

# CANNABIS TRENDS TO WATCH FOR IN 2024

Prepare for Cannabussines for Success in 2024.



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## TABLE OF CONTENTS

- Introduction
- Cannabis Industry Growth
- Cannabis Sales Increasing
- Increased Demand = Increased Taxation
- Going Green: Cannabis Legalization Updates
- Unprecedented Times: Retail trends have been hard to nail down
- Improving Average Order Value
- More Types of Cannabis Products
- Cannabis Beverages a Hot Topic
- More Diversity in Customers who Partake
- Edibles Bring Promise and New Customers
- Cannabis Goes Mainstream
- CBD Boom Boom Boom
- What's Ahead for CBD Products
- Continued Challenges for Cannabis
- Developing the Right Partnerships
- Cannabis Regulations always Changing
- Financial Institutions Avoid Cannabis like the Plague
- Cannabis Advertising and Social Media Marketing Restrictions



## INTRODUCTION

This white paper, backed by global, national, and local cannabis industry data and consumer behavior and buying trends, covers upcoming, trending, and shifting themes within the cannabis marketplace.

Designed to inform cannabis professionals about what's ahead for our industry, no matter what area of the supply chain they fall in or the type of customers they serve. Armed with this information, we hope that cannabis innovators and entrepreneurs, including manufacturers, growers, cultivators, retailers and support businesses alike, will decide if these trends affect their business directly by offering insight into new avenues worth focusing on.



## CANNABIS INDUSTRY GROWTH

The cannabis sector continues to grow on a global scale. All indications point to increased sales as a result of widespread, ongoing legalization efforts, which will bring more diversity in marijuana products than ever before. But beyond that, some trends support a more diverse crowd of customers than expected too.

While illicit cannabis sales reached an estimated \$66 billion in 2019 in the U.S., the projections for combined legal sales of medical and adult-use cannabis could reach \$37 billion by 2024.

## SO CANNABIS SALES ARE INCREASING?

Because cannabis is now legal in 10 states, marijuana sales are expected to boom. New medical marijuana programs, along with continued gains in adult-use markets and transitions away from illicit markets, are expected to lead the industry's growth in the years ahead.

That's not to say that the industry has nothing to worry about, of course. The coronavirus pandemic has upended all the predictions and latest projections so other hidden issues exist that affect sales as well. Until the pandemic, cannabis sales have remained largely recession-proof.

Many cannabis retailers were deemed essential businesses in many states, a significant and unexpected win for many cannabis companies and consumers, but were still hindered at the onset of Covid-19 restrictions. Some states allowed delivery and curbside service, and as coronavirus restrictions loosened, cannabis retailers often recovered.

Tourist-driven cannabis spending has decreased due to travel restrictions and high traffic area shutdowns to avoid unnecessary travel in response to COVID-19, but adult-use spending in non-tourist-driven markets has increased.

There are many guesses as to why this has occurred, whether it was due to unemployed workers having more time at home and/or because they received extra in unemployment benefits, there was certainly an increase in sales.

Marijuana vape and flower sales took a hit during the pandemic too, but those are improving. Thankfully, despite the hopefully short-term coronavirus uncertainty, cannabis demand is still high. As a result, the industry's long-term growth and cannabis sales projections remain positive.

## INCREASED DEMAND = INCREASED TAXATION

It's worth mentioning the potential for a slight, hopefully temporary, dip in marijuana sales. Why? The increase in cannabis demand often leads to a widespread increase in sales tax. Some states do not tax marijuana sales, but for those that do, the cost of marijuana may rise, leading some users to pass on purchases or partake less often.

It's not all bad, though. Tax revenue from weed generally goes to education, drug abuse prevention, healthcare, and law enforcement initiatives, but each state determines its exact distribution.

While the pandemic slowed several states' efforts to legalize cannabis for the short term, it will likely have the opposite effect in 2024. Due to long-standing budget deficits and subsequent coronavirus funding shortfalls in jurisdictions forced to shut down, states are more motivated to legalize cannabis for the tax revenue benefits.

