

Reefer Routine

Normalization of Cannabis Sales Trends in 2024

New  Frontier[®]
data

Introduction

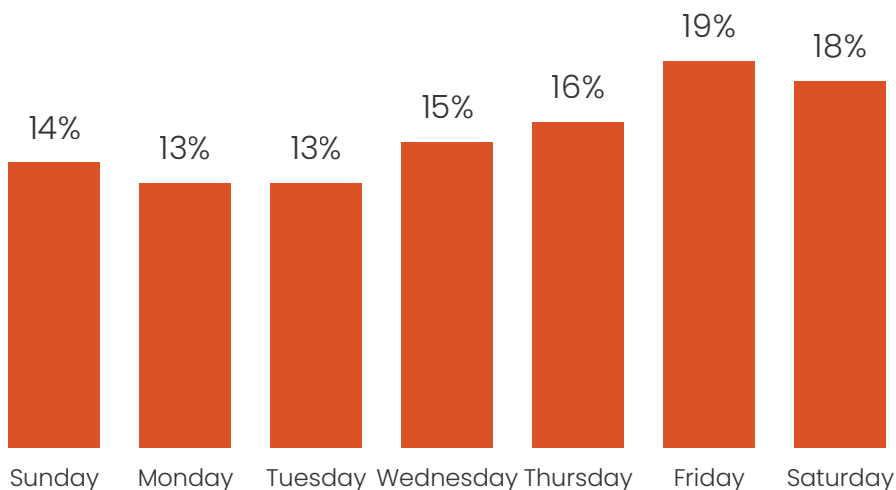


There was a time when even the mention of cannabis was controversial. Code names for the plant were used at family gatherings to summon the cousins out for a walk and a tokes, and employees wouldn't even think about disclosing their weekend use in the break room during lunch. And for good reason. Even admitting cannabis use could be cause for termination and custody issues. Additionally, the image of who a cannabis consumer IS was mired in Reefer Madness ideas about intelligence, motivation and sanity. To be clear, in some parts of the country, this is the situation still, as cannabis prohibition has not yet loosened its grip in pockets of the south and midwestern plains. And yet, for over 2/3 of the American adult population, cannabis is legally available, at least medically. In states like Colorado and Washington, this has been the case for over a decade.

What is the impact of a maturing market and cannabis normalization on consumer purchasing habits? Now that a trip to the dispensary is more like stopping by the grocery on the way home from work than an intriguing adventure, are consumers treating the process differently? When looking at the New Frontier Data cannabis archetypes and how they changed from 2022 to 2023, one big difference was the decrease in Savvy Connoisseurs and an increase in Contemporary Lifestylers. This shift signified a "settling in" to cannabis consumption habits and a move from wanting to try everything in the store, to finding and sticking with favorite brands and product forms. After all, when you go to the grocery store, you don't hover over the almond butter for 10 minutes looking for a brand you haven't tried, you immediately grab your tried and true, unless there is a sale. In many ways, the cannabis shopping experience is looking more like the grocery store experience, and an analysis of PoS data from 2024 illustrates this. Observing over 61M transactions from 1700 dispensaries in the first 3 quarters of 2024, we can see how sales have normalized.

