CannaBI
analytics

How Smarter Data Analysis Helps You Address 5 Cannabis Industry Trends

WHITE PAPER

Introduction

The cannabis industry is big—and it's only getting bigger. In the United States, as of June 2021, 18 states, two territories, and the District of Columbia have enacted legislation to regulate cannabis for nonmedical use. About twice those numbers allow for the medical use of cannabis products.

The industry is seeing some staggering numbers. During the lockdown portion of the pandemic in the United States, Americans reportedly spent $18 billion on cannabis. In an estimate from 2018, the United Nations says more than 190 million people globally smoked marijuana. What exactly is triggering this growth? And how can you take advantage of this growing industry to excel in your business? In this white paper we identify five trends in the cannabis industry and how data can help you leverage them.

How can you take advantage of this growing industry to excel in your business?

1. Continued legalization

New markets are developing wherever new laws take effect. In addition to the state numbers mentioned above, there are moves in other states to make cannabis legal in some form. Some states have pending court battles for either medical or recreational use. As the legislation continues to unfold, the cannabis market will continue to develop.

The challenge for companies, though, is keeping track of all the different rules and regulations. While the fact that marijuana is not legal under federal law prohibits people from transporting it across state lines, within states, the requirements to transport the product differ depending on the laws.

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2. Growth in mature markets

It's not just the addition of markets that have passed new laws—the cannabis industry is still growing even in established markets. Partly this is due to some states that have passed laws legalizing the recreational use of marijuana in addition to the medicinal use, but it's also because of the increased use of medical marijuana. Cannabis is increasingly being used to treat medical issues, in particular chronic pain, and researchers are discovering new ways to use marijuana in medicine.

The challenge for companies is figuring out how to maximize that growth. Because cannabis companies are limited to the state in which they operate, they can't follow the same traditional paths of growth seen in other industries. If they had any interest in expanding to other states, they would need to seek a license to operate in that state. Different states may also have different regulations regarding methods of production, so companies need to fully understand what opportunities for growth exist.

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3. Potential globalization

Studies show [the global legalized cannabis market is expected to reach $40 billion by 2025](#). Not only have some Latin American countries reversed prohibition on recreational cannabis, but Colombia authorized exports of dried cannabis flower for medical use. The move indicates some countries are ready for cannabis legalization across the globe, and a growing cannabis global supply chain.

While North America is the leading cannabis market, the fact that countries in South America have eliminated the hurdle of federal prohibition makes it a market with huge potential. The question for companies, though, is what's the economic benefit? Do they relocate? Is it more cost-effective to continue to focus on the growing American market, or is there a better opportunity to establish operations in a country such as Colombia?

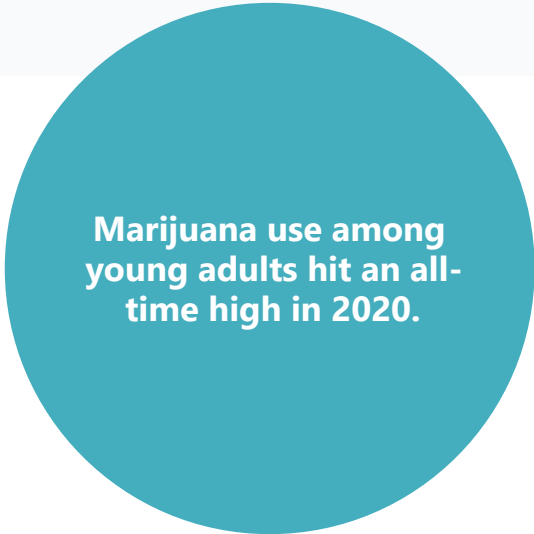**The global legalized cannabis market is expected to reach $40 billion by 2025.**

4. Increased use among young adults

Marijuana use among young adults hit an all-time high in 2020. According to a study by the National Institute of Drug Abuse (NIDA), young adults (classified as aged 19-30) consumed more marijuana and drank less alcohol than other age groups. Experts believe the increase can be tied to social isolation and distress during the pandemic. While the cannabis market did thrive during the pandemic, the demand was climbing even before COVID.