## GOING GREEN: CANNABIS LEGALIZATION

The legalization of cannabis continues to expand across the U.S. since the 2018 Farm Bill's passing, which removed hemp from the Controlled Substances Act (CSA).

Cannabis is still illegal at the federal level but goes unenforced against businesses where marijuana is legal at the state level, mainly due to a lack of congressional funding and public sentiment. Every state and local jurisdiction where cannabis is legal has laws overseeing medicinal and recreational use, so most cannabis companies feel safe operating their business as long as they follow these laws.

### Did you know?

**Up to 67% of Americans support medicinal and recreational federal legalization, and increase from 41% in 2010**

More and more states are going green. More than 11 states\* have legalized recreational pot, including Alaska, California, Colorado, Illinois, Maine, Massachusetts, Michigan, Nevada, Oregon, Vermont, and Washington.

By the time you read this, Arizona, Connecticut, Montana, New Jersey, New York, and South Dakota may have voted to legalize and tax recreational marijuana, projecting to add another \$5 billion in annual legal cannabis sales by 2025. Other states like Illinois and Minnesota might take the leap too.

South Dakota is perhaps in uncharted waters. The state is attempting to legalize medical and recreational marijuana simultaneously. Keep an eye out for how this process rolls out since other states without medicinal or recreational programs will be watching too.

Mississippi is asking whether its residents are open to a medical marijuana program that would allow a doctor's prescription to treat 20 qualifying conditions. Another Mississippi initiative allows marijuana smoking but only for patients with terminal illnesses with heavy regulatory oversight.

The other three states – Arizona, Montana, and New Jersey – are all voting on recreational cannabis initiatives.

Arizona is in a similar situation and seems likely to legalize recreational cannabis after nearly legalizing marijuana in November 2016 (48.7% in favor).

Montana is looking at legislation that would allow an amendment to its constitution, making 21 the legal age to purchase, use, and possess cannabis. Another measure Montana lawmakers are considering will impose a 20% tax rate if passed.

The New Jersey recreational program is probable after nearly passing a recreational initiative that was eventually derailed by social measures in early 2019.

### Did you know?

**Up to 230 million Americans live in states with legalized medical or recreational cannabis, representing 70% of the U.S. population**





## UNPRECEDENTED TIMES: RETAIL TRENDS HAVE BEEN HARD TO DETERMINE

From trends that support the ongoing progression of cannabis legalization to growth in medicinal and recreational (adult-use) markets, trends that indicate the retail legal cannabis market has been noticeably affected by the coronavirus pandemic as well.

A study done by Marijuana Business Daily focusing on four recreational states – California, Colorado, Nevada, and Washington state – indicates sales, like everything else through the pandemic, are hard to map.

When most people think of buying marijuana, the first cannabis product they think of is the cannabis flower, those green sticky buds often used for smoking. Most marijuana dispensaries where flower is legal stock many variations of indicas, sativas, and even hybrids. In 2024, however, we're keeping our eyes especially on non-flower products like edibles, CBD, and vape products, which could win the popularity contest.

### Did you know?

**Places with the most cannabis consumers by density are Oregon, D.C., Colorado, and Vermont**

It appears that pandemic-related shutdowns have people stocking up on cannabis and toilet paper, though. While retail cannabis shoppers are spending more on cannabis per visit, they are shopping less in general. In the retail world, this is known as the average order value (AOV). The AOV has increased, but fewer shopping visits and the number of transactions may have generally declined.



## UNDERSTANDING THE AVERAGE ORDER VALUE (AOV)

Average order value is the metric used by retailers to determine the average amount of money spent per transaction at their store. AOV is sales per order instead of sales per customer calculated using a simple formula:

**Total revenue / number of orders = average order value.**

A cannabis customer may return to make multiple purchases, but each order would be factored into AOV separately. Why is AOV important? Simply stated, the higher AOV, the more money a cannabis retailer makes.

If you are a cannabis retailer, regardless of what actual goods you sell or who your market is, increasing your AOV maximizes profits. Knowing your company's AOV and conversion rate are crucial for effective sales forecasting and budgeting.

