

# CANNABIS Dispensary

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BUSINESS TIMES

## GROWTH MODE



### EXCLUSIVE RESEARCH

from *Cannabis Dispensary* reveals 60% of retailers have expansion plans, and options in payment solutions and banking are on the rise, though revenues and profits vary.

**W**hen state legalization of medical and adult-use cannabis began to spread, consumers who crossed dispensary thresholds were just happy to have access to legal product. But as the industry has flourished, so have the expectations and enlightenment of retail cannabis consumers. Having access is nearly a given in many markets; it's what comes with it now that counts—from in-store experiences to e-commerce.

To better understand the evolution and transformation of cannabis retail, *Cannabis Dispensary* conducted exclusive research for this 2022 "State of the Cannabis Dispensary Industry Report." The data presented here provides owners, operators and staff of retail cannabis stores valuable insights into industry trends and the practices of their retail peers. This report also establishes an important benchmark for post-pandemic comparisons.

### About the Research and Participants

*Cannabis Dispensary* and sister publication *Cannabis Business Times* conducted the study and compiled the data for the 2022 "State of the Cannabis Dispensary Industry Report." *Cannabis Dispensary* sent the study questionnaire to subscribers with known email addresses and/or e-newsletter subscribers located in the United States and Canada in June and July 2022.

Unless otherwise noted, 2022 results are based on the 110 research participants who indicated they currently operate a licensed cannabis dispensary in the United States or Canada. 2022's study participants represent licensed dispensary operations spanning 30 U.S. states, the District of Columbia and two U.S. territories, plus 11 licensed cannabis retail operations in Canada.

2021 results used for comparison in this report are based on the 97 research participants who participated in *CD's* first "State of the Cannabis Dispensary Industry" study in 2021 and indicated they operated a licensed cannabis dispensary in the United States or Canada.

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Some percentages throughout this report do not add up to 100% due to rounding or because participants could skip the answer or respond "not sure." Some exceed 100% because participants could select all that apply and/or have multiple locations.

# GROWTH MODE

2022 State of the Cannabis  
Dispensary Industry Report



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BY JOLENE HANSEN

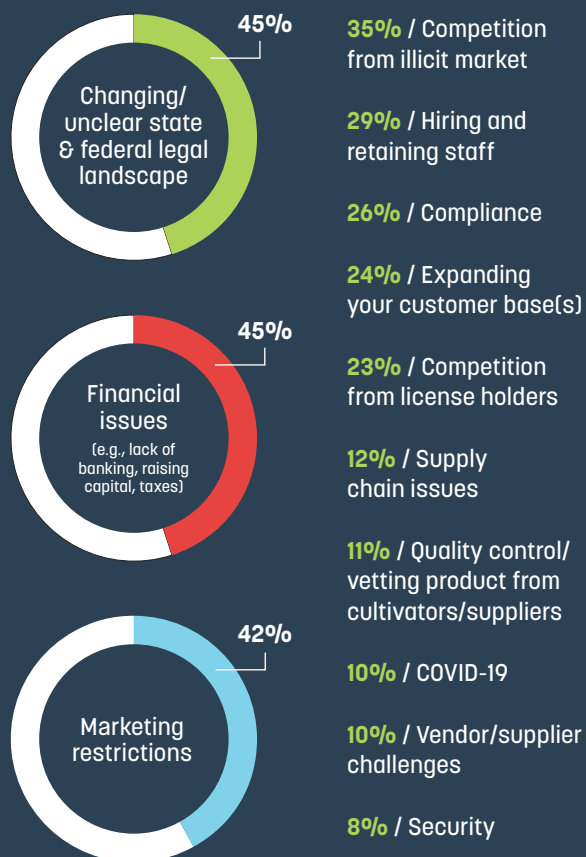
## Top Dispensary Challenges: Finances and Legal Landscape

For companies operating retail cannabis facilities—or any kind of cannabis operation—financial issues and uncertain regulatory environments have been ongoing concerns. Data from this “State of the Cannabis Dispensary Industry Report” indicates those concerns aren’t fading.

