand their audiences and unlock the massive opportunities in cannabis marketing. The good news is, that's what the Cannabis Marketing Association and New Frontier Data do: educate the market.





Digging into the Findings

Methodology

NXTeck and the Cannabis Marketing Association designed and conducted an online survey to assess cannabis marketing efforts across legal and unregulated markets in the United States. Survey themes included: organizational makeup, marketing strategies, budgets, targets, challenges and technologies. More than 100 participants completed the survey in Q1 2022.

The Findings

The detailed survey findings that follow have been grouped into three categories:

- 1. The State of Cannabis Organizations**
- 2. Scope of Marketing Efforts**
- 3. Strategies, Tactics and Tools**

By looking at the results this way, a few themes become clear:

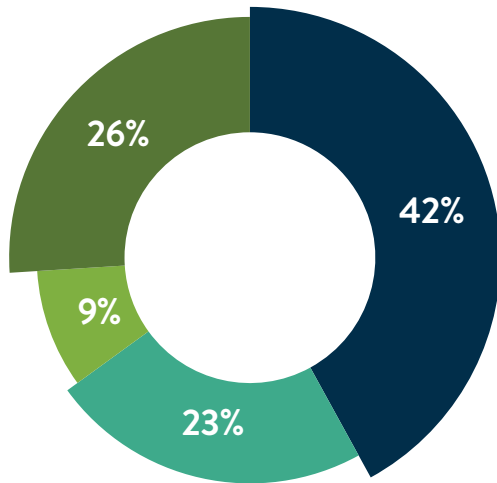
- Cannabis marketers have major ambitions
- Cannabis marketers have minimal resources to support those ambitions
- Cannabis marketers have opportunities to improve their campaigns by refining strategies, optimizing tactics and advancing knowledge of the tools at their disposal

Comments from Gary, Lisa and additional industry experts have been included throughout to highlight important findings.

The State of Cannabis Organizations



Where are you employed?



- In-house marketing team
- Marketing agency
- Marketing contractor
- Other

Which category best describes your position at your organization?

Owner/Founder/C Suite



Director



Chief Marketing Officer



Manager



VP of Marketing



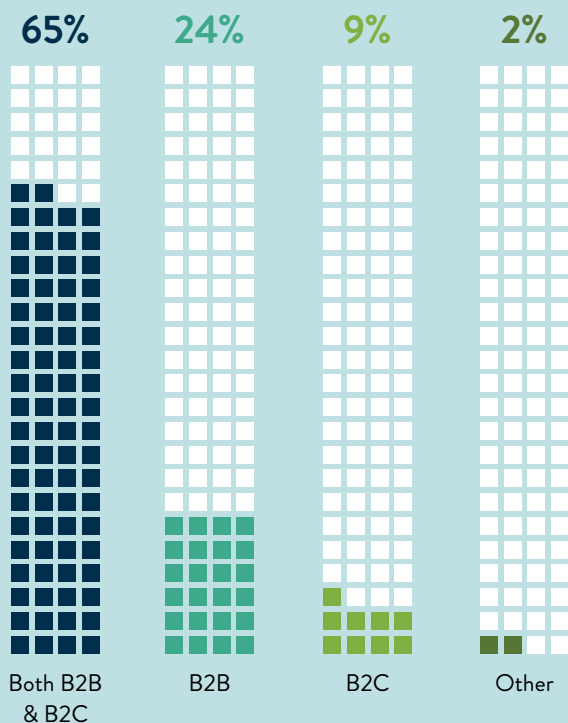
Entry level



Other



What type of marketing do you support?



LISA BUFFO

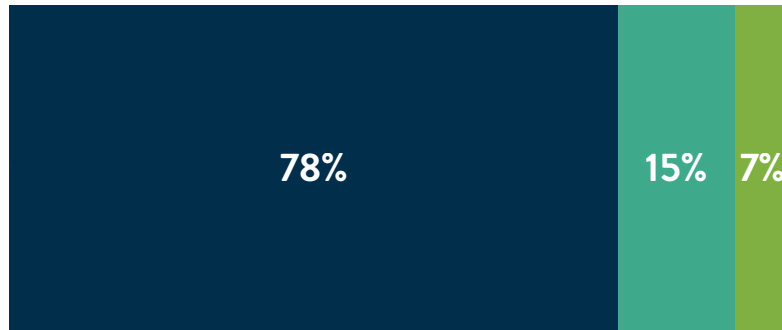
Nearly 40% of marketing efforts are being led by executive leadership without marketing job titles (or a focus on marketing). This means marketing is one of the many things on their plate, including leading strategy, overseeing the team, and execution. Therefore, marketing is likely not getting the focus and attention needed to see return all the way down the funnel.



GARY ALLEN

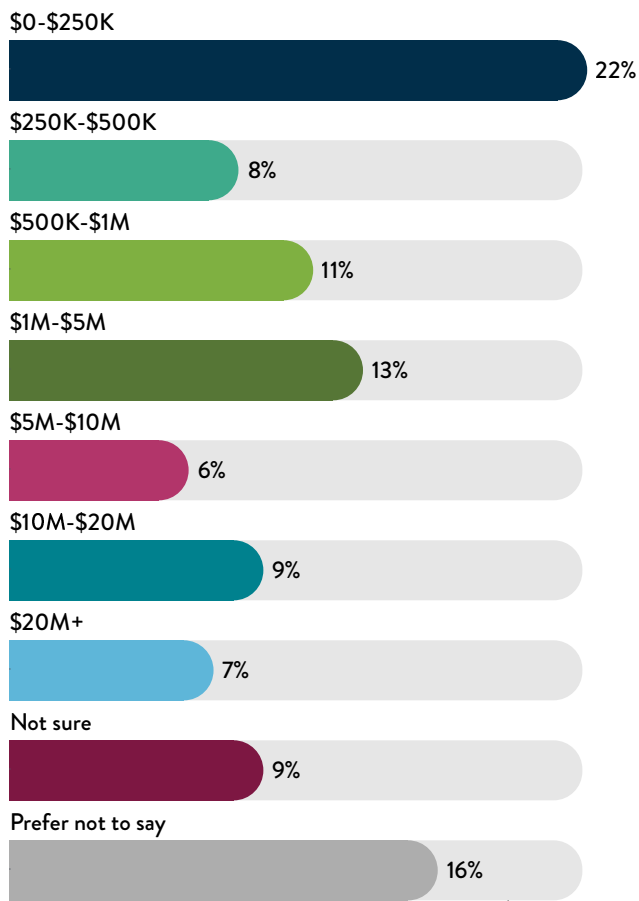
Most marketers handle both business-to-business and business-to-consumer efforts – requiring different strategies and tactics, stretching marketers thin.

In what stage is the organization that you support?

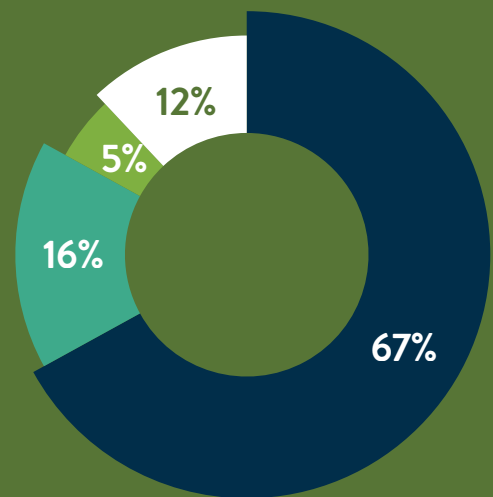


- **The business has launched**
(We are actively seeking clients/customers or are already generating revenue from clients/customers in the cannabis industry.)
- **Pre-launch**
(We have a detailed, complete business plan and are spending at least 20 hours per week on matters such as filing paperwork, building a website and developing products/services.)
- **Neither apply**

What is the size of your organization by annual revenue?



What is the size of your marketing department as it pertains to cannabis products or services?