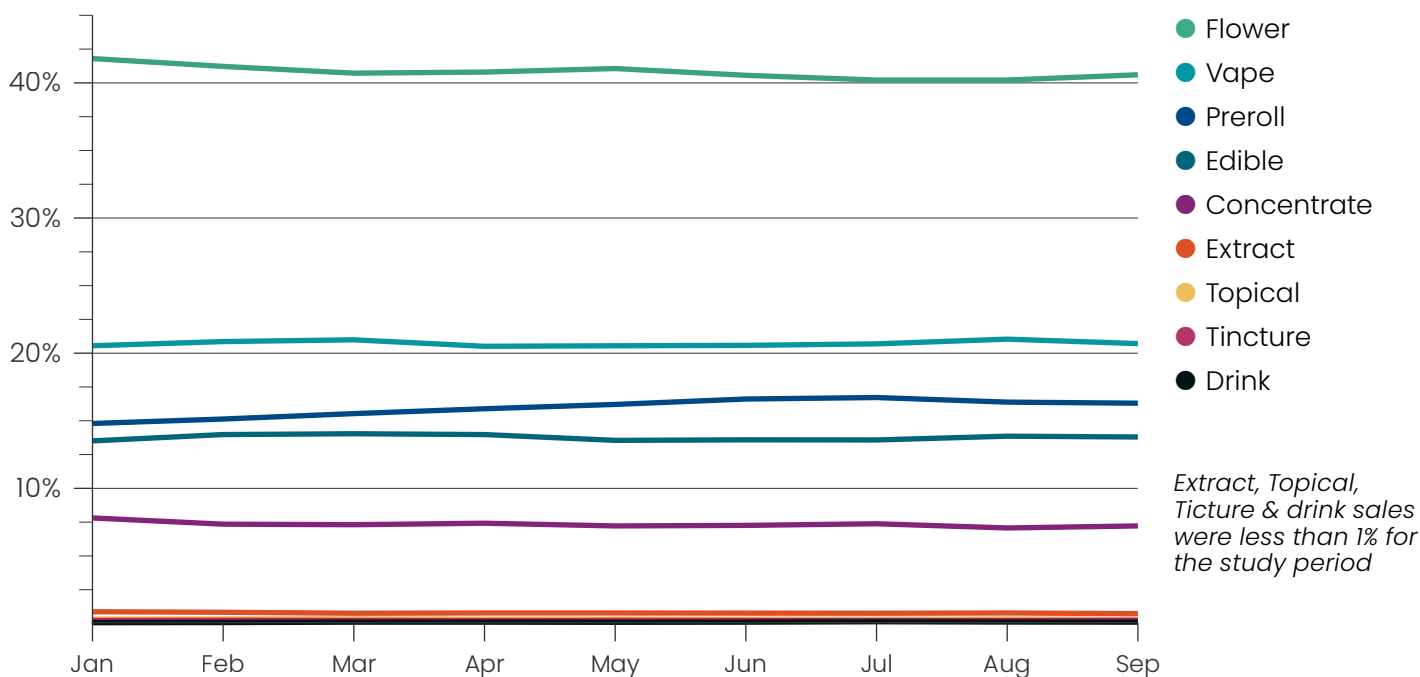
General Sales Stats

Sales by Weekday



Consumers most often purchase cannabis on Friday (19%) and Saturday (18%). This is to be expected as many occasional consumers use cannabis only on the weekends.

Percent of transactions: including various product forms Jan-Sep 2024



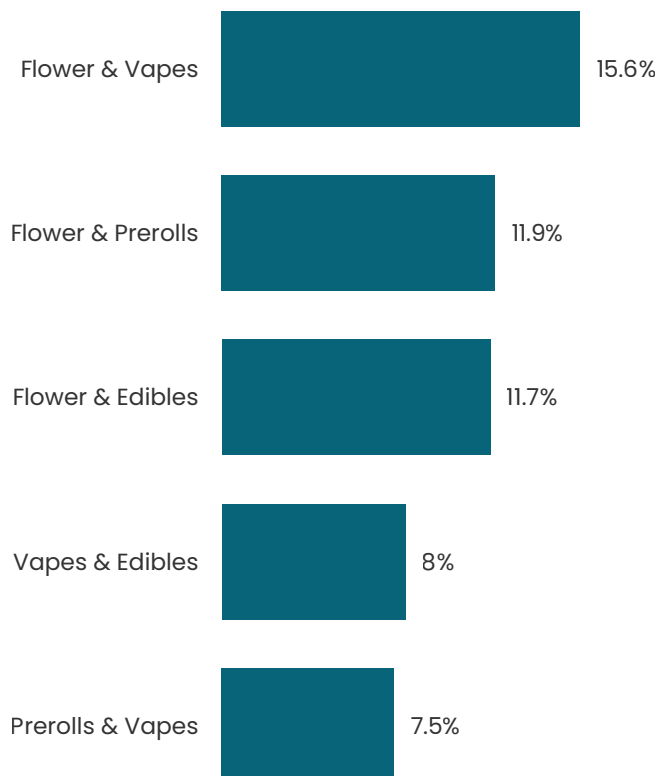
Consumers on average purchase 3+ products per transaction. However, the average transaction only includes 1.37 unique product forms, indicating that consumers often purchase multiple products in a single product category.

Flower remains the most popular product form, appearing in 40% of transactions each month. Vapes were consistently the 2nd most popular product form, appearing in approximately 1 in 5 baskets. Pre-rolls and edibles occupied the 3rd and 4th spots respectively. This data is also reflective of access to various product forms, which is not consistent across state markets. According to the 2023 New Frontier Data consumer survey, only 34% of consumers in adult use states say they have access to cannabis beverages and 28% say they have access to tinctures.

Top 5 Strains

1. Gelato
2. Blue Dream
3. Animal Face
4. Sour Diesel
5. Wedding Cake

The most common combinations of products purchased together



We know from our consumer data that cannabis consumers choose different product forms to engage in different activities (45%), to create different moods (37%) and at different times of day (29%). While flower—as the most purchased cannabis product form—dominates the combinations presented in this list, it is worth considering how consumers who have become increasingly intentional and consistent in their purchasing behavior might use a variety of product forms to achieve their intended outcome. Additionally, 39% of consumers say they have purchased cannabis for family/friends..

In the 2023 Consumer Survey, 62% of consumers claimed they typically spent \$20-\$99 each time they purchased cannabis. Here, PoS data corroborates those findings with 64% reporting a typical spend in that range.