When citing their top three challenges as a cannabis dispensary operator, 45% of 2022’s dispensary research participants named “financial issues (e.g., lack of banking, raising capital, taxes)” in their top three—an increase of 10 percentage points from the 2021 study. The same percentage included “changing/unclear state and federal legal landscape” as a top-three challenge.

“Marketing restrictions,” the most commonly cited challenge in 2021, completed this year’s top three, named by 42% of participants. Farther down the list, but interesting nonetheless: 26% of this year’s participants named “compliance” as a top-three challenge, an increase of 10 percentage points from last year.

### What are your top three biggest challenges as a cannabis dispensary operator?



## Shifting Focus and Footprints

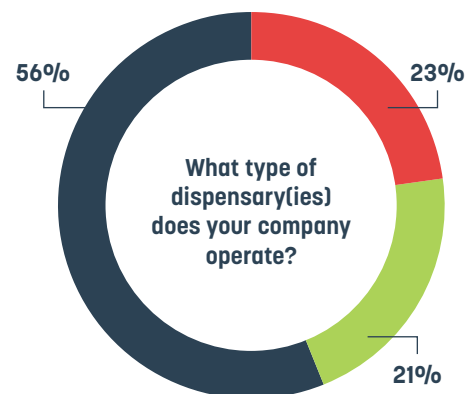
Despite consumers’ off-site options, brick-and-mortar remains the cornerstone of cannabis retail. But the face and focus of retail locations continue to change, driven by forces as diverse as local competition, consumer behavior and multi-state goals.

More than half of participants (56%) in this “State of the Cannabis Dispensary Industry Report” operate “both medical and adult-use” shops—up 10 percentage points compared to 2021, the first year *Cannabis Dispensary* conducted this research. The balance of study participants was a near split between “medical only” (23%) and “adult-use only” (21%) facilities. 2022’s dual-license increase drew most heavily from medical-only shops, down 13 percentage points from 2021.

Vertical integration also increased for 2022’s cannabis retailers. More than 60% of research participants represent vertically integrated operations that span “retail plus cultivation and/or processing/extraction”—an increase of 11 percentage points from last year. But the number of retail locations held steady: 55% indicated they operate one location (adult-use and/or medical). At the other extreme, 5% of participants operate 31 or more locations.

Square footage in the “1,001 sq. ft. to 2,000 sq. ft.” range remained the most common size for dispensaries, cited by 36% of participants in this 2022 study. Stores with more than 5,000 square feet increased slightly to 7%.

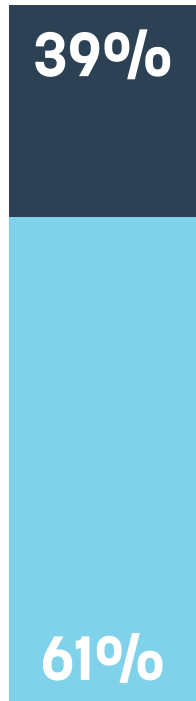
About 60% of participants plan expansions, but they’re focused closer to home: 43% of companies plan to launch “a new retail location(s) in the state(s) or province(s) in which it currently operates.” But only 17% plan “new retail locations in a new state(s) or province(s) where it currently does not operate”—a decrease of 6 percentage points from last year.



● Medical only ● Adult-use only ● Both medical and adult-use

If you operate a cannabis retail (adult-use and/or medical) dispensary(ies), is your company vertically integrated (retail + cultivation and/or processing/extraction)?