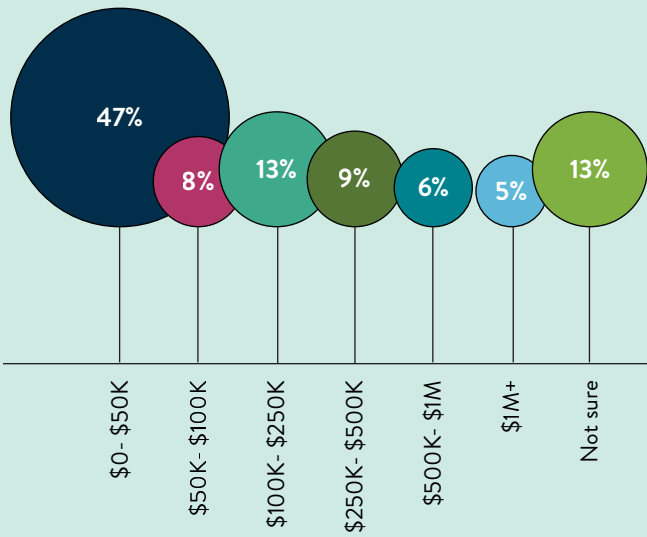
- Less than 5 people
- 5-10 people
- 10-15 people
- 15 or more people



LISA BUFFO

Generally speaking, most cannabis businesses are small businesses, reflective of this new, startup industry. Small teams mean each hire must be highly qualified and strategic. Marketers are expected to be a jack-of-all-trades and have a wide and deep understanding of the flywheel in order to show returns.

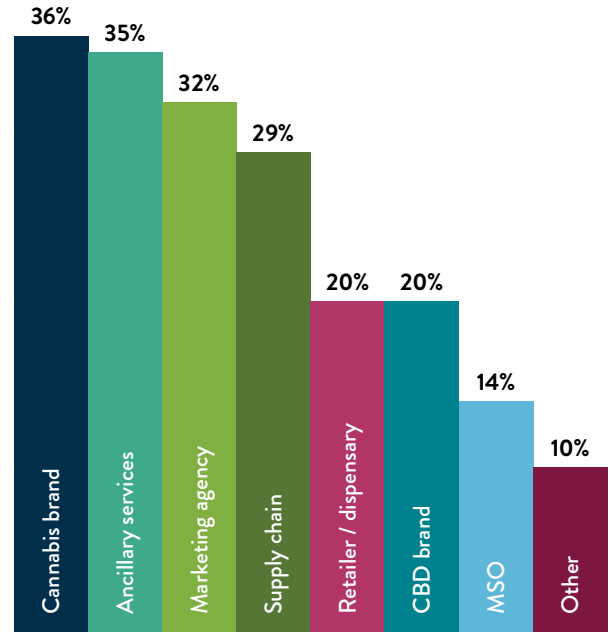
What is your annual marketing budget?



GARY ALLEN

Nearly half of annual marketing budgets are less than \$50,000. This level of investment is decidedly lacking for a U.S. market valued at \$23 billion in 2022. Marketers must increase budgets or risk missing consequential opportunities.

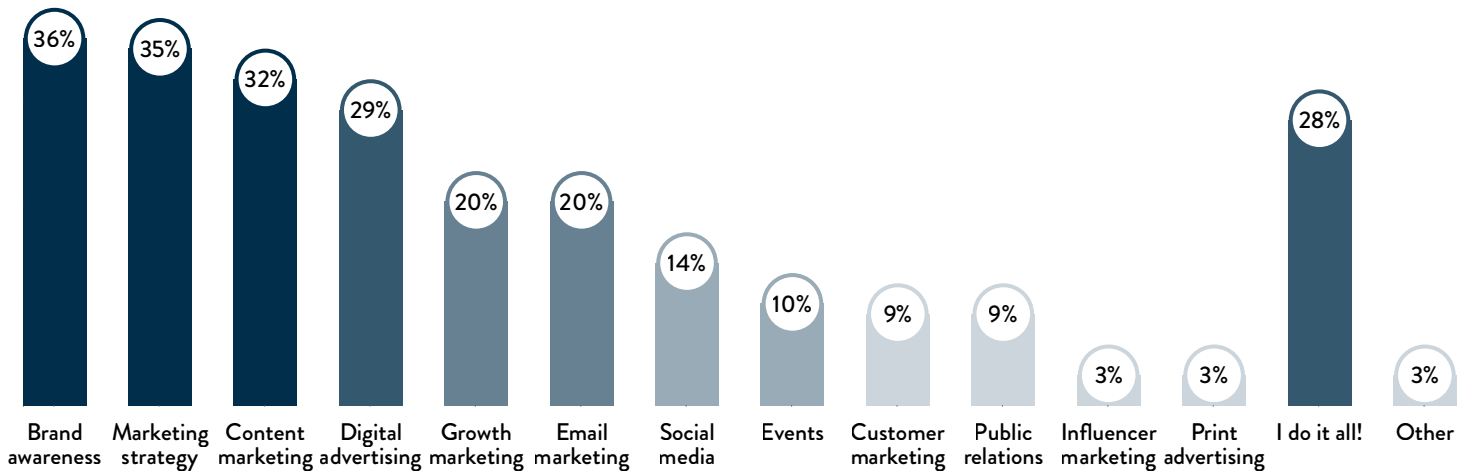
What type of organization do you represent?



Are you a licensed brand or retailer?

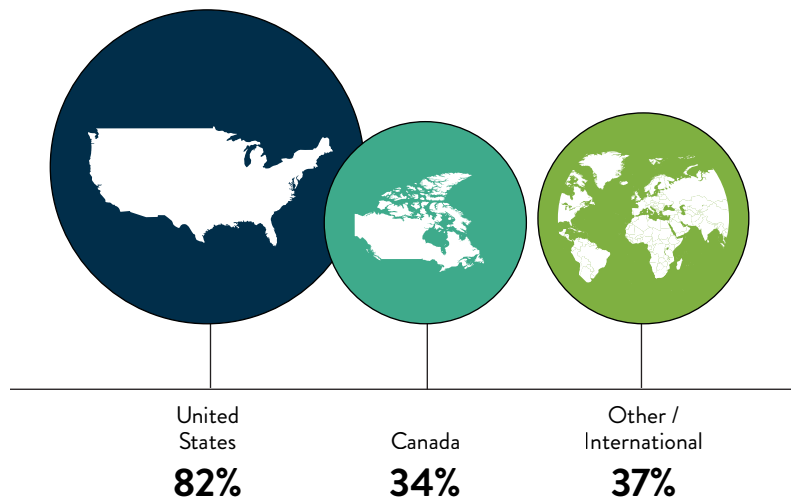


If marketing is your core competency, what is your focus?

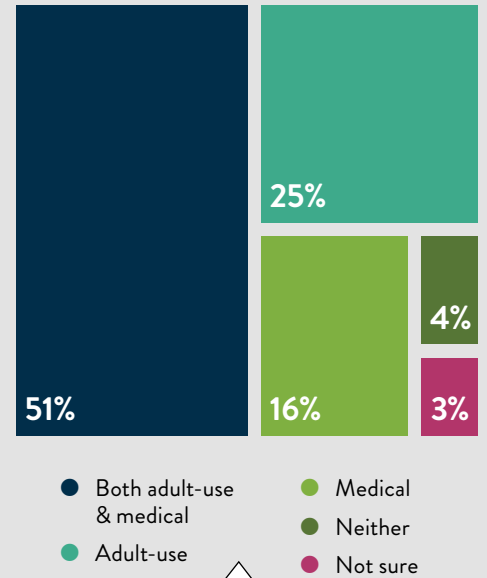


Scope of Marketing Efforts

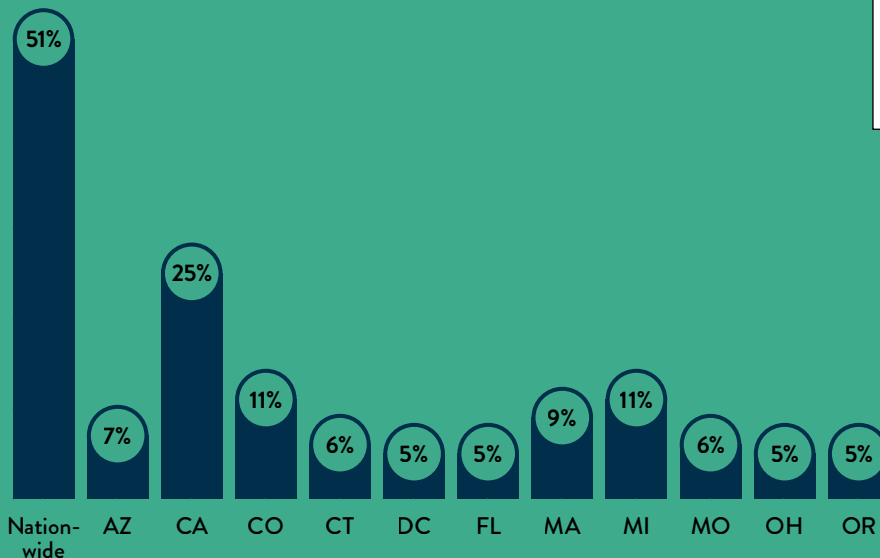
In what region(s) do you market products or services?