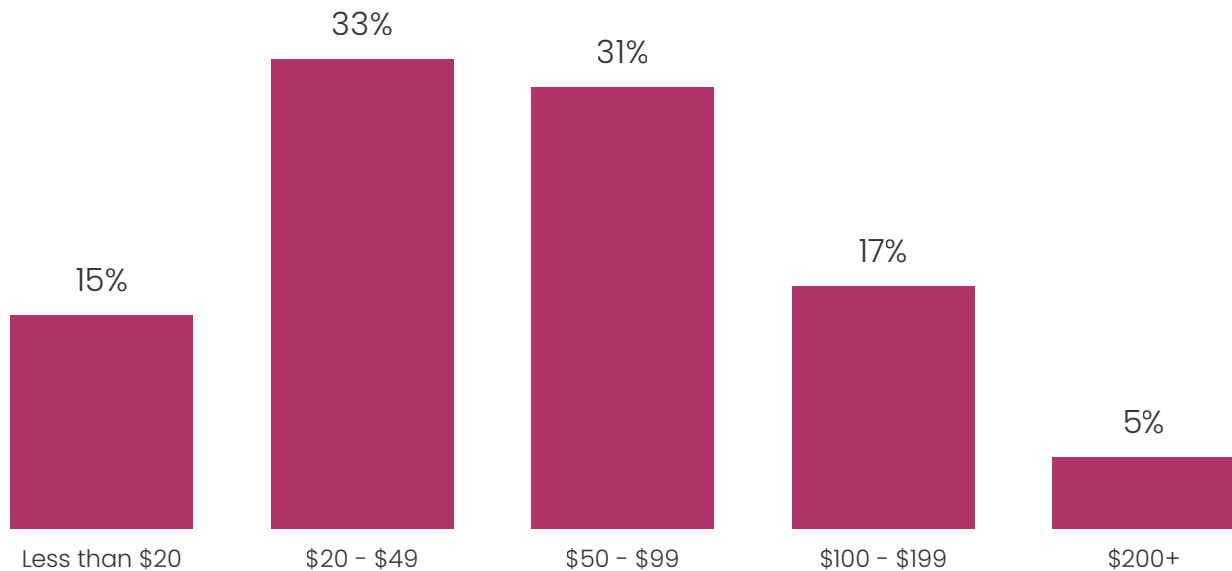
Similarly, in the 2023 survey, just 6% of consumers indicated they spent more than \$200 per transaction compared to 5% in the POS data from this year.

