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A society in transition, an industry ready to bloom

2018 cannabis report

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The cannabis era dawns

The world is watching as Canada steps into the spotlight as the first G7 country[1] to legalize recreational cannabis nationwide. This year, cannabis will become legal at the federal, provincial/territorial, and local levels. Public officials are balancing health, safety, and revenue as they strive to undermine the illegal market, ensure a safe and controlled supply, and keep cannabis out of children's hands.

If successful, Canada will win global acclaim and set an example for other nations. The federal government's push for legalization has already had a powerful effect, sparking a wave of innovation and entrepreneurship that shares the fast-growing, can-do spirit of our technology sector.

What will the legal market look like? How will public officials balance health, safety, and revenue priorities? And who's going to be buying? To shed some light on the subject, Deloitte surveyed current and likely recreational cannabis consumers across the country in early 2018 to gain insights into how consumption levels may change, what kinds of products consumers would be interested in, and how and where they'd like to purchase—in short, what consumer demand means for the cannabis market.

High product quality and integrity as well as a range of competitive price points will be needed to persuade current consumers to move their purchases over to legal sources.

The market is significant

The total cannabis market in Canada, including medical and illegal as well as legal recreational products, is expected to generate up to $7.17 billion in total sales in 2019. Legal sales are expected to contribute more than half of this total—up to $4.34 billion—in the first year. Current and likely consumers expect to pay slightly more for legal products, with the former saying they're willing to pay 10 percent more.

Majority of recreational cannabis sold will be legal

Canadians who are already consuming cannabis expect to buy nearly two-thirds of their products from legal retailers once they can. High product quality and integrity (as affirmed by quality testing) as well as a range of competitive price points will be needed to persuade current consumers to move their purchases over to legal sources. Delivering a superior customer experience will be of vital importance.

Tomorrow's consumers

Today's typical cannabis consumer is what we might describe as a risk taker. Perhaps not surprisingly, they're more likely to be young (aged 18-34), and in their quest to live life to the fullest, they're more likely to put their health or safety at risk. They often consume cannabis several times a week. Legalization is expected to attract more of a conservative experimenter—typically one who is aged 35-54, has a university or graduate school education, and has family or other responsibilities. They're expected to consume less than once a month. That said, likely consumers are far from neophytes: 74 percent of them have had prior experience with recreational cannabis, and 41 percent have used it in the past five years.

Consumers will buy more frequently—and spend more

After legalization, current frequent cannabis consumers expect to buy more often than they do today. Current but less frequent consumers also expect to purchase products more often, and spend significantly more when they do—up to 68 percent more.

Bricks-and-mortar matters

Current and likely cannabis consumers expect to purchase the majority of their products at physical retail locations. Knowledgeable staff and clearly displayed prices will play a critical role in the success of cannabis retailers' bricks-and-mortar stores, further driving home the point that retailing fundamentals such as convenience, customer experience, product choice, and product and location safety matter as much to these retailers as those in more traditional segments.

Customers demand privacy, security when purchasing

Approximately one-third of recreational cannabis consumers indicate an interest in buying products online through approved retailers' websites, and they worry about the privacy and security of their personal information. Even in-store consumers will be sharing personal information with retailers, such as allowing their ID to be scanned at point-of-sale terminals and their image captured on security cameras. The fact that governments are involved in cannabis retail means that consumers expect their information to be protected, especially online. Online retailers will need to ensure they embed privacy-by-design principles[2] and invest in robust e-commerce cybersecurity measures.

Will cannabis be a complement for liquor—or a substitute?

Many liquor boards across Canada will be playing a prominent role as distributors and retailers. They may soon discover such sales are affecting their traditional lines of business, because our survey suggests that cannabis may serve a larger role as a substitute for beer, spirits, and wine. All alcohol categories are expected to be affected, which could have a negative impact on the revenues for government, liquor companies, and retailers.

The legalization of recreational cannabis marks a significant transition for Canadian society but while the industry is controversial, we also need to remember that this category has spurred innovation, entrepreneurship, and jobs. What is certain is that legalization will open the doors to a dynamic, sophisticated industry that will create new jobs, new opportunities for businesses, and new revenues for government. And executed well, legalization will also help shift a considerable proportion of cannabis consumption to legal channels in the years to come.