What is the legality of your market?



In what state(s) do you market products or services? Top 12 answers



GARY ALLEN

Although medical and adult-use consumers have different needs, preferences and behaviors, half of marketers are responsible for both markets. Interestingly, in our 2022 "[Cannabis Consumers in America](#)" report, New Frontier Data found that some consumers identify as both medical and recreational cannabis consumers, and they consume considerably more frequently than other consumers.

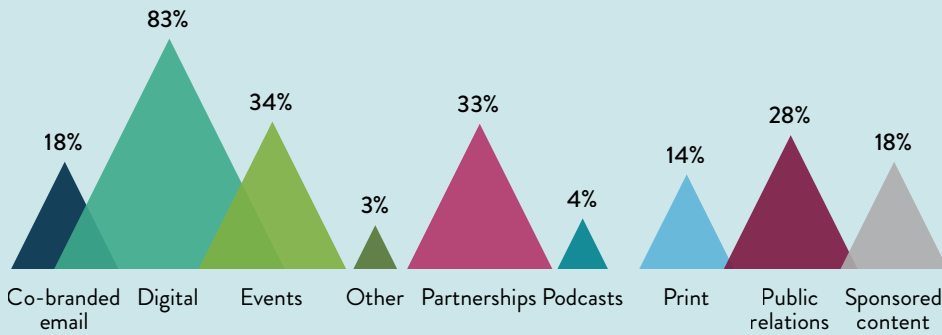


LISA BUFFO

Cannabis marketing regulations are different from state to state. Marketing spans all communications including packaging, signage, menu language, and advertisement copy; violations may have legal ramifications. Marketers are once again tasked with having a deep understanding of a very detailed and complex area of the business.



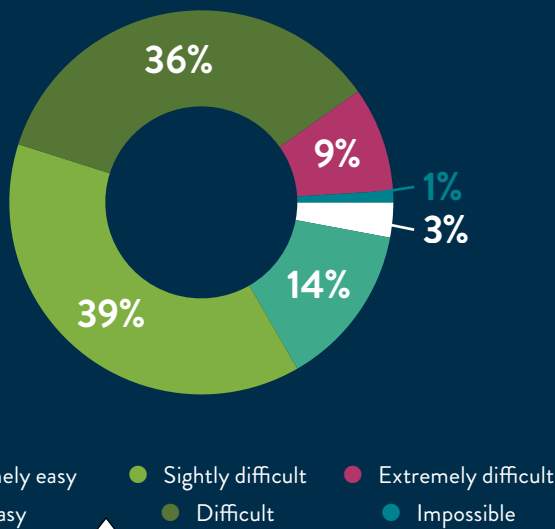
What marketing channels are you primarily utilizing in 2022?



GARY ALLEN

Digital marketing is by far the most popular marketing channel for 2022. The versatility of digital, including easy creation, precise targeting, rapid iteration, and performance measurement make it a compelling option for reaching the right consumer - either new or existing - at the right time.

Given the constraints of cannabis marketing, how easy or difficult is it to deliver your message to your desired audience?



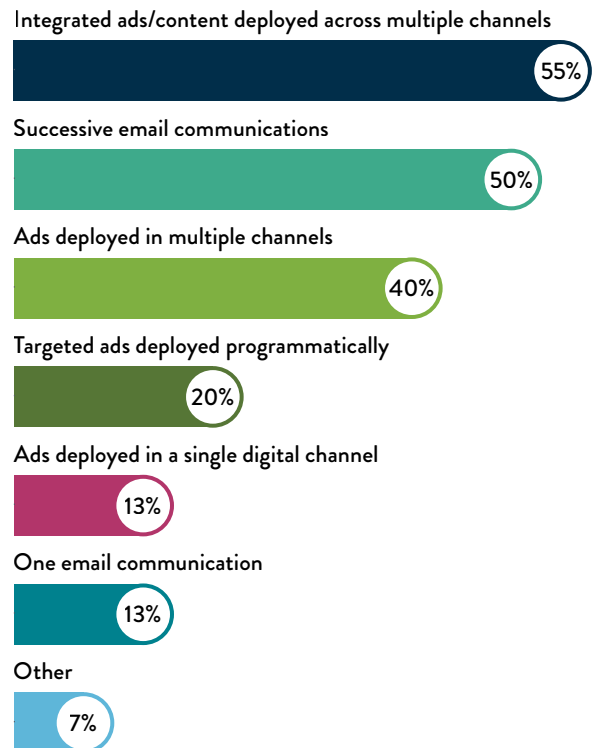
● Extremely easy ● Slightly difficult ● Extremely difficult
● Easy ● Difficult ● Impossible



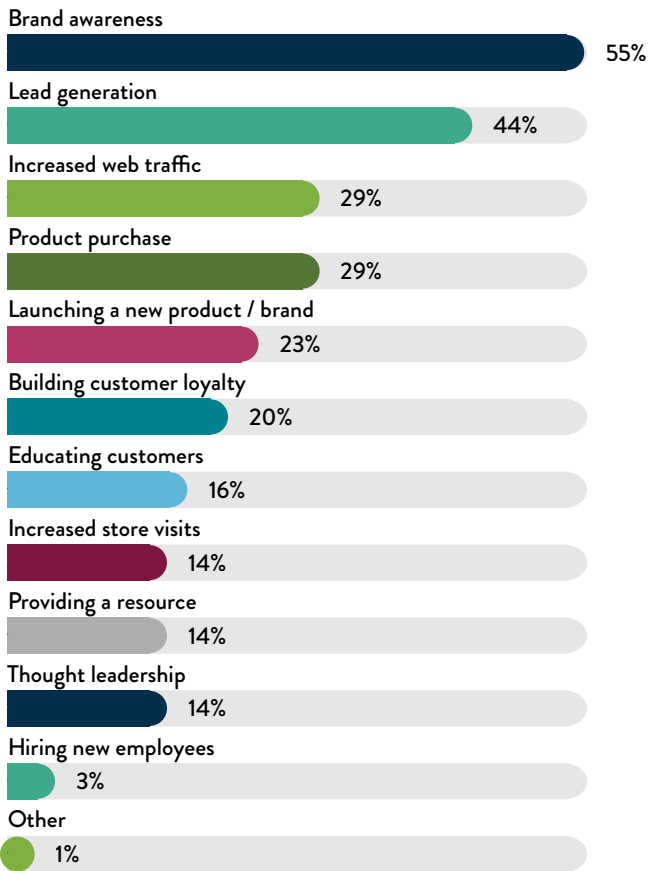
LISA BUFFO

It is not surprising that the vast majority of cannabis marketers find their jobs difficult. Many cannabis marketers have years of proven experience in other industries, but encounter challenges in cannabis marketing that they've never seen before in their careers. Operating in a gray legal space with little budget, small teams, and a stigmatized, but changing, public perception of cannabis is a big task.