ON AVERAGE CUSTOMERS SPEND

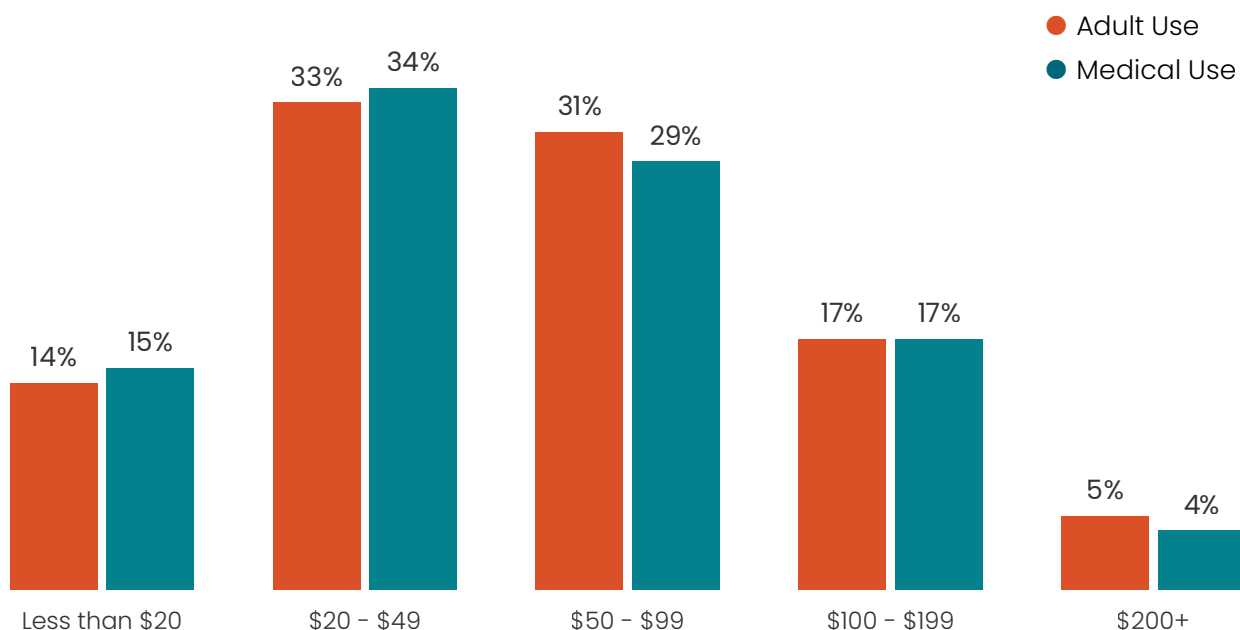
\$75.58

PER TRANSACTION

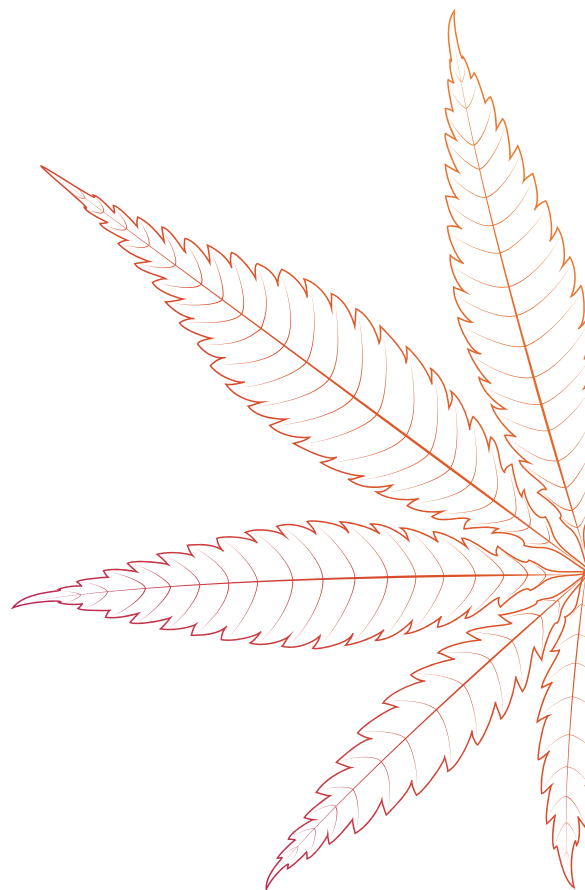
Consumer spend: per transaction



Average transaction cost: by market type



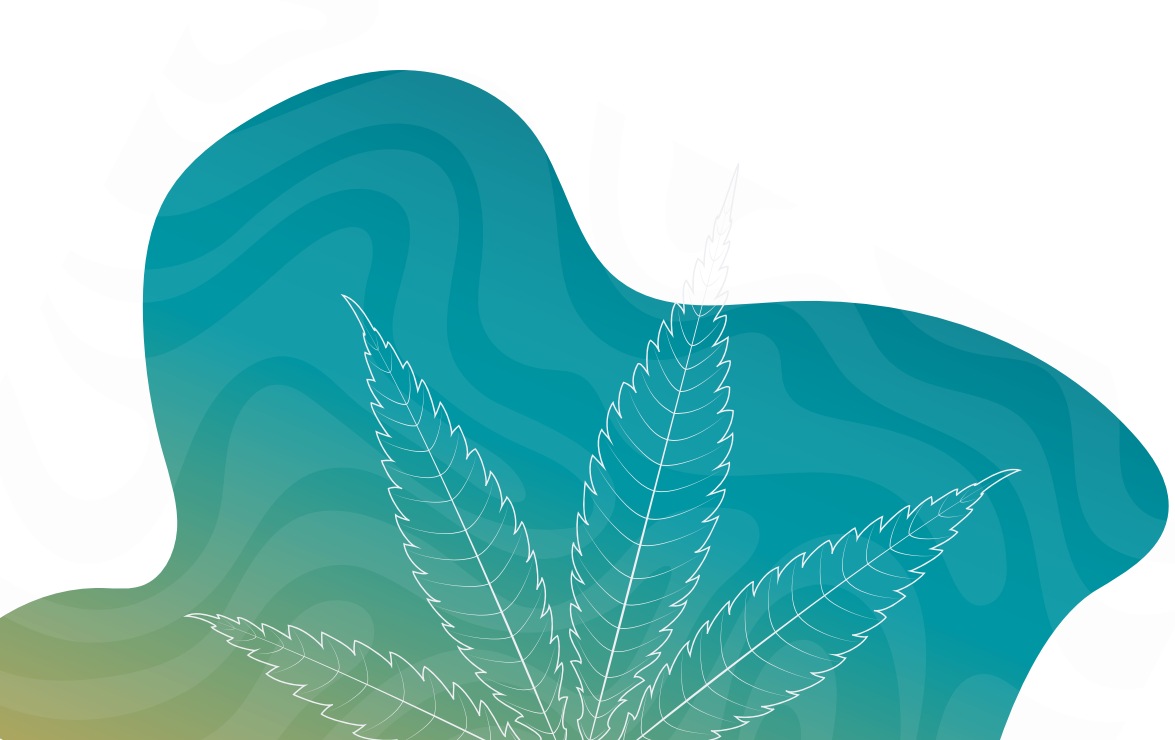
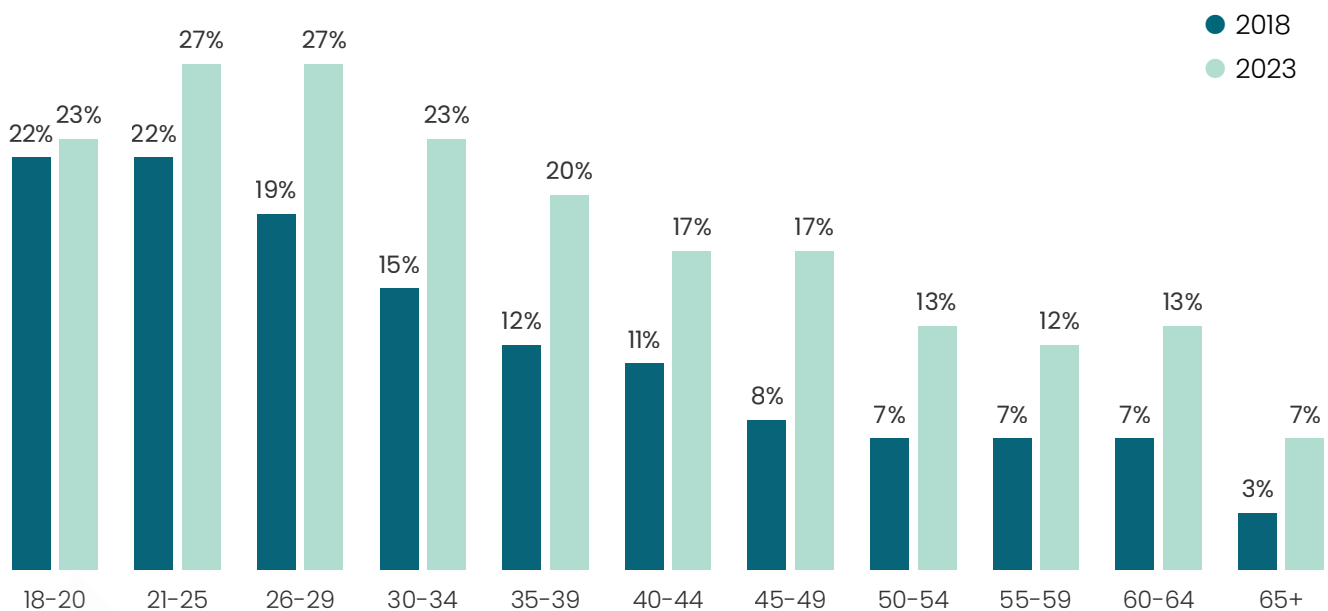
This report covers Point of Sale data from 23 Adult-Use markets and 9 Medical-Use only markets. Consumers in Medical-Use markets spent less on average than Adult-Use markets (\$68 vs \$76) and were marginally more likely to spend less than \$50 per purchase (49% vs 47%). According to our survey data, consumers who use cannabis for both medical and adult use purposes have the highest consumption rates but tend to spend less because they seek out deals, mostly consume flower, and buy in bulk.