As with businesses in any industry, for cannabis companies the challenge is to figure out how to take advantage of an opportunity like this. What are the best ways to reach this demographic? What tools will give the companies the ability to know what products young people are looking to buy and how they want to buy it?

**Marijuana use among young adults hit an all-time high in 2020.**

5. Buying habits

Experts pay close attention to the patterns in cannabis development. The process of a cannabis market's development tends to go from prohibition to medical access to adult-use legalization. Sometimes the order shifts and states go from prohibition to full access. However, in many cases the pattern is consistent and sales increases and decreases can be not just closely monitored, but also accurately predicted. This is helpful when comparing medical sales to recreational-use sales, and the impact on medical sales when adult-use legalization takes effect.

For cannabis companies the challenge is knowing how to use the data they have. As is often the case in any industry, there is no shortage of information. But what numbers can actually help you accurately predict what might happen in the future?

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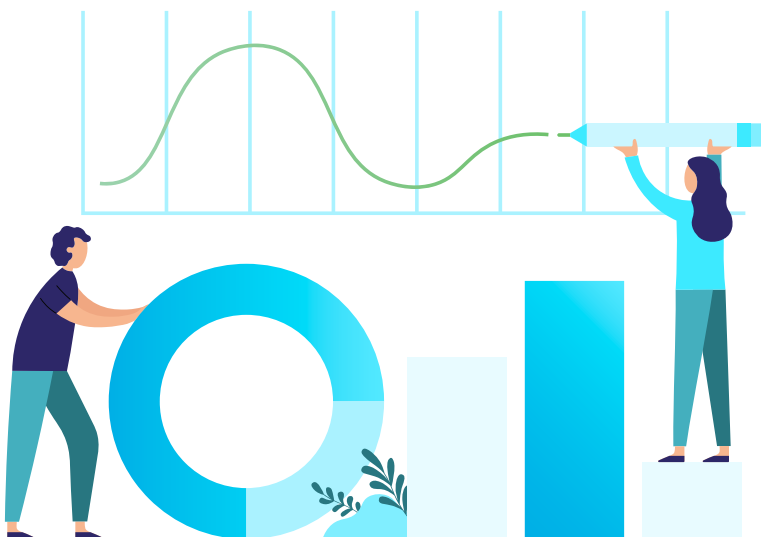
How data can help

In order to not only succeed in this industry, but also to excel and surpass the competition, your business needs to uncover hidden insights that will propel your organization forward. The key is in your data.

Your data helps to tell a more detailed story than what you can see on the surface. And in order to get the right data, you need the right solution. Here are some ways that data analysis can help you find the right answers, and what you need in an analytics solution to get you there.

Understanding market opportunity: In a nascent market such as cannabis, it's critical to understand where to place your bets for the best chance at success. Analytics can help you make sense of data such as demographics, competition, and regulations so you can make more informed business decisions.

Improving production: If you are a company involved in the cultivation and production of cannabis products, you can use analytics to track data that will help you improve the quality of your products and efficiency of your resources. For example, you can track data on plant conditions to determine which conditions most impact factors such as growth, appearance, and yield.

Tracking products and pricing: With analytics, you can track data on the performance of individual products and how they sell in various territories. In addition, you can track pricing and try to gauge how sales and profitability will change with increases or decreases in price.

Distribution and inventory: Is your distribution process as efficient as can be? Do you have optimal inventory levels? Analytics can help you find areas for improvement that will help you save both time and money.

Regulatory reporting: With the cannabis industry being highly regulated, it's critical for companies to have a way to keep up with state regulatory requirements. Analytics helps to organize all the data you need from seed to sale to keep up with requirements.