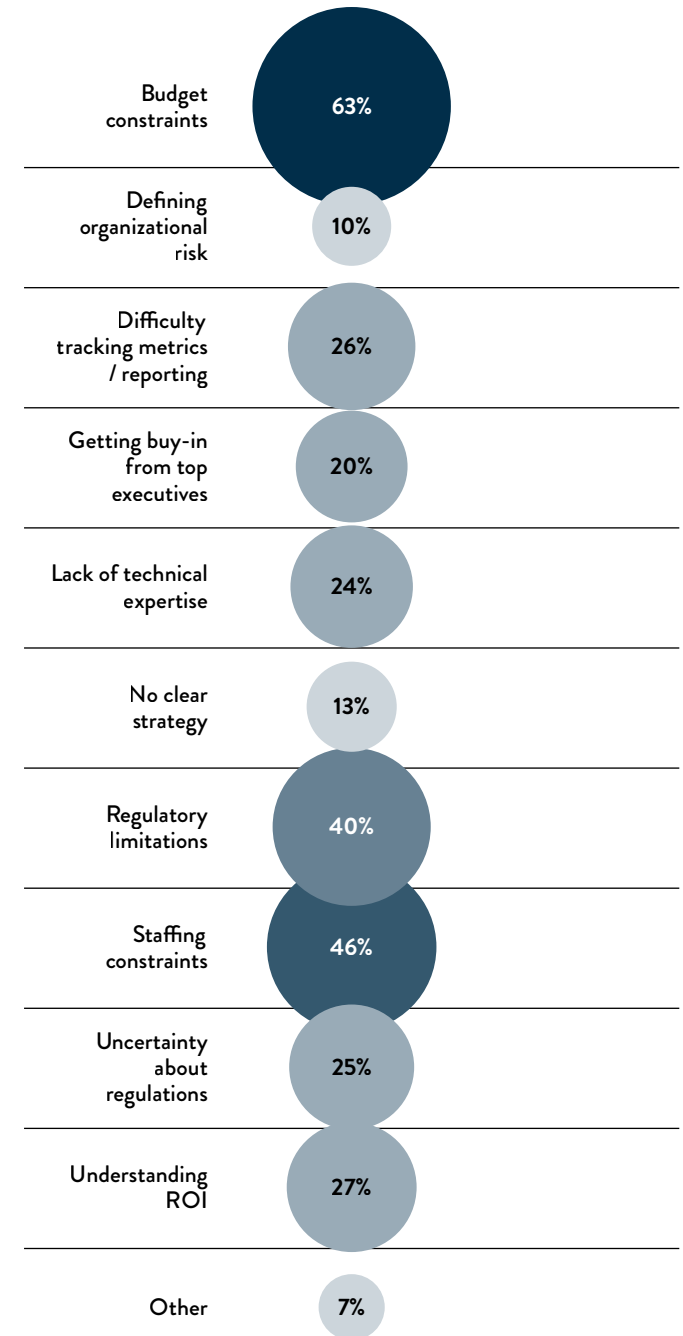
How do you define a typical digital marketing campaign within your organization?



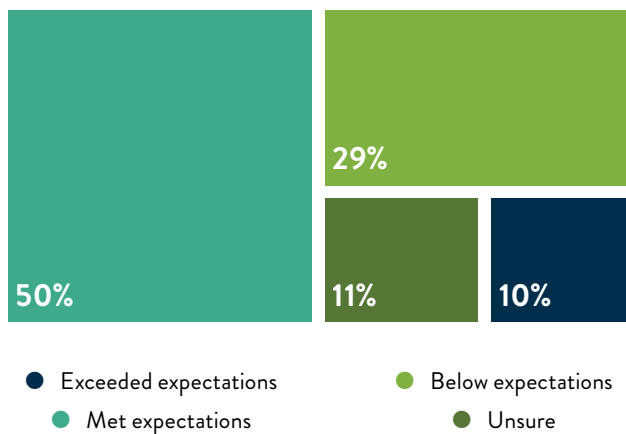
What were your primary digital marketing goals in 2021?



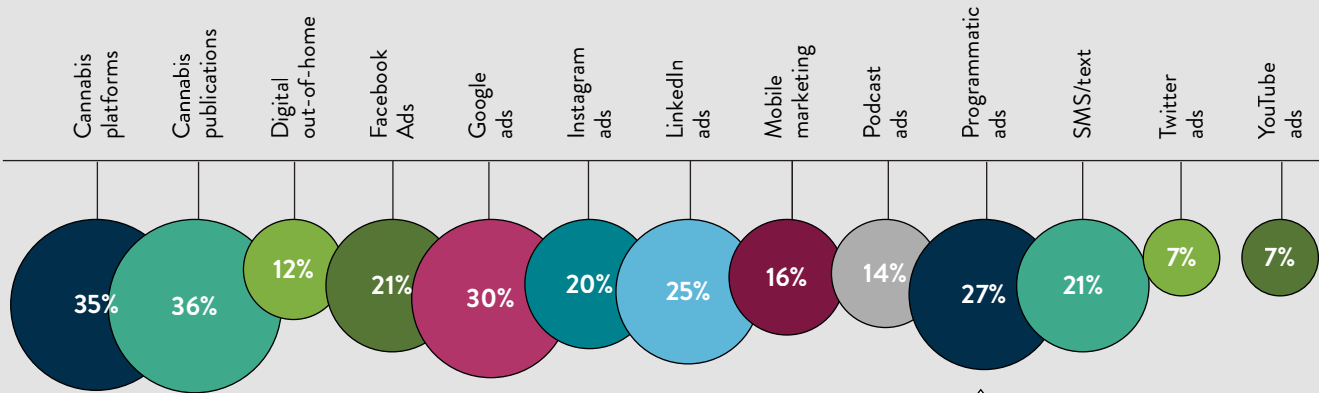
What were your top 3 digital marketing challenges in 2021?



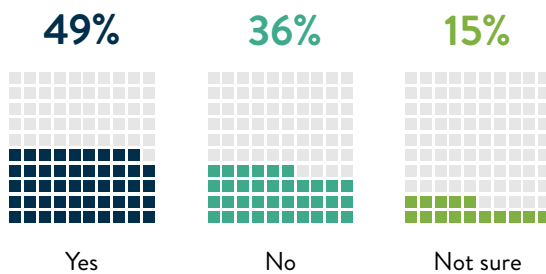
How satisfied were you with your overall digital marketing performance in 2021?



What paid digital marketing programs did you implement in 2021?



Has the pandemic impacted your digital marketing strategy?



GARY ALLEN

Although usage of programmatic is low, the channel has the capability of becoming one of cannabis marketers' most cost-effective targeted ad channels. With well-defined target audiences, marketers can build cost-effective programmatic campaigns and connect to their audiences via mobile, online and point of sale advertisements. Programmatic campaigns with location-based guardrails can serve ads to individuals when they are present in legal markets and near dispensaries that sell the advertised products.



KATHERINE WOLF

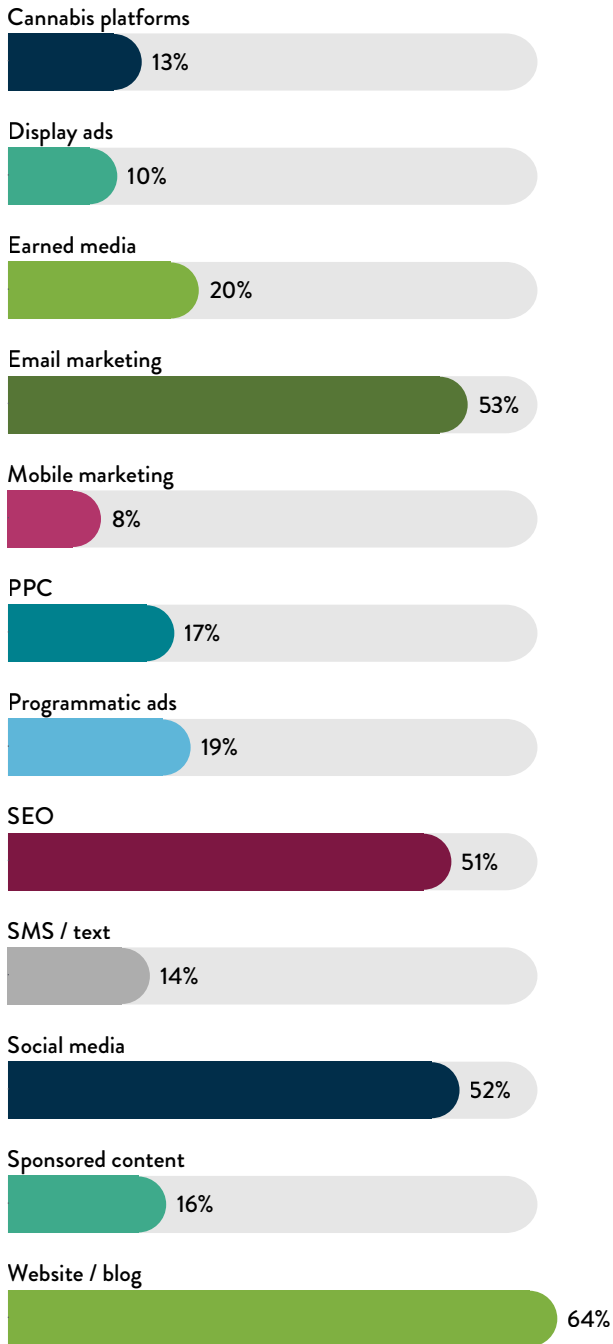
Chief Marketing & Operations Officer, Malek's Premium Cannabis

At Malek's Premium Cannabis, driving brand awareness is definitely a top digital marketing goal for 2022. This industry is already incredibly competitive, and as new states continue to legalize, more and more companies are entering the market and shaking up how things are done for everyone. So, you've got to keep finding creative yet compliant ways to generate brand buzz that captures (and more importantly, keeps) the attention of your customers.