While average order value is essential for all retailers, it is critical in hypercompetitive environments. When much of cannabis retail thrives on repeat business, retailers are looking to increase AOV in any way possible.

## IMPROVING AOV

Increasing average order value is an excellent strategic goal for any cannabis retailer and can offset costs in other areas while increasing ROI.

With the right technology, cannabis retailers can segment customers into multiple groups based on customer data and purchase history. These customers can be segmented based on spending, frequency of orders, preferred product categories, or any other metric that isolated the buyer type.

These become prime targets for tailored promotions to increase AOV. Loyalty and rewards programs are a popular strategy, as well as offering a discount on minimum orders. Bundling products, strategic upselling, and cross-selling different but complementing products and services will deliver higher AOV as well. For items that can be legally shipped, retailers are offering free shipping as a way to increase AOV.





## MORE TYPES OF CANNABIS PRODUCTS

"In 2019, U.S. consumers spent nearly \$80 billion on legal and illegal cannabis products, a material figure at any point, but certainly during a time of economic crisis," said New Frontier Data Founder & CEO Giadha A. DeCarcer. "As established mainstream brands, particularly Food & Beverage and Health & Beauty CPG firms, look for growing consumer groups to engage with, the cannabis sector rises to the top of their target list, especially as known consumption previously within the illicit space more rapidly moves into the legal realm and thus an accessible space."

What does this even mean?

It means that mainstream brands are entering the legal cannabis market, and as more and more people transition from buying weed on the black market in favor of legal shopping outlets, there's more and more opportunity for innovative products to more and more customers.

As the green rush attracts more investors ready to open their wallets to the cannabis market, brands are eager to do more research and explore various ways to consume marijuana.

As marijuana becomes more popular with consumers, it also becomes more appealing to investors, leading to more opportunities for manufacturers to create more innovative cannabis-based products.

### Did you know?

**Places with the most cannabis consumers by density are Oregon, D.C., Colorado, and Vermont**



## CANNABIS BEVERAGES TO BECOME MORE POPULAR

Cannabis-infused beverages could be the next big thing in the marijuana industry. Canadian cannabis company, Canopy Growth Corp, has already confirmed that they will launch a new product range next summer. Cannabis-infused beverages are getting more attention as a result.

Companies can focus on THC-infused drinks thanks to the flood of investment money and big brands paving the way to new, unique, and novel products. As the cannabis market grows in size and product diversity, marijuana consumers want access to products with a variety of flavors. Terpenes are all the rage and easier to taste, leading to a rise in tasty concentrates.

Big brands like Coca Cola are in talks to invest in THC-infused beverages and Anheuser Busch is even looking at an infused non-alcoholic beer. And they're not stopping there. As the market grows in size and diversity, these brands are explicitly responding to cannabis consumers calls for new and diverse cannabis flavors in foods.

## MORE DIVERSITY IN CUSTOMERS WHO PARTAKE

Cannabis companies developing infused food and beverages are doing so in response to evolving consumer demographic markets. Due to expanding cannabis legalization, the cannabis consumer for the foreseeable future is coming from all walks of life and span generations, socioeconomic backgrounds, and have various motivators for their consumption.

## EDIBLES BRING PROMISE (AND NEW CUSTOMERS)

The introduction of cannabis demographics is mainly due to cannabis edibles that appeal to more people and claim 69 percent of cannabis usage. It's no surprise that 57 percent of cannabis edibles consumers are single males aged 18-34, living in suburban areas with incomes under \$60k.

### Did you know?

**1 in 3 cannabis users in legalized jurisdictions report drinking less than they did before legalization.**

A notable increase in cannabis edibles use comes from college-educated, professional, urban, higher-income(\$150K+), millennial consumers. Still no surprise that current spending and consumption stems principally from Gen Z and millennial consumers, a but increased demand is emerging in some demographics with perhaps some surprises:

- Generation X
- Married couples with children
- Politically conservative households

These groups spend more than average (see AOV above) and lean toward edibles made with all-natural ingredients. These are pickier shoppers who value dosage and portion control as well as higher CBD to THC ratio. Another exciting element to this group is that they tend to look for convenient and portable options, so smart packaging could attract their dollars.