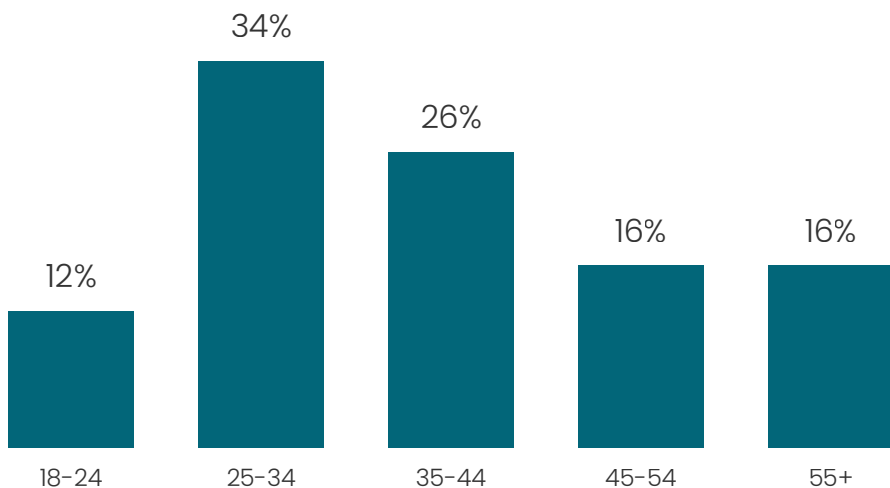
Dank Demographics

Consumers are, of course, not monoliths. Demographics play a key role in informing what kinds of products consumers purchase. While cannabis use has increased among all age groups since legalization began in the United States, the 65+ age group has seen the largest growth in consumption with past month use rates nearly tripling between 2018 and 2023.

Past month cannabis use rates: 2018 vs 2023 (National Survey on Drug Use and Health, 2023)



Transactions: by age group



More than half of purchases (59.5%) are made by consumers aged 25-44.

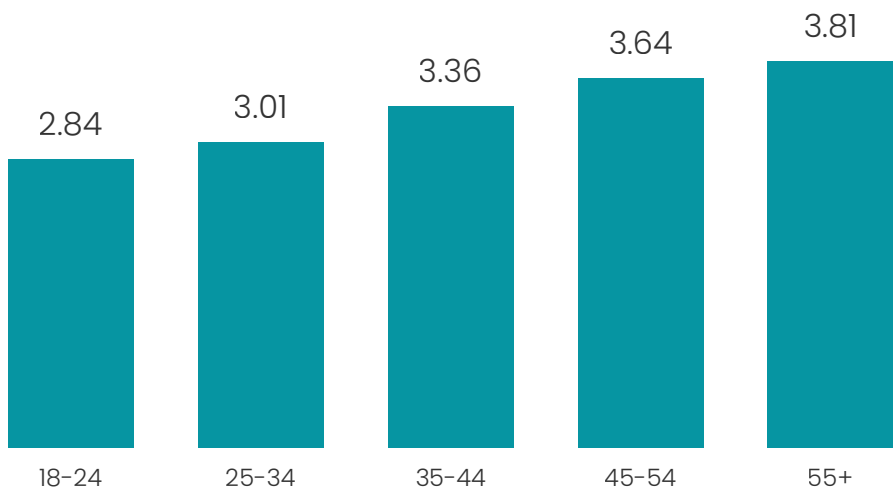
Notably, the average spend per transaction appears to increase with age with the youngest cohort spending just over \$62 per transaction while those 55 and older are spending just under \$90.