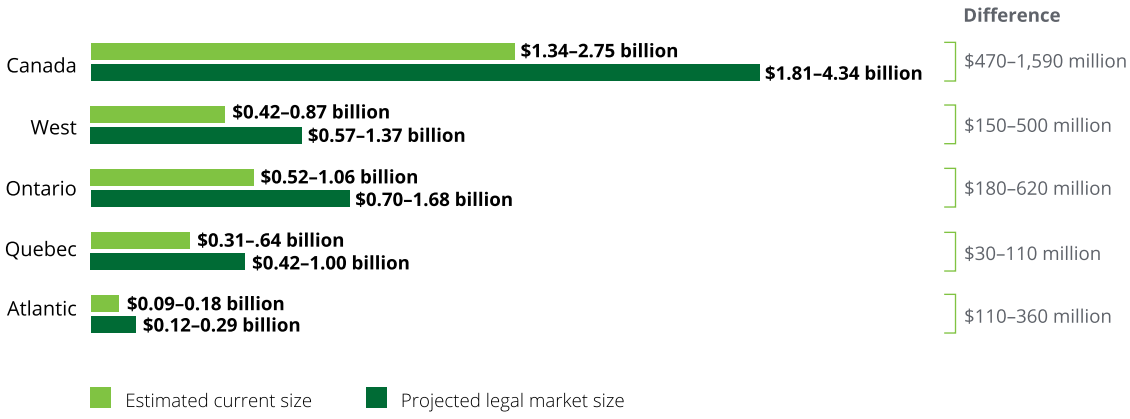
Canada's new growth industry

A sizable market awaits

The total cannabis market in Canada, including medical, illegal, and legal recreational products, is expected to generate up to $7.17 billion in sales in 2019—up to $4.34 billion of which will come from the legal recreational market. Medical cannabis is anticipated to generate an additional $0.77 billion to $1.79 billion in sales, with the illegal market bringing in a further $0.51 billion to $1.04 billion.

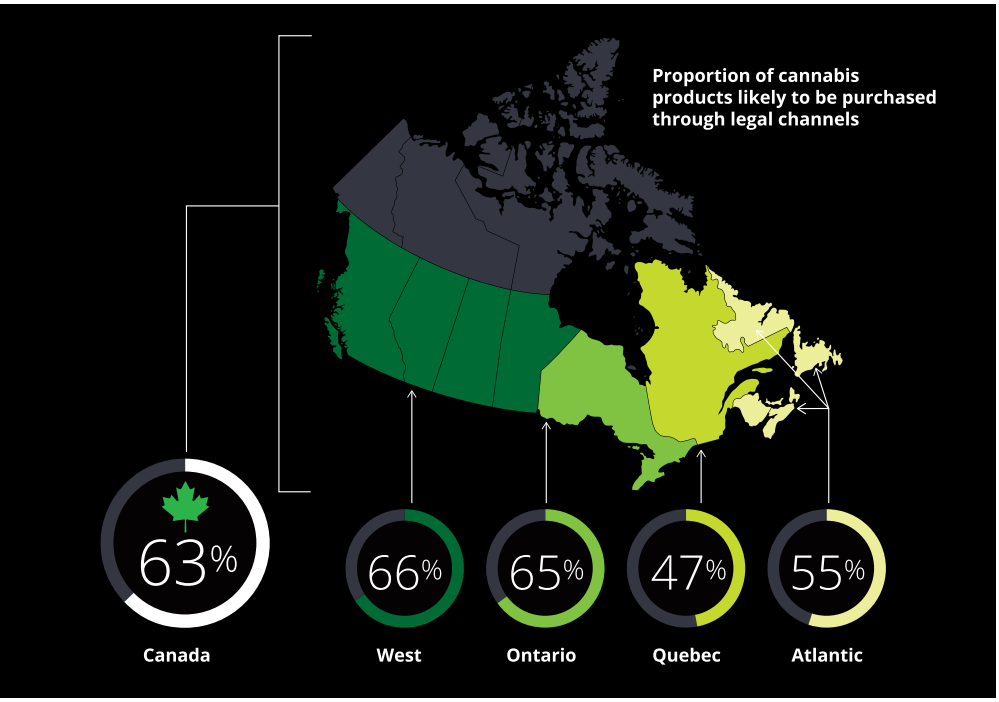
Overall consumption through legal channels is expected to rise by up to 35 percent, as likely new consumers offset the proportion of current ones who elect not to transition to legal channels. The cannabis spend overall is also expected to rise by up to 58 percent, owing primarily to the fact that prices for legal products will be higher.

Recreational cannabis: market size



Source: Deloitte analysis

Legal cannabis market



Eliminating the illegal market is one of the objectives of legalization.

Majority of purchases will shift to legal channels

Eliminating the illegal market is one of the objectives of legalization. It's encouraging, therefore, to note that current cannabis consumers are expected to move nearly two-thirds (63 percent) of their purchases to legal channels, whether through bricks-and-mortar retailers or online channels. Quebec consumers are rather less likely to do so, however; only 47 percent plan to shift to legal avenues. It's notable that less frequent consumers are much more likely to buy through legal retailers (69 percent) than are daily consumers (37 percent).