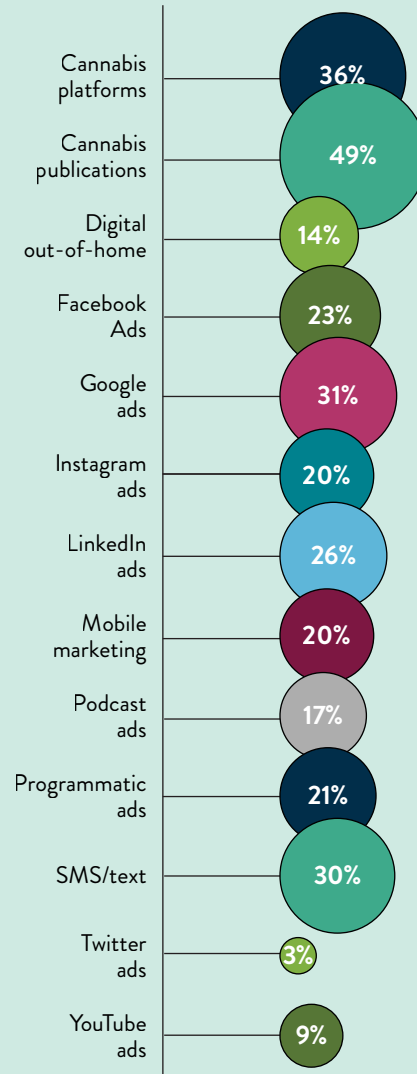
What are your primary digital marketing goals for 2022?



Which digital marketing methods do you think are most effective for achieving your goals?



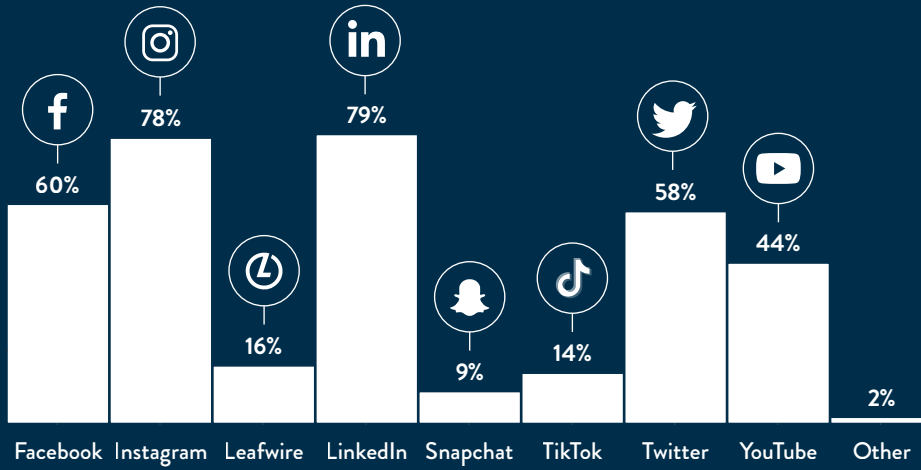
What paid digital marketing programs are you implementing in 2022?



WESLEY WILLIAMS
Co-Founder & CEO, KND Infusions

Social media ads remain an intriguing growth opportunity in cannabis marketing given their targeting capability and high return-on-ad-spend compared to broader reaching digital media publications/platforms. By focusing on relationship building and brand awareness on these platforms, smart cannabis brands can decrease their risk of getting banned and take advantage of these potentially disruptive channels.

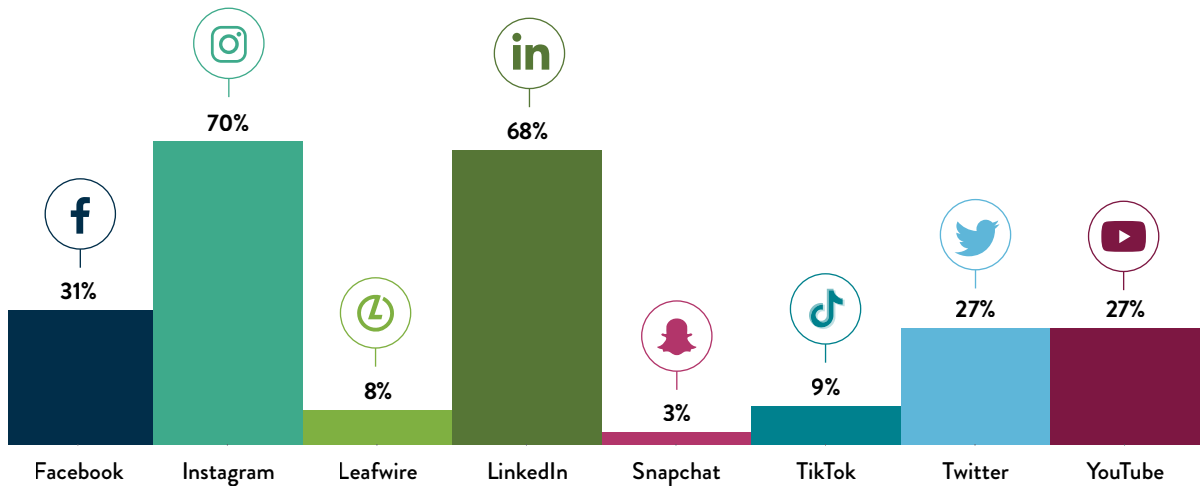
Which social media channels do you use?



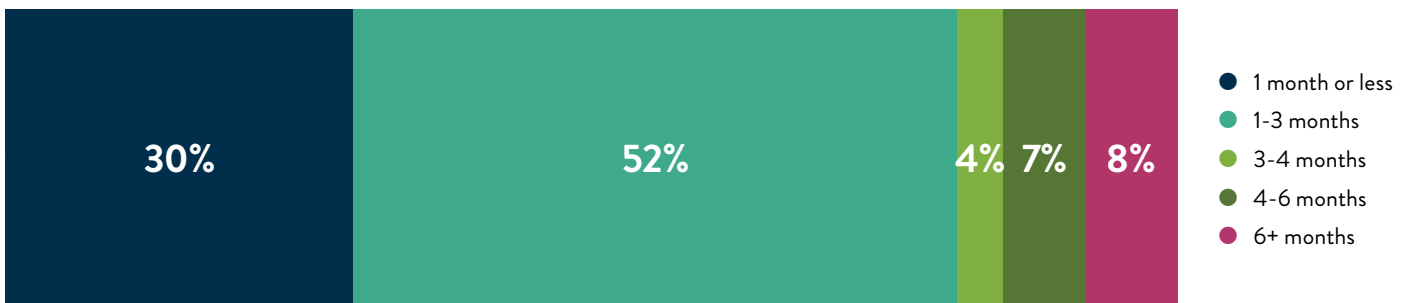
LISA BUFFO

In today's digital world, social media still dominates the marketing landscape. As individuals in a smart phone and app-driven society, it's hard to understate the impact that mobile phone use has on our attention. Cannabis marketers are still leveraging social media platforms, despite the strict, yet ambiguous, content standards that cannabis marketers must follow.

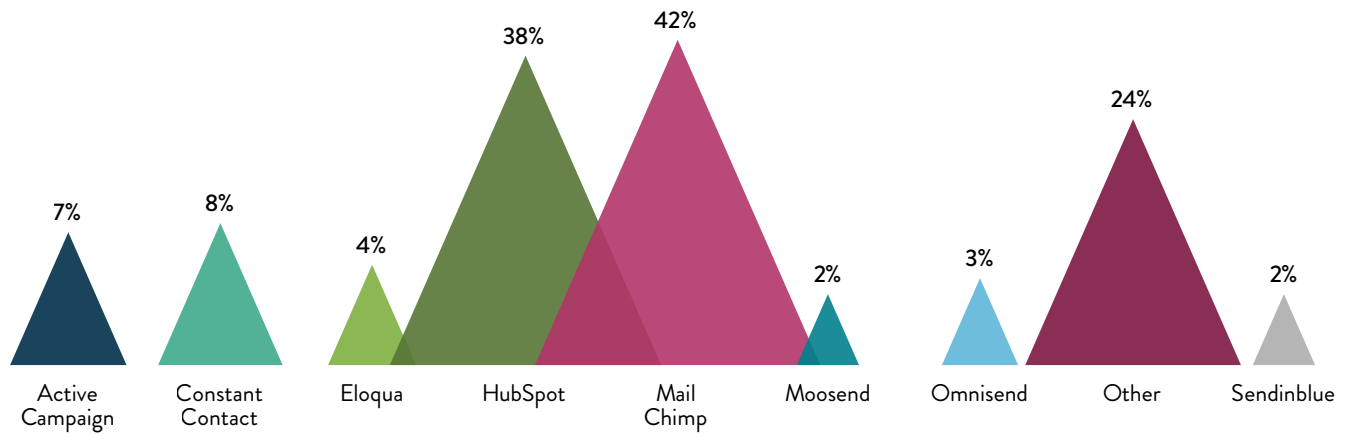
Of the social channels you use, which 3 do you think are most effective?