Average spend: by age group



This could be due to higher average income among older cohorts, or a buy-in-bulk mentality for consumers who were purchasing cannabis products before establishment of a legal market. Also, older consumers are more likely to use cannabis for medical purposes and to purchase products forms like tinctures and topicals. These products may be more expensive and less likely to be discounted.

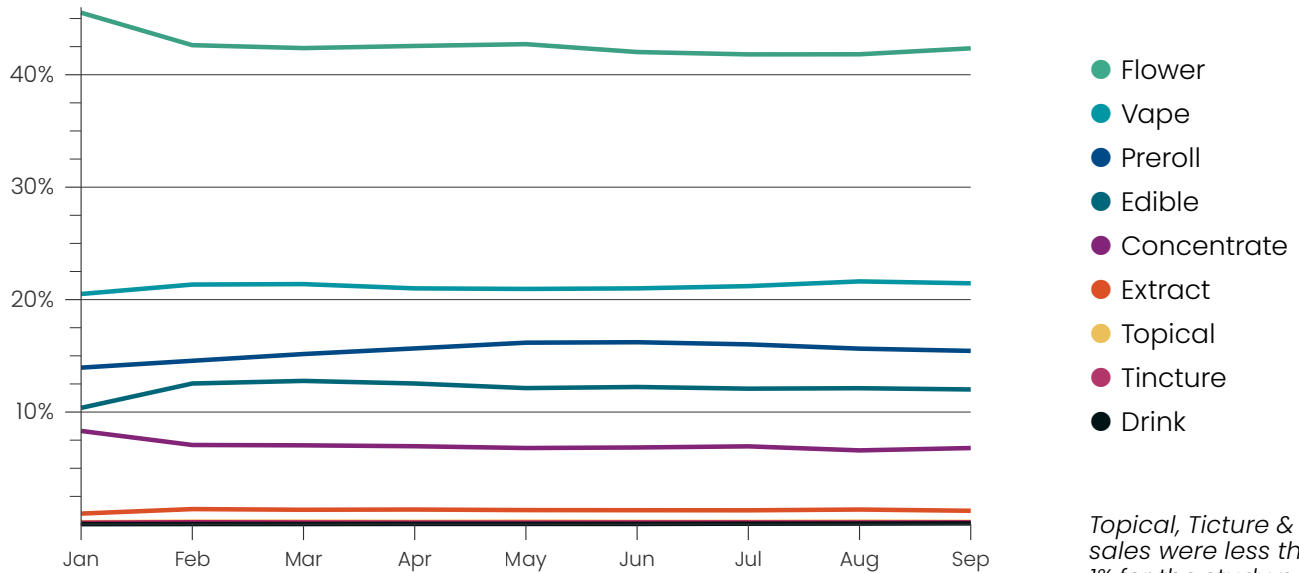
Average Untis per Transaction: by age group



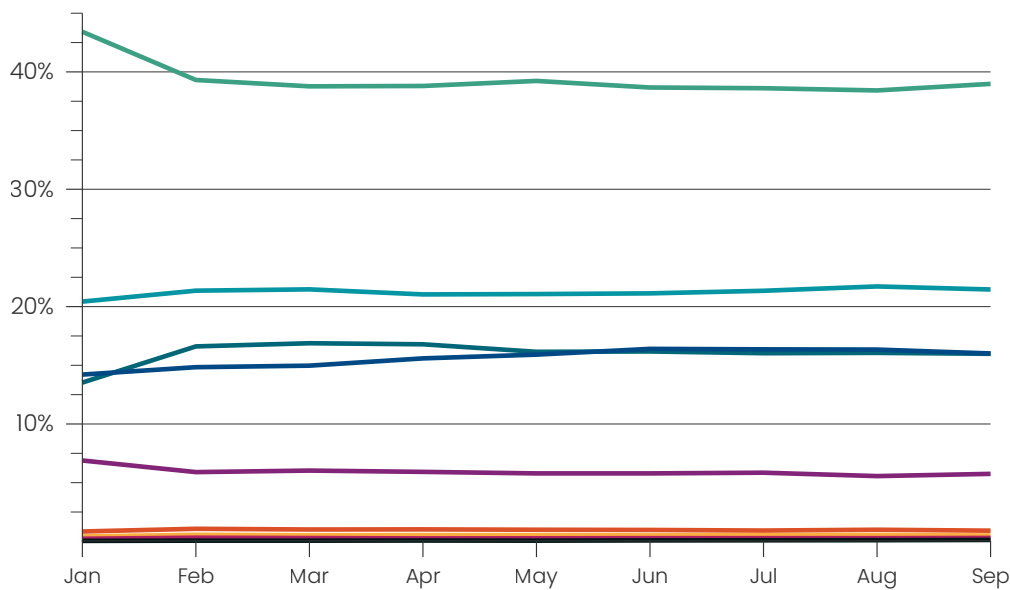
As one might expect, given that older consumers spend more per transaction, they are also more likely to include more products in their cart. Consumers 55+ had an average of 3.81 items in their basket, while consumers 18-24 had 2.84.