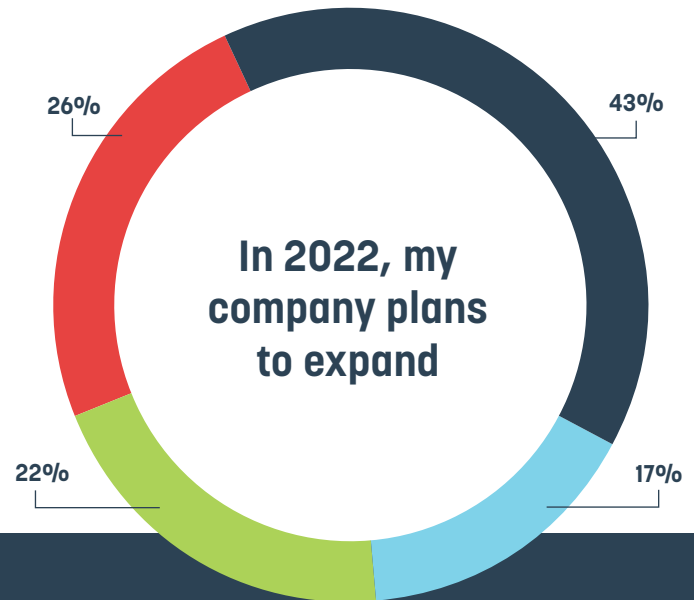
● Yes ● No



How many retail (adult-use and/or medical) locations are you currently operating? 🏪 = one retail location



- By launching a new retail location(s) in a state(s)/province(s) in which it currently operates
- By launching new retail locations in a new state(s)/province(s) where it currently does not operate
- My company does not plan to expand
- Not sure



## Transactions, Tickets and Banking Trends

Just as the pandemic influenced consumer buying habits, inflation is following suit. But how that plays out in cannabis has yet to be seen. 2022 data on transaction volumes and average baskets showed little movement from last year.

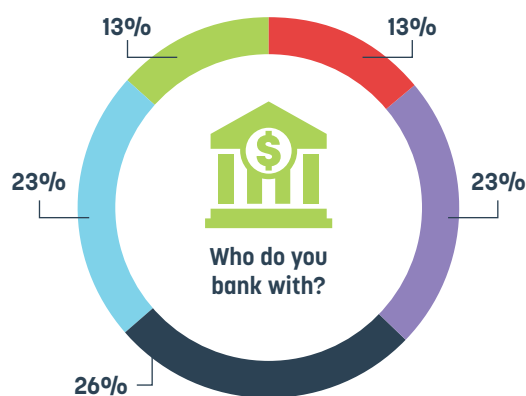
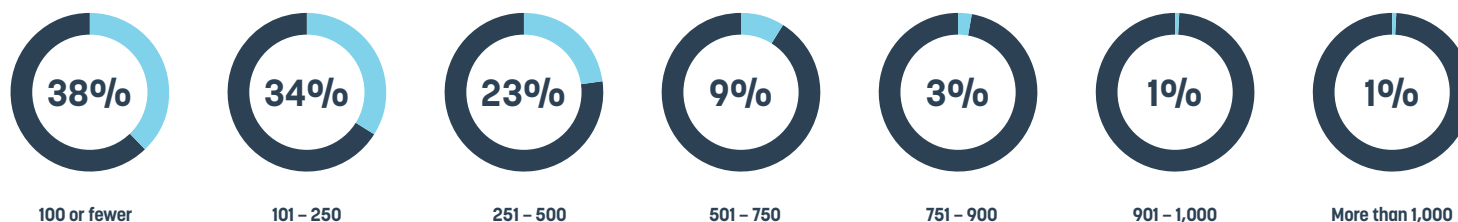
Among this year's research participants, 38% report "100 or fewer" transactions on average each day per location (see p. 8 for data). Almost three-fourths reported average single-location daily transaction volumes of 250 or fewer.

Average spend per customer, after state and local taxes, also stayed close in line to last year. Just over half of 2022 study participants (51%) reported average baskets between \$41 and \$80—almost identical to 2021. Less than 1 in 20 average more than \$201 per ticket after state and local taxes.

Cash is still king of accepted payment methods for retail cannabis sales transactions. Nine out of 10 participants accept cash. But debit cards—now accepted by 55% of participants—gained 15 percentage points from 2021. "Cannabis-specific cashless payment processing services" gained, too. Now accepted by 25% of participants, these services are up 10 percentage points.

Despite industry financial concerns, banking relationships look brighter. Only 13% of participants indicated "my dispensary does not have a banking relationship at all"—a decrease of 10 percentage points from last year. "Credit union" showed strong, banking 26% of participants. Banking relationships with "cannabis-focused bank," cited by 23% of study participants, increased 7 percentage points from last year.