## CANNABIS GOES MAINSTREAM

Cannabis has widespread acceptance in the U.S., with 69 percent of adults in fully legal jurisdictions already partake or open to consuming cannabis. With more focus on innovation and niche-marketing to specific consumer groups and their consumption motivators, this trend is expected to continue into and beyond 2024, especially as more states legalize cannabis and approve recreational cannabis sales.

Consumer cannabis brands would be wise to focus on product branding, naming, and visual packaging since they are becoming important purchase drivers. Product taste and dosing efficacy seem relevant as portability, quality, brand messaging, and ease of purchasing.

Since many cannabis products cannot be shipped across state lines, this leaves brick and mortar retailers with an opportunity to make their mark by catering to these broad audiences.

### Did you know?

**Branding represents a significant opportunity for cannabis companies to gain a strategic advantage.**

## CBD BOOM BOOM BOOM

As mentioned above, the 2018 Farm Bill sparked a massive boon for the cannabis industry as a whole, but it's also allowed private and public sector companies to pounce on the cannabidiol (CBD) industry for continued growth.

CBD oil is making its mark in the health and wellness sectors as an effective and accepted treatment for various common ailments. Rapid market changes and tighter regulations have allowed consumers to better understand CBD and its benefits.

Whereas CBD was often added to any product marketers thought would sell, CBD demand has driven the market to offer quality and quantitative products that include CBD oils. Consumers want evidence that these products work and they don't want cheap knock-offs.

From Gen Z to baby boomers (and even CBD for pets!) CBD consumption and/or use have grown in recent years as CBD oils are often sought after for their accessibility in purchase and the wide range of uses.

Industry experts expect CBD sales to reach record-breaking numbers and potentially outpace marijuana flower sales. With an annual growth rate of over 140 percent, the

CBD market could surpass the adult-use marijuana market by 2022. CBD products have had such an impact on consumer buying habits that supply could hardly keep up with demand. CBD companies, including manufacturers and retailers, have popped up all over the country, some selling knock-offs, others offering new and innovative product lines.

After a period where unscrupulous companies tried to take advantage of uneducated consumers by selling low- or no-quality oils, the current trend toward transparent CBD companies who make quality CBD oils continues.

### Did you know?

**A majority of Americans feel that cannabis is safer than alcohol (84%). Another 80% feel cannabis is a safer alternative to prescription medication.**

Gummies will remain popular but CBD lotions, balms, skin creams and other topical products are seeing a noticeable uptick in attention and sales. In fact, DBMR's forecast for the global skincare market shows a compound annual growth rate of 32.95% during the period 2019-2026.

CBD capsules will hold steady because consumers appreciate the convenience and discretion of consumption but because tablets are not as versatile or potent as CBD oils, they're not expected to be as big a hit in the coming years.

### **Did you know?**

**Social stigma is the #1 reason (73%) consumers refrain from cannabis usage.**

Sales of CBD infused edibles, beverages, and e-liquids are expected to decrease due to better CBD oil quality and versatility, accessibility, and pricing becoming more competitive. Consumers find adding drops of CBD oil to their food and drink is preferred over more expensive CBD edibles and infused beverages.

## **WHAT'S AHEAD FOR CBD PRODUCTS**

Over the next few years, expect to see markets shift toward some other trending CBD products.

Around in various forms over the last couple of years, water-soluble or nano CBD is intended to absorb quickly through the stomach wall for better bioavailability and higher potency. Due to unverifiable data explaining its efficacy, water-soluble CBD hasn't been a significant market player. More studies exist today, so experts are looking at a surge in demand in the near future.

Offering excellent bioavailability and without the bitter hemp flavor, transdermal CBD patches let users absorb CBD through their skin, similar to a nicotine patch. These aren't widely available today but are expected to become more popular as more companies lead the charge.

We already know that THC and CBD are not the only useful cannabinoids. CBD products bearing high concentrations of other cannabinoids, such as CBG, are expected to become widely popular in the next decade.