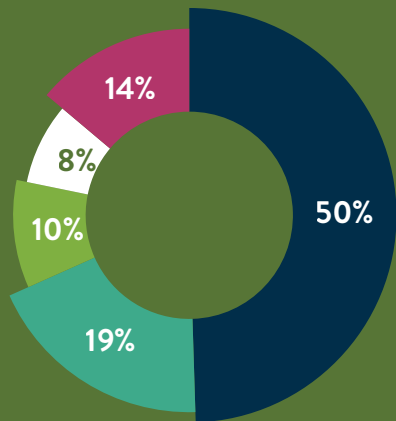
How long, on average, do you run a marketing/product campaign?



Which email marketing software do you use?



What is the size of your marketing database?



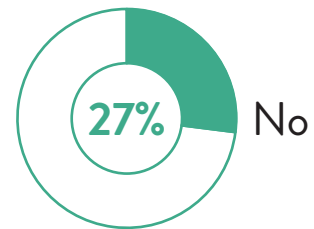
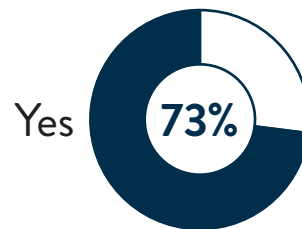
- 1-10,000
- 10,000-20,000
- 20,000-50,000
- 50,000-100,000
- 100,000+



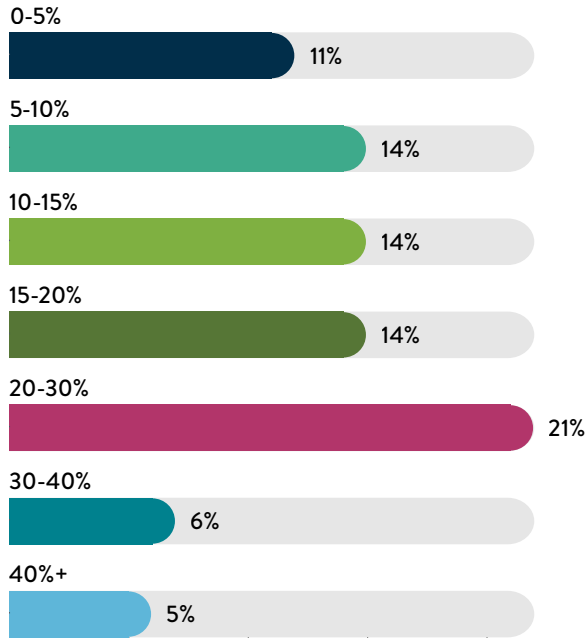
LISA BUFFO

Email marketing is an owned channel that cannabis marketers can leverage to directly connect with their community. It also allows marketers to directly track engagement via opens, click-through rates, and website visits. This is a powerful tool that when leveraged correctly can result in higher conversion rates and increased brand loyalty.

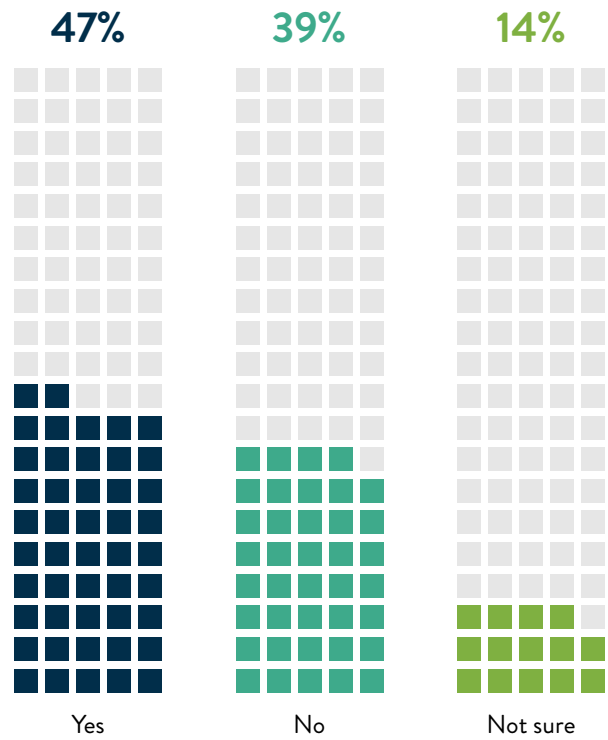
Do you distribute an email newsletter to support marketing efforts?



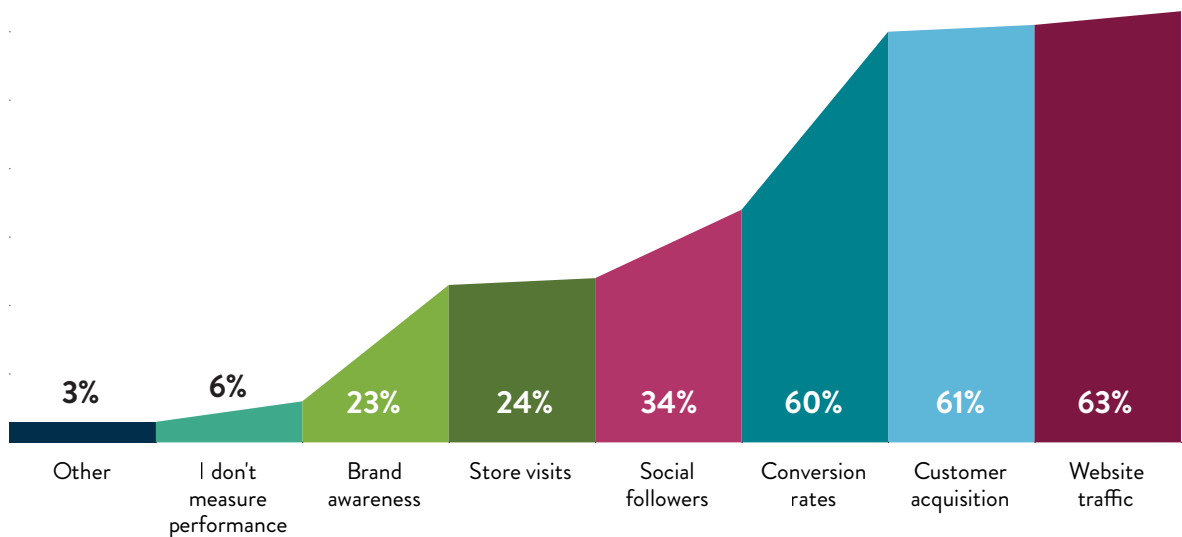
What is your average marketing email open rate?



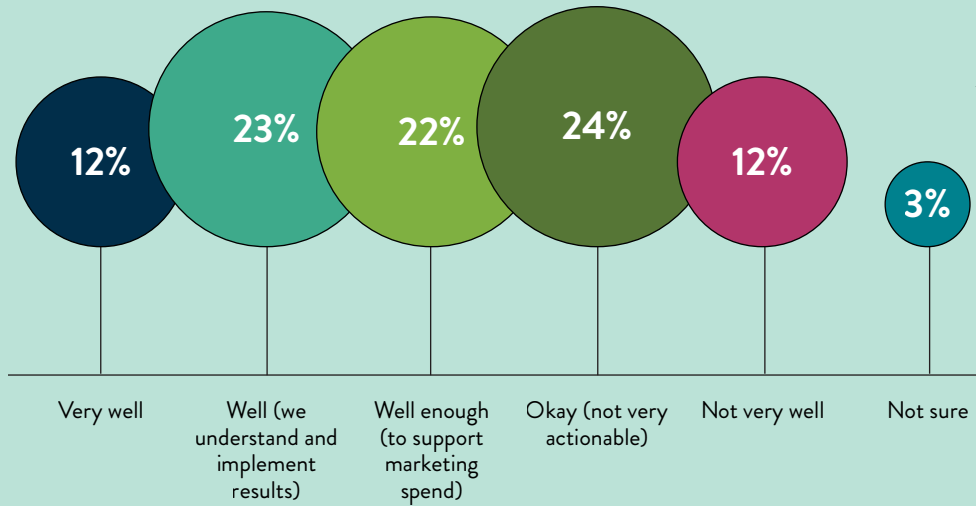
Do you conduct A/B testing as part of your campaign implementation?