Percent of transactions including various product forms by gender

Men



Women



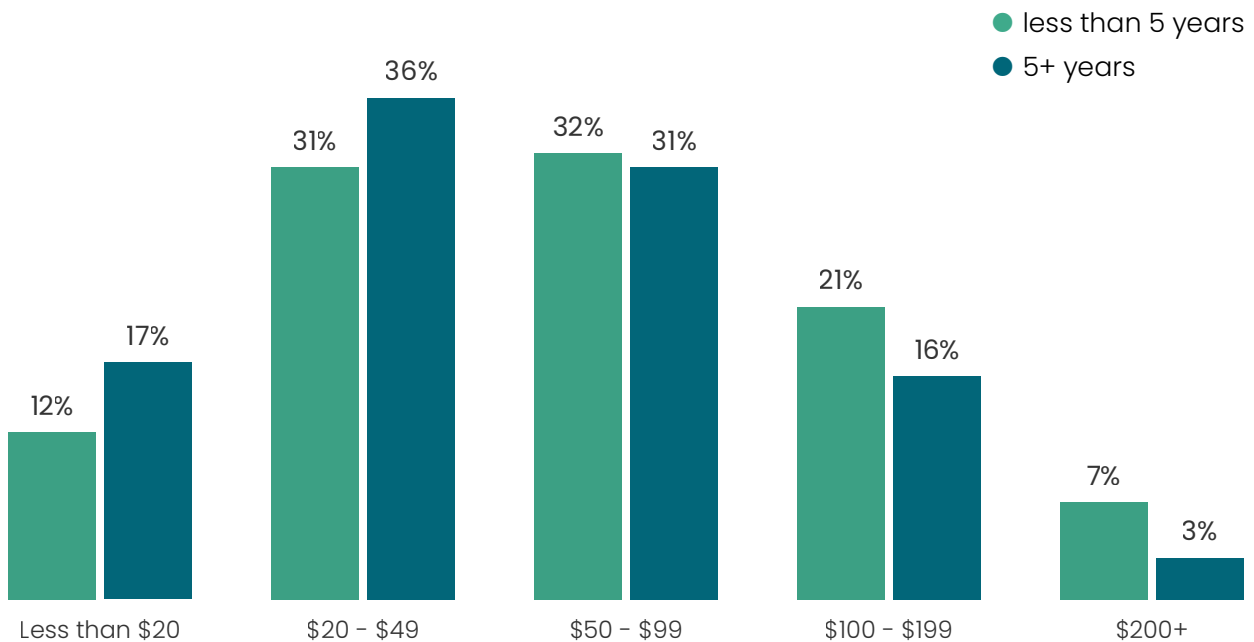
Just under 42% of transactions identified a consumer's gender. Where data was available, 2 in 3 purchases (67%) were made by men. Despite this disparity, the average transaction value was roughly the same with women paying \$79 to men's \$77.

Men and women purchased most products at comparable rates. Men were slightly more likely to have a flower product in their basket (42% vs 39%). Women more often had edibles in their cart (16% vs 12%). Vapes were included in transactions at nearly the same rate among both men & women (21%).

Marijuana and Market Maturity

Looking beyond demographics, relative maturity of a cannabis market (either rec or med) is an important consideration when it comes to consumer spending. Consumers in more nascent markets (less than 5 years old) were more likely to spend \$100+ per transaction (28% vs 19%). Consumers in more mature markets (5+ years old) were more likely to spend less than \$50 per transaction (53% vs 43%).

Basket Spend Relative to Market Maturity



Despite spending less per transaction, consumers in more mature markets had, on average, more products in their basket per transaction (3.52 vs 2.87). This may be indicative of a more experienced consumer who is confident they will enjoy the products they are purchasing or have taken advantage of regular promotions and sales. We may expect consumers in maturing markets to trend towards purchasing more products on a regular basis instead of spending larger sums more sporadically.

Best Buds

Top Brands in our primary product categories by number of transactions



Concentrate: STIIIZY



Edible: WYLD



Flower: RHYTHM



Preroll: DOGWALKERS



Vape: &SHINE



For the top brands in each category, we looked at which other brand was most often in the cart with them. Because these are the brands most often purchased, we expected to see them repeated in various pairings across product categories. If Coca-Cola is the most often purchased soda brand, you would expect that it appears most often in carts where soda is being purchased. Still, it is interesting that brand loyalty extends beyond single purchases and into how products are brought together.

Most common brands bought together



Key Takeaways

Product purchasing is consistent over time.

We are not seeing big fluctuations among product categories over time and % of sales containing each product type remained stable. This showcases the move from Savvy Connoisseur to Contemporary Lifestyler, with consumers developing favorite product forms and sticking to them. Interestingly, we are not seeing a surge in drink purchases even though they are touted as an up-and-coming product form. Given the availability of hemp infused beverages being sold outside of dispensaries, consumers may be purchasing them from other sources.