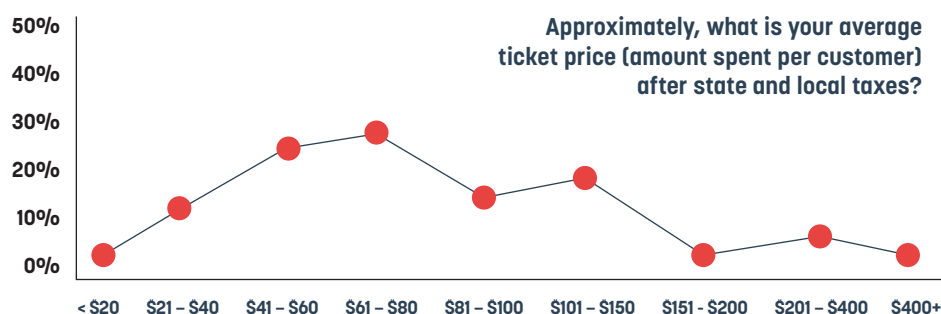
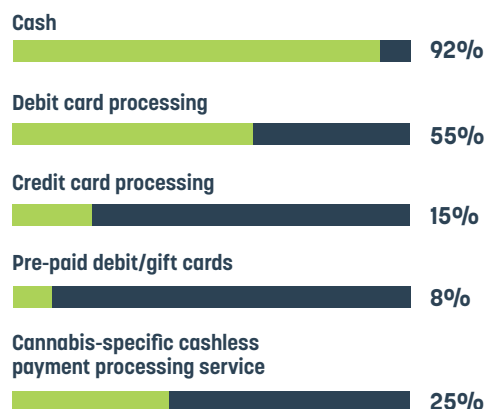
## How many transactions does your dispensary complete on average each day per location?



- Traditional national bank
- Traditional regional/local bank
- Credit union
- Cannabis-focused bank
- My dispensary does not have a banking relationship at all

Participants who responded "not sure": 12%

## What methods of payment are accepted for cannabis sales transactions at dispensary(ies) you operate or work for?



## Monthly Sales, Annual Revenue and Profits

For many traditional retailers, last year held surprises at every turn—some good and some bad. Cannabis retailers haven't been immune. Results were mixed for participants in the 2022 report.

About 39% of participants reported average monthly sales volumes per location of "\$50,001 to \$250,000," a 6 percentage-point increase from 2021. Research participants with average monthly sales of "\$50,000 or less" had a 5 percentage-point decrease this year. Nearly 13% of 2022 participants broke the \$900,000 mark in average single-location monthly sales.

Annual revenue for participating dispensaries' most recently completed fiscal year (all locations combined) was also mixed. More than 1 in 5 participants reported annual revenue "> \$1 million to \$3 million," comparable to a year ago. Companies reporting annual revenues in

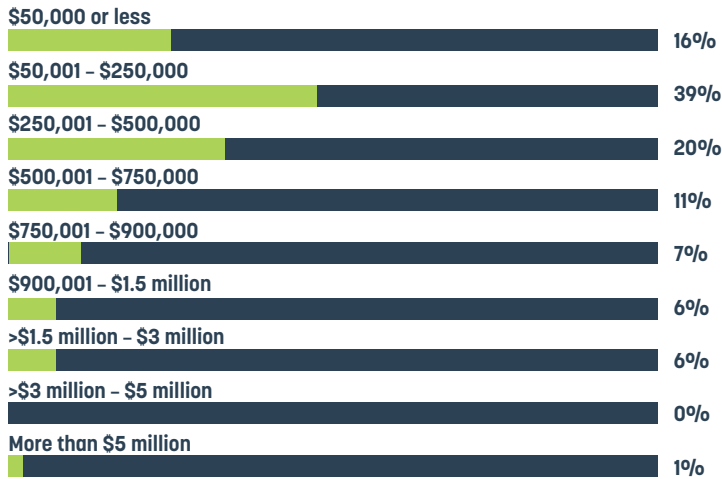
the "\$500,001 to \$1 million" range hit 15%—up 6 percentage points from 2021. Four percent of participants reported combined-location annual revenue exceeding \$30 million for the most recently completed fiscal year.