What metrics do you track to measure marketing campaign performance?



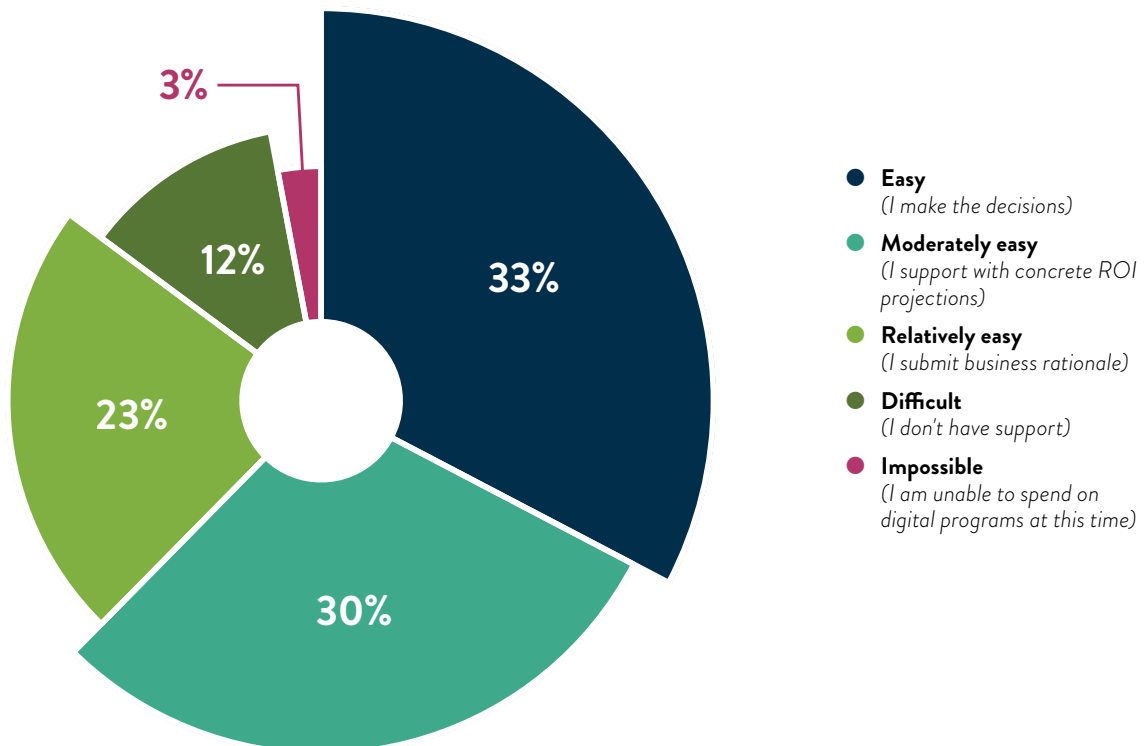
How effectively do you track key performance indicators for digital programs?



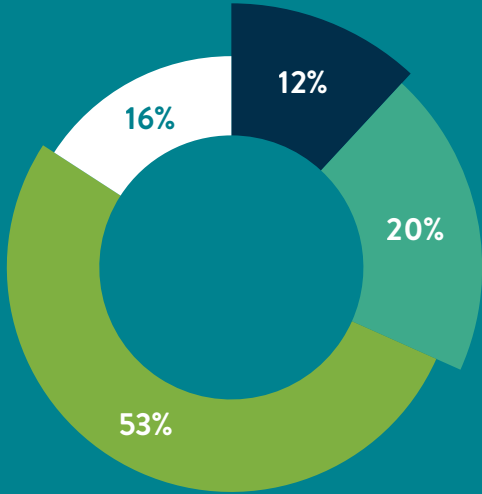
LISA BUFFO

Marketers collect and track campaign performance data but struggle to use that information to iterate and improve on their efforts. There seems to be a gap in the feedback loop that prevents marketers from identifying and scaling effective campaigns.

How would you describe the approval process for digital marketing spend?



What is your understanding of programmatic advertising?



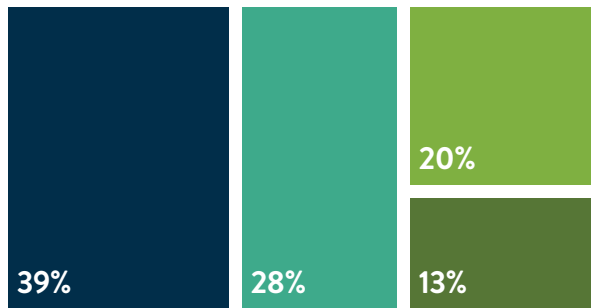
- Expert knowledge**
(I implement campaigns, track metrics and set benchmarks to optimize future campaigns)
- Intermediate knowledge**
(I set up and implement campaigns)
- Basic knowledge**
(I understand how it works)
- No knowledge**
(I am not familiar with it) digital programs at this time



GARY ALLEN

More education on the value of programmatic advertising and when to use it is paramount. The volume and efficiency of programmatic ad networks separates the channel from others like social and paid search, has a built-in safety net for compliance and a lower price tag than other digital channels. While the lower cost of programmatic is tempting for many, marketers should not employ a shotgun approach. Buying programmatic ads without a specific audience in mind could make the channel less effective and inflate costs. Audience-informed targeting is often the difference between success and struggle.

Does your organization run programmatic ad campaigns?



- No
- No, but we are considering it
- Yes, sometimes
- Yes, regularly

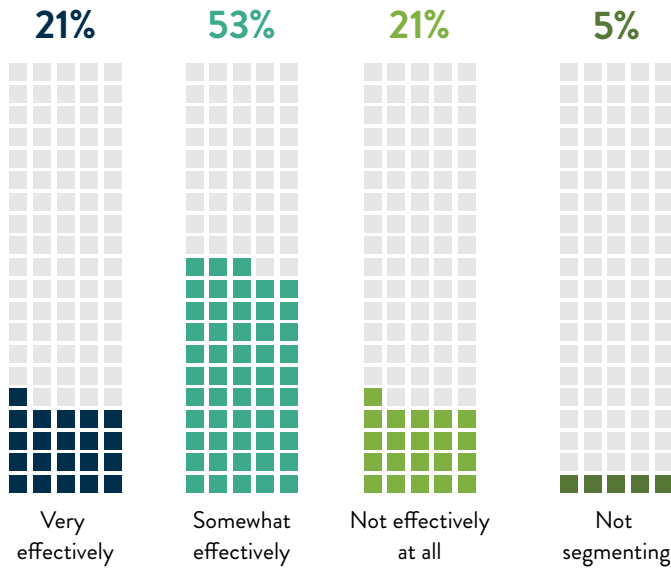
What are your strategic objectives for implementing programmatic campaigns?



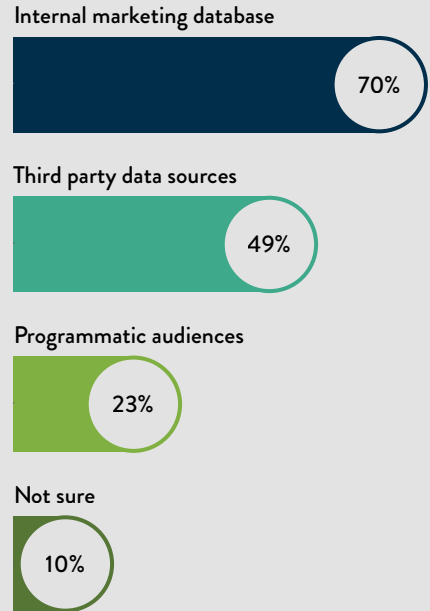
How are programmatic campaigns managed?



How effectively can you segment your target audiences as part of your marketing strategy?



