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**CBD: Why bother now?**  
Get the facts and get ready



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The consumer packaged goods sector is buzzing about CBD's potential to drive product innovation and growth. Yet, many CPG companies aren't sure how to move forward with CBD—or whether to do so at all. Taking a prudent, fact-based approach can enable them to make the right strategic decisions and position themselves to take advantage of the CBD opportunities to come.

### What is CBD?

CBD (cannabidiol as it is known scientifically) is a chemical compound found in cannabis plants including hemp

CBD can also be synthesized in a lab. Unlike tetrahydrocannabinol (THC), CBD is non-intoxicating which has made it more appealing for consumption among a broader population compared with THC-based products. CBD's reported anti-inflammatory and other therapeutic properties have led to an explosion of CBD-based products in several national markets. Consumers are buying and using CBD-infused foods, beverages, capsules, sprays, tinctures, oils, topicals, and other products to—as they believe—alleviate anxiety, insomnia and chronic pain, to improve relaxation or to provide cosmetic benefits.<sup>1</sup>

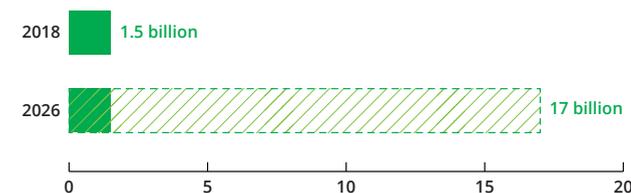
### The market potential is significant, but companies still hesitate

CBD is already at the forefront of health and wellness trends with CBD-based products found in premium grocery chains, luxury beauty brands, and health expos. Conservative estimates pegged the global CBD market at US\$1.5 billion in 2018; by 2026, it's forecast to grow to US\$17 billion or more.<sup>3</sup> With consumption growing fast, it's clear that CBD represents a significant opportunity for consumer packaged goods companies.

The market potential for CBD is too large to ignore. One in seven consumers in developed markets is estimated to have consumed CBD in some form<sup>2</sup>, and that's expected to rise to one in three

Despite the size of the opportunity, some companies are reluctant to move ahead with strategies and product development. In part, this reticence traces to the lingering stigma in some quarters regarding cannabis use, exacerbated by the confusion of some consumers and executives about the difference between CBD and THC. As stewards of their brand, companies are highly sensitive to the brand and reputational impact of CBD products. Some are awaiting additional scientific data to support claims and safety. In the US, companies are also put off by the ongoing regulatory misalignments concerning CBD. In Canada, they often hesitate because they believe the time, cost, and licensing requirements to pursue CBD product development are more onerous than they actually are.

#### Global CBD market estimates



## As the CBD landscape changes, hype may quickly become reality

The hesitance of some companies to pursue CBD strategy and product development is understandable given the regulatory uncertainties and other issues surrounding CBD use; however, the situation is constantly shifting. Companies that wait could quickly find themselves at a competitive disadvantage.

The regulatory picture continues to evolve. We could see CBD regulations begin to change in some markets within the next 12 to 18 months—in other words, within the CPG industry's typical product development timelines:

- In Canada, where non-prescription CBD products are currently regulated under the Cannabis Act, these products are processed and sold through licensed cannabis channels. Authorities opened consultations in 2019 to seek feedback on purchasing, manufacturing or selling Cannabis Health Products, should a legal pathway to market be established for non-prescription cannabis derived health products. Industry groups such as the Canadian Health Food Association and the Canadian Hemp Trade Alliance are also calling for a non-prescription route to market for CBD health products.<sup>4</sup>
- The United Kingdom's Food Standards Agency has also announced its intention to re-examine the enforcement of the Novel Food rules around oral CBD products. Currently, the United Kingdom

and European Union consider hemp-derived CBD products with no medical claims to be “novel foods” requiring regulatory authorization to be sold to consumers.

- In the United States, where passage of the 2018 Farm Bill opened the door to hemp cultivation and certain hemp-derived CBD products, authorities face growing pressures from industry to issue a GRAS (Generally Recognized As Safe) designation to CBD which could permit hemp-derived CBD in non-prescription products such as foods and dietary supplements.

In addition, scientists around the world are investigating CBD's therapeutic impact and safety. More than 600 clinical trials are underway to study its safety and efficacy in treating pain and anxiety among other indications. The results of these trials and other studies could lead to a range of new uses for CBD as well as build the scientific foundation of data required to verify the safety profile to support regulatory change.

Some CPG players have begun to invest in CBD plans. These companies have a long history of effectively driving markets with their disciplined horsepower including research, consumer understanding, product development, marketing and distribution knowhow. In some ways, CBD could be where organic goods were years ago: a niche product poised to go mainstream driven by the CPG engine.

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If CBD delivers on the claims made about it with the evidence to support them, then it has the potential to be one of the biggest ingredient innovations in decades

## Why it's time to act

CPG companies with an eye on the future of CBD should act now and have their CBD strategy and commercialization plans developed - inaction carries significant business risk. Those that compete in pain relief, anxiety alleviation, sleep aids and similar categories may risk losing market share to CBD products while having nothing in their own pipeline. Others may miss opportunities to strengthen their existing positioning through CBD, such as augmenting popular relaxation teas with CBD. If CBD delivers on the claims made about it with the evidence to support them, then it has the potential to be one of the biggest ingredient innovations in decades.

Acting now also increases the likelihood that companies will have products ready to go as regulators clarify rules and evolve restrictions. Product development takes months or years normally. There will be a learning curve working with this new ingredient that poses some complications: it's not considered particularly good tasting, and its unique chemical properties impact emulsification and absorption. Companies that move earlier will have more time to understand and mitigate CBD's properties and have their food, beverages, and other products shelf-ready at the right time.

## What to do next

Ready to take action and stake your company's claim to a potentially significant CBD opportunity? Here's where to start:



### Develop your CBD strategic readiness plan

Get the facts on CBD and the current regulations in your key markets. Determine which categories and markets offer the best CBD-powered growth potential. Develop a commercialization plan. Consider how you want to pursue CBD product development: Will you do it in-house, or collaborate with a third party?



### Get licensed now

Keeping product development in-house? If your company decides to develop its own CBD products, you need to secure the relevant research and development licensing. It's not onerous or expensive: in Canada, for example, a research licence takes approximately six months to obtain.



### Conduct market and consumer research

Consumers' perspectives will play a pivotal role in refining your CBD strategy and product development. Deploy your market research teams to better understand the size of the opportunity and what consumers will want to buy.



### Identify business partners and suppliers

It is critical to identify a standardized source of CBD that meets your product delivery specifications whether you are producing in-house or with a partner. If your company opts to develop CBD products with external partners, identify and vet suitable potential partners now.



**CBD is poised to be the next big global growth opportunity for CPG companies in Canada and around the world. Don't miss out—get informed, get involved, and be strategic about your entry into the CBD space.**

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Designed and produced by the Deloitte Design Studio, Canada. 20-6551T