Current cannabis consumers who say they'll transition all of their purchases to legal channels are more likely to be men with at least a university or graduate school education and an annual income over $50,000. Current consumers who don't intend to buy any cannabis through legal channels are more likely to be aged 55 or older, and have a high school education or less.

Consumers willing to pay a premium—up to a point

According to our survey, Canada's current average price for illegal cannabis is $8.24 per gram. It's noteworthy that no matter the province, survey respondents say they're willing to pay more for products grown and processed under the federal government's new regulatory regime and sold through legal channels. In fact, a majority (55 percent) of current consumers expect to pay more after legalization. How much more they're willing to shell out, however, varies depending on where they live and their current consumption habits.

In Ontario, for example, consumers who today pay an average of $8.33 per gram are willing to pay up to $9.33 per gram—12 percent more—for legal product. In contrast, Quebec consumers, who today pay the lowest average price in the country ($7.53 per gram), are only willing to pay up to $7.81 per gram for legal products. That's just 3.7 percent per gram higher.

Price upon legalization

	Canada	West	Ontario	Quebec	Atlantic
Current average price per gram (illegal market)	**$8.24**	**$8.36**	**$8.33**	**$7.53**	**$8.17**
Price users are willing to pay after legalization	**$8.98**	**$8.89**	**$9.33**	**$7.81**	**$9.04**
Price difference increase (% difference)	**$0.74** (9.0%)	**$0.53** (6.3%)	**$1.00** (12.0%)	**$0.28** (3.7%)	**$0.87** (10.6%)

Canadian consumers: demographics and behaviours

Who's going to be buying when cannabis is legal?

Our research indicates that tomorrow's likely cannabis consumer will be somewhat different from today's. This provides some clues as to what the post-legalization environment will look like.

Today's consumer is what we describe as a risk taker. They're young, typically with a high school or college education. In their quest to live life to the fullest, they're more likely to put their health or safety at risk, even going so far as to skirt or break the law. And they often consume several times a week.

But legalization is bringing in an older consumer. This consumer is more of a conservative experimenter—typically middle-aged, with a university or graduate school education. They don't tend to put their personal interests before family needs or other responsibilities. They're unlikely to have a big social network. And they're more likely to consume less than once a month.

That said, probable consumers aren't neophytes: 74 percent of them have had prior experience with recreational cannabis, and 41 percent have consumed it in the past five years. Legalization may provide some Canadians with the opportunity to occasionally return to their younger days—legally.

The current and likely user

The current recreational cannabis user

More likely to be between the **ages of 18-34**

More likely to be between the **ages of 35-54**

More likely to consume **multiple times a week**

More likely to consume **less than once a month**

More likely to have a maximum education of **high school** or **college**

More likely to have a maximum education of **university** or **graduate school**

More likely to deviate from the **letter of the law**

Less likely to be an **online influencer** and **have a large social network**

More likely to take **health and safety risks** to enjoy life and have a fuller experience

Less likely to prioritize **personal interests ahead of family interests**

The likely cannabis user (following legalization)

Nearly half (48 percent) of cannabis consumers overall—and 69 percent of daily consumers—say they use cannabis to improve their mood.

What drives consumption?

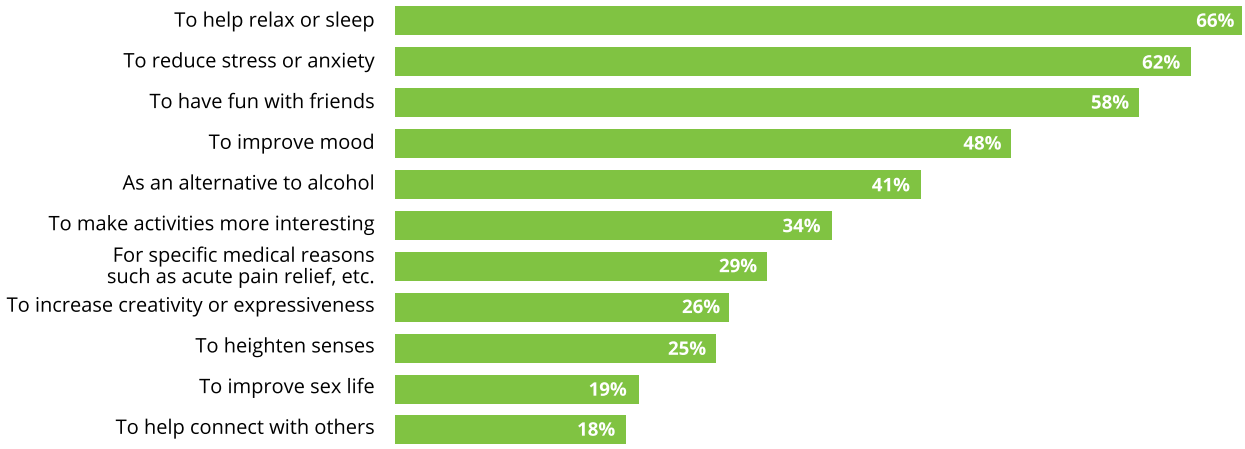
Amid all the discussion over legalization, it's easy to overlook an important question: Why do people want to consume cannabis in the first place? What need or needs does it address?