Sales performance: With analytics, companies can understand the performance of their sales organization as a whole, as well as break it down by sales rep or territory. They can understand how reps are trending towards goals, as well as their performance on various programs.

What to look for in an analytics solution

When you are evaluating analytics solutions, it's important to understand that not all solutions are the same. Some analytics solutions provide only a simple view of select data, while others are more comprehensive and provide a more complete view of the state of your business. Here are some questions you'll want to ask of any analytics vendor so you can make sure their solution has the features and functionality that will let you make the most informed business decisions.

Do you bring together data from disparate sources or do you just provide a view of one data source? Data is most useful when it is combined with data from other sources. This allows you to gain a holistic view of the state of your business so you can make more impactful business decisions. When your analytics only sits on top of your inventory system or your financial system, as examples, you are limiting your decision-making to just that siloed view of data.

Can I view the data I want, how I want it? People need access to relevant data in a way that is most accessible to them, otherwise they won't use it to make decisions. That means you need an analytics solution that is flexible in how it presents data to users, giving them autonomy over what data they see, how they see it, and on what type of device.

Can I make reliable predictions from my data? While it's important to understand where you've been, you also need to be able to forecast factors such as future sales and demand. Ask analytics vendors about their approach to predictive analytics to ensure they can help you make accurate forecasts.
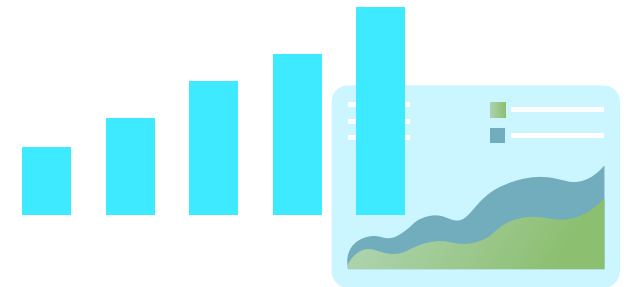
How do you enable data trust? It's one thing to make decisions based on the numbers, but how can you ensure that the numbers you have are the right ones? How do you know your department is looking at data in the same way as another department is looking at it? You'll want to understand vendors' approaches to ensuring data trust. Features such as KPI management and data dictionaries will ensure that users understand the definitions of their data elements and can understand the lineage of data and how certain KPIs were created.

Can my analytics deployment change as our needs change? Especially in a quickly changing market such as cannabis, a one-size-fits-all approach won't cut it. You'll want to work with a vendor that has a flexible approach to analytics and one with a customer-centric philosophy that will always respond to your needs and scale up as your company scales up.

CannaBI Analytics® is powered by Dimensional Insight.

>> | About Dimensional Insight

Dimensional Insight is a leading provider of analytics, data management, and performance management solutions, offering a complete portfolio of capabilities ranging from data integration and modeling to sophisticated reporting, analytics, and dashboards. The company's CannaBI® product has been built specifically with the needs of the cannabis industry in mind and helps integrate, analyze, and visualize all data from seed to sale.

Founded in 1989, Dimensional Insight has thousands of customer organizations worldwide. Dimensional Insight consistently ranks as a top performing analytics organization by customers and industry analysts in its core market segments. For more information, please visit https://www.dimins.com.

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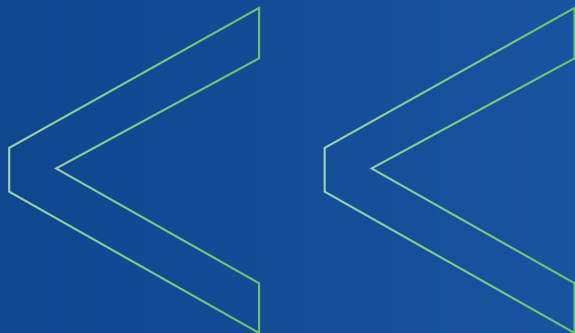To check out more documents like this one, visit:
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