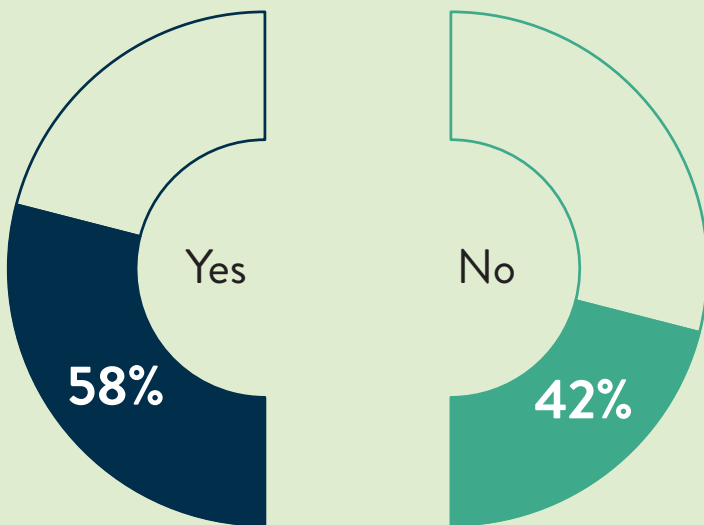
Which data sources do you use to reach your target audiences?



JOE HODAS
Chief Marketing Officer, Wana Brands

Unfortunately, 70% is significant, and means that for now, we are talking to ourselves so to speak. We aren't necessarily reaching new consumers very effectively or efficiently.

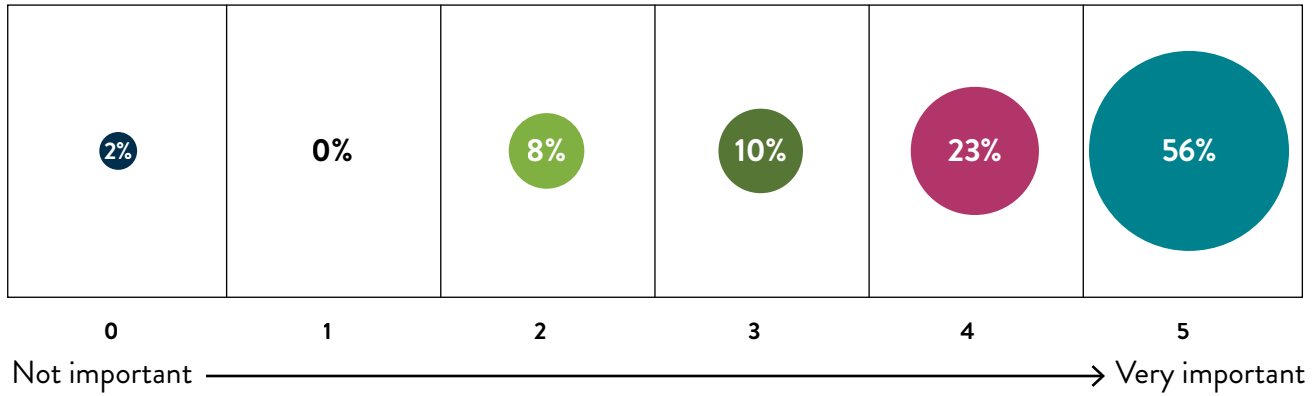
Have you conducted any research to understand your buyer personas?



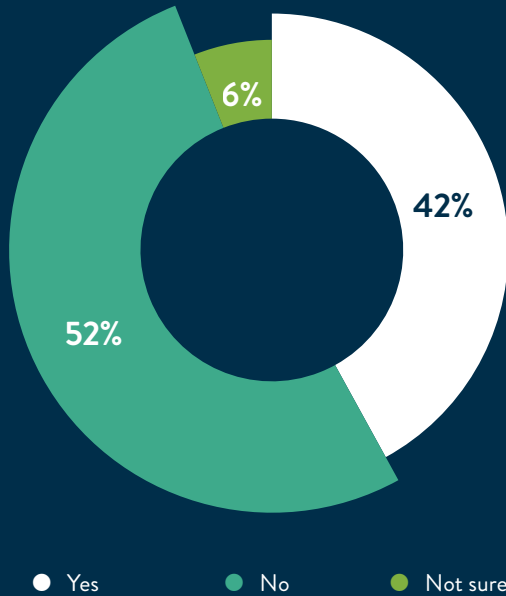
GARY ALLEN

Without understanding buyer personas, marketers are navigating blind. Buyer personas inform every aspect of the marketing approach including when and where to reach customers, what messages to use and what products they typically prefer.

How important is it to your marketing strategy to have an understanding of the diverse behaviors and motivations of cannabis or CBD consumers?



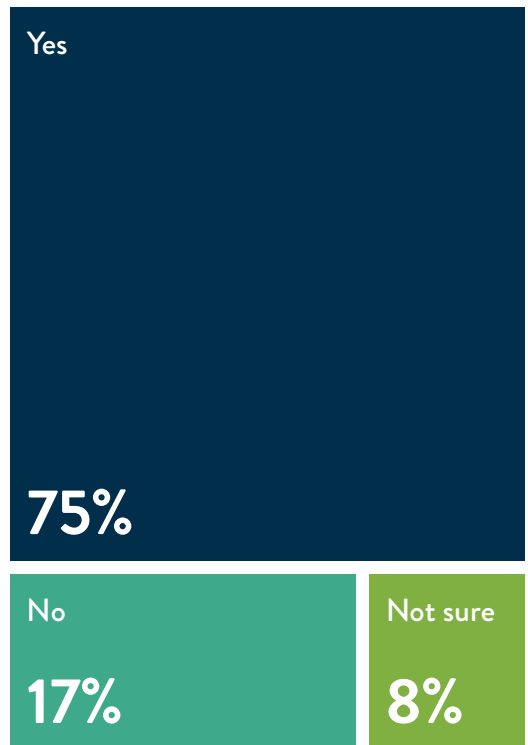
Are you measuring the effectiveness of your digital advertising programs through dispensary foot traffic?



GARY ALLEN

Marketers are missing a critical component of measuring campaign success: attribution. Without attributing foot traffic or sales to the ads that drove them, they can't be certain which were most effective and should receive greater investment.

Do you evaluate consumer demographics as part of your overall strategy?





Conclusions

Cannabis marketers aim high with their marketing efforts, but limitations in budgets, staffing and knowledge create significant hurdles beyond regulatory limitations which frustrate and complicate. As the U.S. cannabis consumer base continues growing, reaching the right audiences with the right messages becomes increasingly critical.

Still, there is optimism for overcoming these challenges as cannabis marketers continue to advance their understanding of the tools and tactics available to them and begin to apply best practices for digital marketing established in other industries. As cannabis marketers learn to apply their limited resources in more productive ways – whether that’s better tracking of KPIs, A/B testing campaign variations, or employing digital channels according to their inherent strengths, conversions and sales should improve, demonstrating the value of these efforts and justifying greater investment.

Undoubtedly, cannabis marketing comes with a unique set of challenges. Lack of federal legality creates a patchwork system of regulations that complicate compliance. Certain premium ad networks prohibit cannabis and cannabis-related ads. Age restrictions. Location restrictions. The list goes on. While these barriers can seem difficult to navigate, the reality is, cannabis marketers have the tools and techniques necessary to do so, they just need the know-how. Focusing more intently on what can be done effectively will light the best path forward.

NXTeck and the Cannabis Marketing Association are here to help. Find out how we can shorten the learning curve together.

Companies

About NXTeck

NXTeck is the AdTech division of New Frontier Data, the premier data, analytics and technology firm specializing in the global cannabis industry. The only solution informed by location, point-of-sale, social science and consumer data, NXTeck offers audience insights to inform smart marketing strategies and attribution reporting to optimize the impact of digital activity. The NXTeck DMP is the largest set of U.S. cannabis consumer data available in the market with 164 million marketable cannabis consumers, 35 million dispensary visits and 64% of the U.S. POS market. NXTeck complies with domestic and international regulatory legal parameters and enables both legal cannabis brands and mainstream CPG advertisers to deliver targeted, tailored, and scalable campaigns.

For more information visit
NXTeck.com

About the Cannabis Marketing Association

Cannabis Marketing Association is a national membership-based media company focused on education and best practices for cannabis communications professionals. With members in nearly all 50 states with combined multi-billion dollar budgets, CMA membership consists of cannabis brands, retailers, marketing agencies, and related service providers who are leading advertising and communications in the global cannabis industry. CMA's content and conferences educate, connect, and uplift the cannabis marketing community. The annual [Cannabis Marketing Summit](#) will be held June 7-9 in Denver, Colorado.

For more information visit:
TheCannabisMarketingAssociation.com

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