Roughly two-thirds of the current recreational consumers who responded to our survey say they use cannabis to help them relax, sleep, or reduce stress and anxiety. Women are more likely to consume for these reasons; 74 percent say they use it for relaxation or sleep, compared to 59 percent of men, and 69 percent do so for stress or anxiety relief, versus 55 percent of men. Thirty-five percent of current women consumers report using cannabis for medical reasons such as acute pain relief, while 24 percent of men report using it for this reason.

Socializing also drives the consumption of current consumers. Fifty-eight percent say they indulge to have fun with friends, while 25 percent of those aged 18 to 34 say they use cannabis to connect with others. More than half (57 percent) have it with a small group of friends; slightly more (59 percent) consume at home alone, however.

Nearly half (48 percent) of consumers overall—and 69 percent of daily consumers—say they use cannabis to improve their mood. More than a third of daily consumers (35 percent) report doing so to help with their thinking or concentration.

Reasons for using recreational cannabis



Retailers that are able to secure the supply chain, protect and analyze customer data, and promote public health and safety will be well positioned to achieve a competitive advantage.

What will draw current consumers to legal channels?

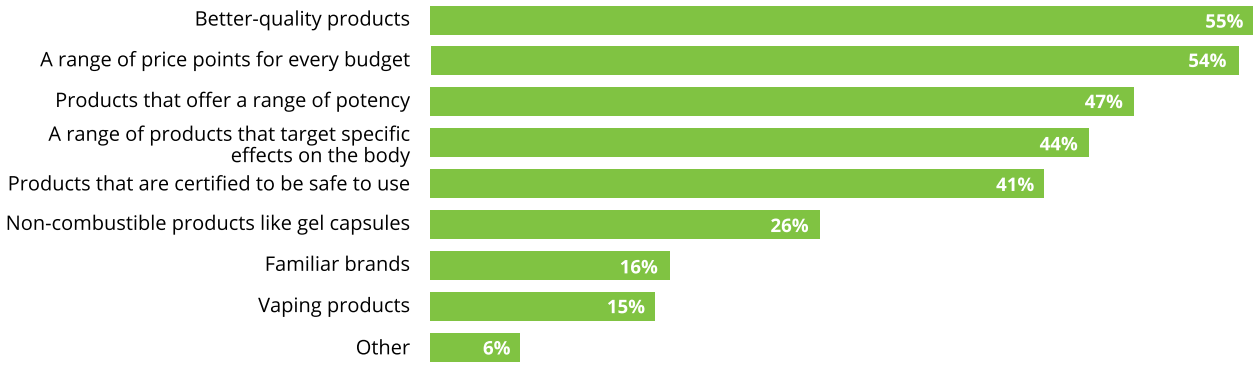
Legalization alone won't persuade most current cannabis consumers to completely abandon their existing suppliers. But our research suggests the right mix of quality, price, and safety could just do the trick.

More than half of current consumers who don't plan to purchase all their cannabis through legal channels say that offering better-quality products and a range of price points suited to every budget would be needed for them to move away from the illegal market. Quebec respondents aren't as concerned about price—perhaps because prices in their province are already Canada's lowest—but they are interested in safety: 41 percent feel offering products that are certified as safe to use is just as important as providing better-quality products overall.

While quality, price, and safety are important criteria for current consumers, brand names don't appear to have the same impact: only 16 percent say a familiar brand would play a part in persuading them to completely move to legal cannabis outlets.

Over time, as retailers develop a better understanding of their customers' needs and behaviours, improve their customer experience and engagement programs, and fine-tune their products' quality and integrity, we could expect to see an increasing share of cannabis sales transition to legal sources. Retailers that are able to secure the supply chain, protect and analyze customer data, and promote public health and safety will be well positioned to achieve a competitive advantage.

Reasons to transition to legal purchase channels



Expect more frequent purchases after legalization

Producers and retailers, take note: consumers of all types expect to buy cannabis more often after legalization, and less frequent consumers expect to spend more. This strongly suggests that cannabis consumption will become a normalized activity more quickly than many might have anticipated.