## CONTINUED CHALLENGES FOR CANNABIS

Cannabis businesses still face many business challenges that companies in traditional industries never face. Building a foundation that allows companies to adapt to new regulations and evolving legislation will be crucial to their success in the cannabis industry.

## DEVELOPING THE RIGHT PARTNERSHIPS

It is nearly impossible to make it alone in the cannabis industry. Establishing the right partnerships from the beginning is critical to a cannabis company's long-term success.

Owning a cannabis business creates several tricky obstacles to overcome. While companies in every vertical can benefit from accounting in the cloud, not all cloud accounting solutions are created equal, and not every solution vendor knows cannabis.

A reliable cloud-based cannabis accounting solution and a reputable technology partner go a long way in understanding the nuances of a complex industry.

Whether a grower, manufacturer or dispensary, a purpose-built system from a cannabis cloud accounting partner who knows cannabis processes and legislation is needed.

## CANNABIS REGULATIONS ALWAYS CHANGING

As the cannabis industry continues to evolve, one thing will remain constant: its emphasis on regulatory compliance to ensure public health and safety. As a newer industry in an evolving market, public officials regularly revamp and revise rules and regulations. Let's be clear: cannabis regulations are subject to change, so a company's best way to remain up-to-date and ready to pivot at a moment's notice is the right cannabis technology.



## FINANCIAL INSTITUTIONS AVOID CANNABIS LIKE THE PLAGUE

Banking, financing, and insurance challenges are particularly concerning even for legal marijuana businesses, but hopefully that will change soon. The U.S. government still regards cannabis as an illegal Schedule I drug under the Controlled Substances Act. Banks, insurance companies, and other financial institutions worried about losing FDIC status or being levied with other "drug trafficking" citations are hesitant to work with cannabis businesses despite cannabis's legal status at the state level.

## CANNABIS ADVERTISING AND SOCIAL MEDIA MARKETING RESTRICTIONS

Cannabis companies often have a clear vision for what they hope the brand will become without understanding the technologies needed to get there. As a growing industry continues to evolve toward federal legalization, cannabis companies are frequently caught off guard by all the branding unknowns.

Marketing any business is challenging, but marketing a cannabis business is even more complicated. Through a convoluted web of state and federal regulations, cannabis products are notoriously tricky to advertise, creating one of your toughest challenges.



Media outlets can be pro-marijuana but steer clear of cannabis-related ads because of varying regulations that differ from state to state. These laws affect the website, publisher, and advertising outlet, too. As a federally illegal Schedule-1 controlled substance, many sites, and national publications that sell traditional advertising still refuse ads promoting cannabis

## A BEST-IN-CLASS SOLUTION

Cannabis operations software is the smart choice for companies looking to integrate operational, growing, and compliance needs in one united platform.

Whether you operate as a cannabis cultivator or extractor, a manufacturer or dispensary, the cannabis industry is exploding and innovating at a rate not seen in many other industries. With the right software solution, cannabis operation leaders stay ahead of the competition and continue to make informed business decisions through automation, robust reporting, and processes that adhere to regulatory compliance standards.

- Manage Grow Operations
- Traceability
- Coordinate Shipments
- Maintain Compliance
- Plan Activities & Tasks
- Manage Waste

***"I have been pulled in a million different directions - it's great to know you have been helping the team get through the Go Live, thank you for your quick, reliable responses, seems like you always have the answer, just wanted to relay that it's appreciated and we would be in trouble without your continued support. We are looking forward to getting through our first month-end close" - AYR Strategies***

## ABOUT THE CANNA SUITE

The Canna Suite integration and engineering experts have partnered with leading cannabis industry experts to develop a software solution that provides a complete cannabis operations system.

Our best-in-class solution not only handle tracking of seed-to-sale activities, but encompasses your entire cannabis operations with compliance needs handled along the way. Providing end to end business functionality.

Your business needs a financial management package that delivers automation and accounting controls that keep you operation audit-ready and positioned to scale. Contact us to learn how we can bring improved business performance to your cannabis organization.



# REQUEST A DEMO

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