But compared to one year prior, changes in annual revenue for the most recently completed fiscal year (all locations combined) provided more perspective. About 40% of companies experienced an increase in annual revenue, down 16 percentage points from 2021. Participating companies with decreases in annual revenue hit 29%, up 20 percentage points from last year.

Profits completed the picture. About 10% of participants in this 2022 study reported they did not make a profit (multiple locations combined) in their most recently completed fiscal year—nearly double last year's percentage. Only 28% of participants this year (multiple locations combined) reported increased profits, compared to 49% of last year's participants. Yet, 5% "increased by 100% or more."



### What is your average monthly sales volume per location?



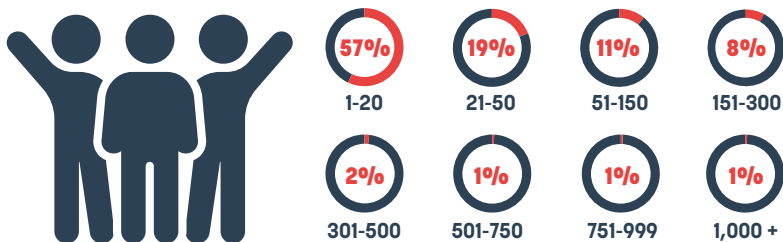
Participants who responded "not sure": 13%

### What was your dispensary operation's annual revenue in its most recently completed fiscal year?

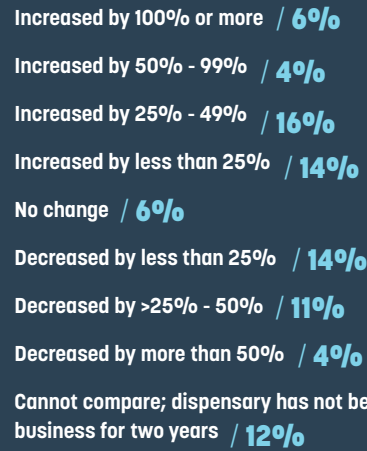


Participants who responded "not sure": 17%

### How many people are employed at your retail dispensary(ies)?



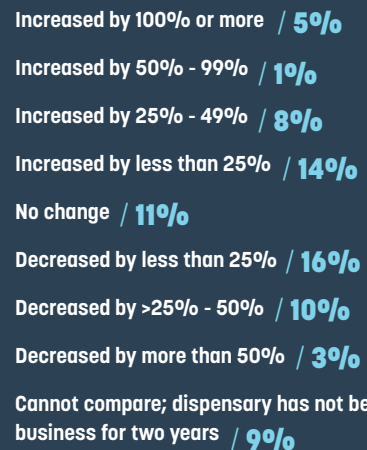
### Compared with one year prior, how did your dispensary operation's revenue change in its most recently completed fiscal year?



Cannot compare; dispensary has not been in business for two years / 12%

Participants who responded "not sure": 13%

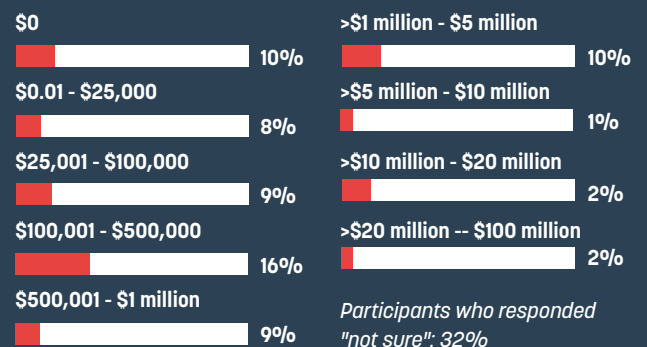
### Compared with one year prior, how did your dispensary operation's profit change in its most recently completed fiscal year?



Cannot compare; dispensary has not been in business for two years / 9%

Participants who responded "not sure": 22%

### What was your dispensary operation's profit in its most recently completed fiscal year?



Participants who responded "not sure": 32%

## SKUs, Online Orders and Delivery

Of the participants in this 2022 "State of the Cannabis Dispensary Industry Report," 28% carried 100 or less SKUs per location at any one time. Another 30% reported carrying between 101 and 300 SKUs.