According to our survey, purchases by current and likely frequent cannabis consumers are set to rise up to 22 percent after legalization, to just over three times a month, although the overall amount spent each month is set to remain relatively steady, hovering around $99. Likely frequent consumers appear ready to buy more often than those who are already frequent consumers (3.4 times per month versus 2.9), but they'll probably spend a little less each month ($98.13 versus $99.15).

We see a more significant change in behaviour among less frequent consumers, both current and likely. After legalization, purchase frequency in this group is poised to rise 121 percent, with the average total spend rising nearly 68 percent (to $27.87) roughly every three months. Current consumers will likely buy products slightly more often and spend slightly more than probable future consumers.

Purchasing behaviour: frequency and amount

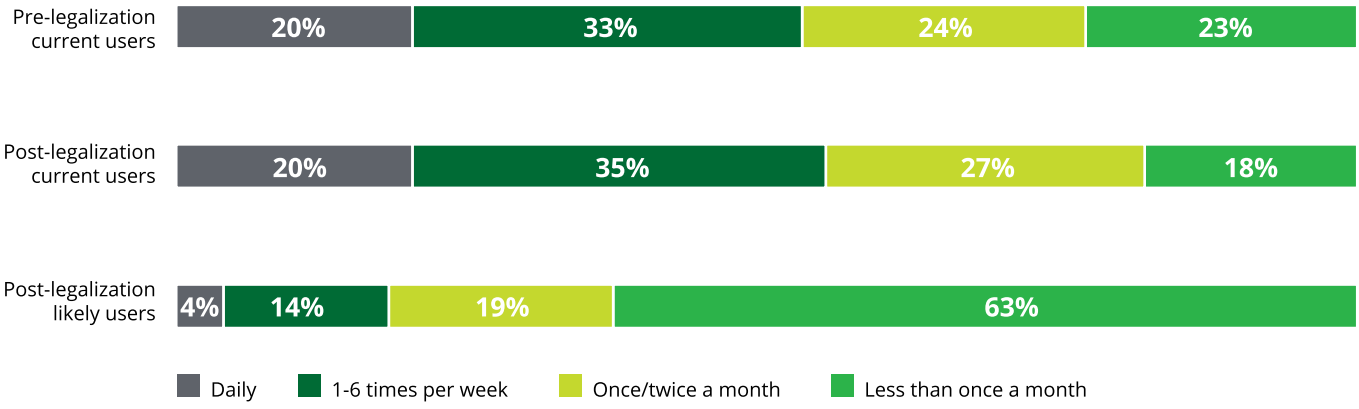
	Monthly figures	Pre-legalization (current)	Post-legalization (current and likely)	Difference
Frequent users	Average purchase frequency	**2.5**	**3.1**	**+22.30%**
	Average total spend	**$99.05**	**$98.88**	**-0.02%**
	Three-month figures	**Pre-legalization (current)**	**Post-legalization (current and likely)**	**Difference**
Less frequent users	Average purchase frequency	**0.6**	**1.3**	**+121.00%**
	Average total spend	**$16.61**	**$27.87**	**+67.80%**

Don't expect consumption levels to change significantly

Canadians may purchase cannabis more often after legalization, but it doesn't seem they'll indulge in it all that often. Overall, 41 percent of all consumers—and 63 percent of probable ones—say they'll use it less than once a month. Even among current consumers, legalization appears likely to drive only a slight increase: 20 percent say they'll consume daily, unchanged from today; 35 percent say they'll consume from one to six times per week, up slightly from 33 percent today.

While legalization might not affect frequency, it does seem Canadians will consume a bit more when they do: the average amount consumed during a single occasion is expected to rise 11 percent, from 0.82g to 0.91g, perhaps driven by the anticipated popularity of edible products.

Consumption behaviour: frequency of use



Channel and purchase preferences

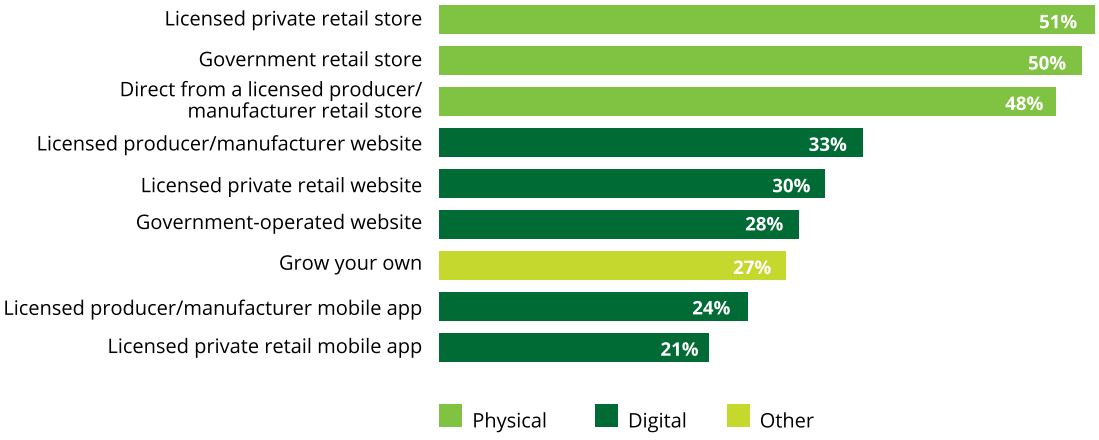
Customers will likely prefer to walk into a store to buy products