Consumers purchase various product forms together to achieve specific outcomes in specific settings.

We know from survey research that most consumers use more than one product form, and that product choice often relates to the setting it will be

consumed in. Flower consumers may buy vapes or edibles to consume in public places. People who smoke joints for relaxation may choose gummies to aid with sleep. This illustrates not only the sophistication of the consumer, but the utility of having access to a wide range of cannabis products.

Consumers spend across a wide range (\$20-\$99) and similarly in medical and adult use markets.

Like wine, cannabis products are available in wide variety of price points. Even within one category like flower, an eighth can range from \$25-\$65 depending on the farm, method of cultivation, THC% and deals offered by the dispensary. While consumer spending itself varies, spending trends are similar in medical only and adult use markets. Over half of consumers say that they use cannabis for both medical and recreational purposes, and many products have cross over effects, making them useful for both medical and recreational consumption goals.

Most transactions are among those 25-44, but spending is correlated with age.

While 22-44-year-olds account for the highest number of transactions, older consumers spend more per transaction and have more products in their basket at check out. This could reflect a difference in shopping cadence. Those 25-44 may be more likely to stop at a dispensary on their way home from work on a more regular basis. While those 55+, who may be retired, might shop on a more limited basis but stock up on products when they do visit a dispensary.

Men purchase more flower; women purchase more edibles.

This is not too surprising given what the survey research says about gender and product preference. Men are more likely to choose smoked methods than women. One reason for this may be that women are more often caretakers of children and do not want to smoke in their presence. Women may also be more likely to have concerns about the aging effects of smoking, or the odor

that accompanies smoking. Which goes back to their role as primary caretaker and concerns about showing up to school or practice smelling like cannabis. Women also may be more likely to use cannabis for therapeutic reasons and are looking for the cannabinoid profiles found in manufactured products like gummies and tinctures and looking for lower dose options which are easier to find in products like edibles.

Consumers in newer markets tend to spend more per transaction but purchase fewer items than those in more mature markets.

As consumers settle into patterns, they may be more likely to stock up on favorite products, especially if there is a promotion going on. Consumers in newer markets may be driven more by novelty than deals and the desire to try a variety of products and visit a dispensary more often to check out any new or exciting offerings.



Top brands are often purchased together highlighting brand loyalty and a desire for consistency.

Doritos and Coke, Budweiser, Kraft and Townhouse. Popular brands are commonly purchased with other popular brands. This is partly because they are just bought in greater numbers than smaller brands, but partly because they are bought by consumers who are looking for familiarity and consistency. We are seeing similar patterns emerge with cannabis brands. Popular cannabis brands often find their way into baskets with other popular cannabis brands. It is also likely due to certain brands being available in multiple state markets, increasing the overall likelihood of purchase. As markets mature, we are seeing the emergence of the Coca-Cola and Budweiser of cannabis. The question, however, remains, will they have the staying power of other multi-generational CPG brands? Or will they become the Tab and the Stoh's of cannabis?

Conclusion

Cannabis has been legal in some states for 10+ years. For many consumers, it is no longer a novel experience to enter a dispensary, peruse the colorful jars, and purchase a cannabis product of their choice. In short, purchasing cannabis has become increasingly routine. And like any other industry, a more informed consumer base necessitates a shift in strategy.

We can still expect churn as new cannabis markets come online and new consumers are introduced to new and novel products. But over time, these consumers will find their favorites, their preferred dispensary, and settle into a regular rhythm.

Brands hoping to reach these established consumers will need to be intentional with their approach. Consumers are still receptive to discounts and promotions. The emergence of brand loyalty brings opportunities for cross-promotion with an established brand.

Whatever comes next, the industry needs to be ready for cannabis normalization to continue.



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NEW FRONTIER DATA is the premier data, analytics, and technology firm specializing in the global cannabis industry, delivering solutions that enable investors, operators, advertisers, brands, researchers, and policymakers to engage, and transact with the cannabis industry and its consumers. New Frontier Data's global reach and reputation is evidenced by research and analysis citations in more than 85 countries. Founded in 2014, New Frontier Data is headquartered in Washington, D.C., with presence in Europe, Latin America, and Africa.

Mission

New Frontier Data's mission is to inform policy and commercial activity for the global legal cannabis industry. We maintain a neutral position on the merits of cannabis legalization through comprehensive and transparent data analysis and projections that shape industry trends, dynamics, demand and opportunity drivers.

Vision

To be the nexus of data for the global cannabis industry.



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Are you ready for more customers?

Revenue Impact:

Real-world data from a dispensary in a recreational market.

NXTeck has consistently delivered a strong ROI and provided reliable customer service that we trust. Their team is responsive and solution-driven.

— Noemie Deral,
Deep Roots Harvest
(Las Vegas)



E-commerce
Order Volume

4,776



Foot Traffic
Attributed Visits

4,859



E-commerce
Average Order Value

\$70



Foot Traffic
Average Order Value

\$95



E-commerce
Attributed Revenue

\$332,170



Foot Traffic Estimated
Attributed Revenue

\$461,605

Get Results.  Get started at NXTeck.com



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