Flower products (e.g., flower, pre-rolls and trim) represented "51 to 75%" of total sales for nearly 40% of participants—almost identical to 2021. Concentrates (vape cartridges, disposable vape pens, solvent/solventless extracts, shatter, wax, hash) constituted "less than 25%" of total sales for nearly half of participants, representing a drop of about 10 percentage points from the category's 2021 sales.

Edibles (e.g., baked goods, gummies, mints/lozenges, tinctures, sublinguals) represented "less than 25%" of total sales for more than half of participants—in keeping with 2021. But topicals (e.g., salves, creams, patches, ointments) showed some growth: Three-fourths of participants said topicals still make up less than 25% of sales, but 10% put their percentage at "25-50%"—a 6 percentage-point increase from 2021.

It's no surprise that delivery services are on the rise. Last year, nearly 60% of participants said they didn't offer delivery services in 2020. For 2022, 39% of participants said they didn't offer those services in 2021, and 16% of those without delivery services plan to offer them in the next year.

Looking to online orders in calendar year 2021, companies offering online ordering services saw that category grow as well. More than half of participants (54%) attribute up to 25% of sales to online ordering, a gain of 13 percentage points from the previous year's online totals.

## Marketing, Consumer Education and Labor

Tried-and-true avenues still rule cannabis dispensary marketing, with "social media" and "company/dispensary website" being the most often cited marketing tools. But some interesting marketing shifts may be underway.

"Email newsletter" gained 11 percentage points from 2021. Marketing through "ancillary products (e.g., branded clothing and gear)" and "newspaper, magazine, bulletin print and/or digital advertising" both lost close to 10 percentage points from last year.

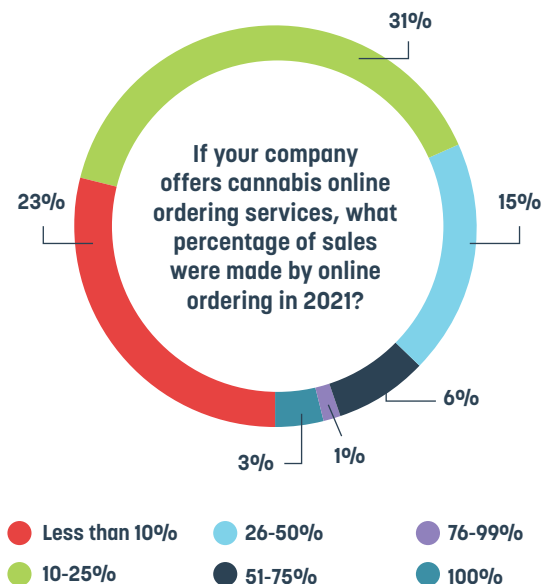
Face-to-face in-store interactions again topped dispensary routes for consumer education: 73% of participants cited "consultations on sales floor" as one way they educate consumers and/or patients about cannabis. But "printed literature (e.g., handouts, flyers, pamphlets)" was named by 64% of participants, a 10 percentage-point gain from 2021. And more dispensaries are utilizing websites for education: "information/blogs/whitepapers on website" (53%) was up 8 percentage points from last year.

The number of employees (all locations combined) stayed fairly constant during the past year. But blame the Great Reshuffle or something else, the faces behind the counter may have changed. A majority of dispensary participants (57%) have 20 or fewer employees at all locations combined, and 18% had less than 1% turnover for the previous calendar year. But at the other end of the spectrum, 16% of participants reported more than 20% turnover for the same period. **CD**

On average, how many SKUs do you carry at one time at each dispensary?

14% / 0-50	10% / 301-400	5% / 701-800
15% / 51-100	6% / 401-500	3% / 801-900
16% / 101-200	3% / 501-600	3% / 901-1,000
15% / 201-300	3% / 601-700	6% / 1,001-2,000

Participants who responded "not sure": 11%



Participants who responded "not sure": 12%

In what ways do you market your dispensary(ies)?