Approximately half of those surveyed say they're interested in purchasing from government or licensed private retail stores. Consumers also expressed interest in buying directly from licensed producers or manufacturers, but they will be unable to do so. Our research also indicates that almost half (47 percent) of all recreational products will be bought from physical locations.

Roughly a third of cannabis consumers are also interested in buying online from government retailers and licensed private retailers (consumers won't be able to buy online from licensed producers or manufacturers, either). We estimate that 35 percent of products will be purchased through these online and mobile channels. The interest in buying online is understandable, given the stigma that continues to surround cannabis consumption; this option enables customers to maintain their privacy, thereby avoiding disclosure to friends, family, neighbours, co-workers, employers, media, and others.

Notably, current daily cannabis consumers are much more likely to continue purchasing products on the illegal market compared to less frequent consumers (53 percent versus 19 percent). Daily consumers today are also more likely to grow their own (53 percent, compared to 31 percent of less frequent consumers). Those in Atlantic Canada are also keen on growing their own: 44 percent say they'd do so, compared to just 27 percent nationwide.

Preferred legal purchase channel



Price and product variety will be key purchase drivers

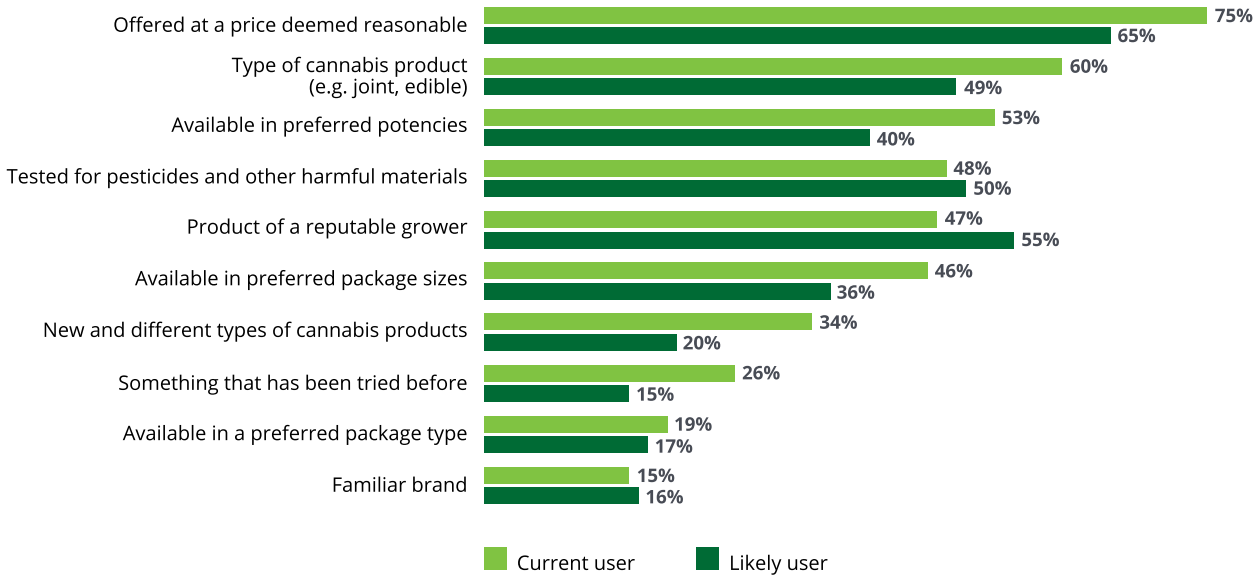
What will factor into purchasing decisions? For current and probable consumers alike, price is key: 75 percent of current consumers and 65 percent of likely ones say they'll be looking for products offered at reasonable prices.

Product variety is also important. Sixty percent of current consumers and 49 percent of probable ones consider the range of available products (e.g., edibles, pre-rolls, oils) to be an important purchasing criterion. Today, 64 percent of consumers typically partake through rolled joints. While edible products won't be available until a year after dried cannabis and oils make their legal debut, 58 percent of likely consumers plan to purchase and use edibles. While one in three (34 percent) current consumers say they're likely to try new and different products, only one in five (20 percent) of probable future consumers say they'll do the same.

Likely consumers appear to be slightly more interested in the safety and origin of the product. Fifty percent of those surveyed say they'll be looking for products that have been tested for pesticides and other harmful materials, compared to 48 percent of current customers. Respondents aged 55 and older are especially concerned about this (62 percent), compared to their peers aged 54 and younger (45 percent). As well, 55 percent of probable future consumers want to know their products come from a reputable grower, compared to 47 percent of current ones.

Addressing their customers' concerns will require companies to implement secure supply chains to protect product quality and integrity. They will also need to conduct third-party due diligence to deter illegal or unethical practices, and implement insider-threat programs to prevent the infiltration of and influence on the legal cannabis industry by organized crime.

Considerations for purchase decisions



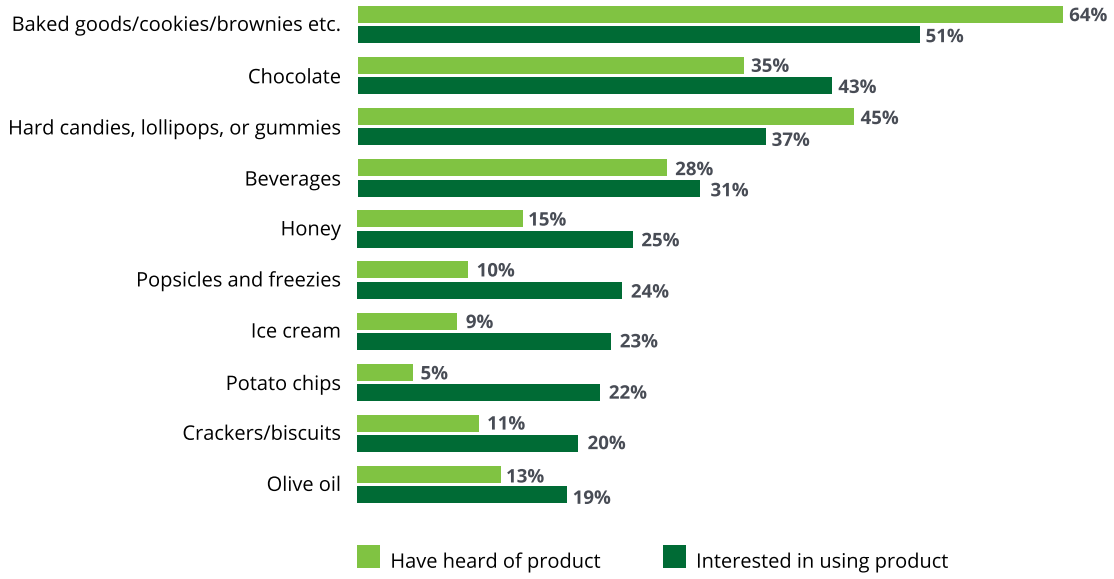
Edible products won't be offered for at least a year after legalization, despite an explosion of interest in them in recent years.

There's a strong appetite for edibles

The federal government intends to make only fresh or dried cannabis, limited oils (including capsules), plants, and seeds available upon legalization. Edible products won't be offered for at least a year afterward, despite an explosion of interest in them in recent years. Nearly two-thirds (64 percent) of current and likely consumers are aware of cannabis-based baked goods, such as brownies, and 51 percent say they're interested in trying them. Forty-three percent are interested in sampling the chocolate, while 37 percent say they'd eat the hard-candy product.

Overall, we expect six out of 10 likely cannabis customers will choose to consume edible products. For current consumers, edibles could comprise 18 percent of their overall intake after legalization, up from 14 percent today.

Potential cannabis-based edible products



Willing to pay more, but still sensitive to price

Our research shows that cannabis consumers expect—and are willing—to pay more after legalization. It's also clear that price is an important factor influencing purchasing decisions, especially for likely consumers.

Current consumers consistently show they're more willing to buy at all price points than likely consumers. The price would have to reach nearly $14 or more per gram for half of current consumers to stop buying; for likely consumers, it would only need to reach roughly $11 or more per gram. Being responsive to consumers' price sensitivities is essential if producers, manufacturers, and retailers are to be successful—and if governments are going to persuade a rising number of Canadians to purchase through legal retailers.

We anticipate that it won't take long for the cannabis retail sector to mirror the evolution we've seen in other retail sectors, splitting into discount and premium segments to meet the needs of very different consumer groups.

What Canadians want from legal retailers

Canadian consumers have high expectations, and their needs and behaviours are constantly evolving. Like any other retailer, those selling cannabis will need to meet or exceed those expectations and needs if they intend to succeed.

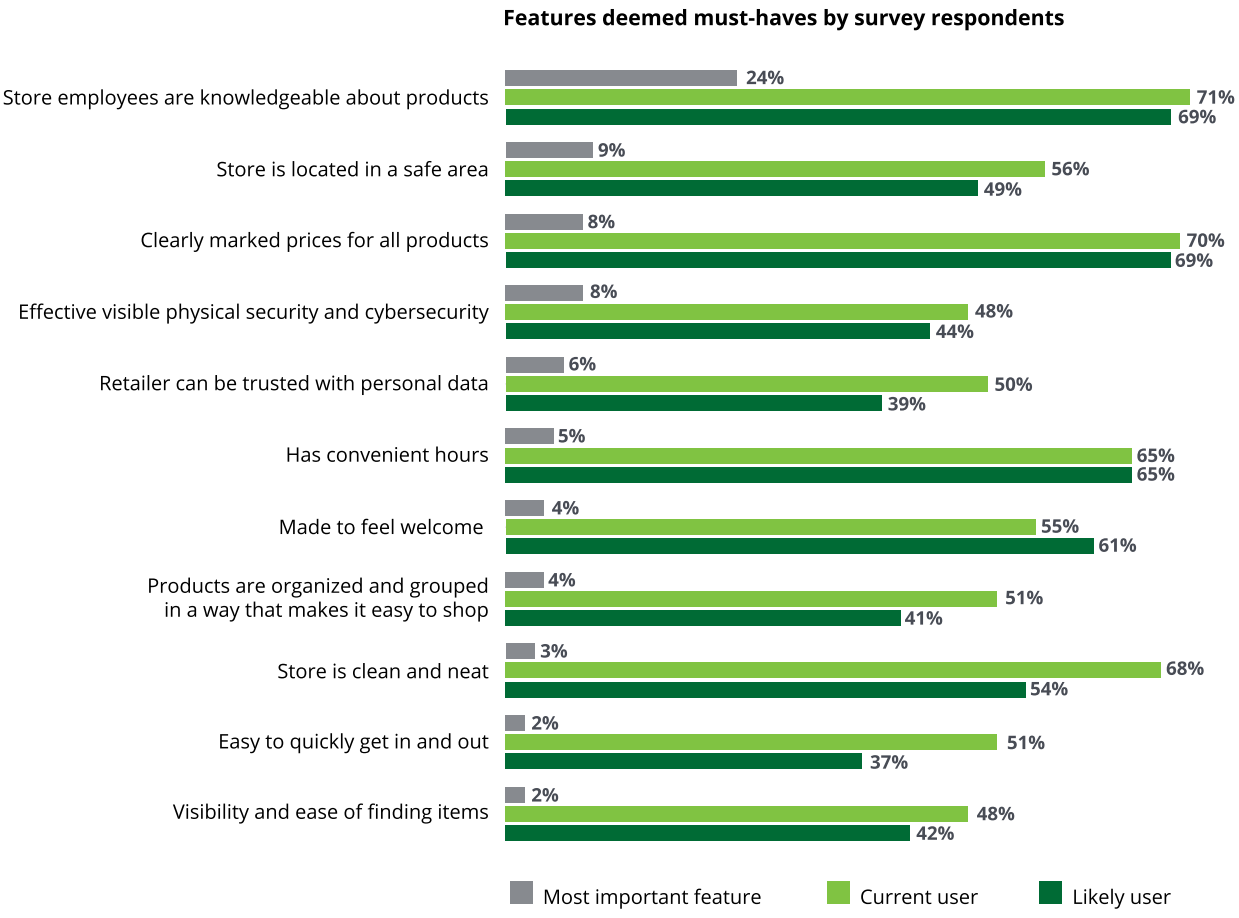
By far, the most critical feature for cannabis stores is having staff with strong product knowledge: 71 percent of current consumers and 69 percent of likely ones consider this a must-have, while 24 percent overall say it's the most important consideration. Stores will also want to have their prices clearly and prominently displayed for all products, which is a mandatory feature for 70 percent of current consumers and 69 percent of probable ones.

While cannabis stores will undoubtedly prioritize cyber and physical security, they will also need to ensure they provide the positive, engaging shopping experience consumers expect and demand of any modern retailer. Fifty-two percent of all customers want to feel welcome upon entering a store—this rises to 61 percent for likely consumers—and 46 percent overall want to be able to easily enter and leave. For two-thirds (65 percent) of the survey respondents, convenient store hours are also important. This is especially true for current daily consumers, 83 percent of whom say convenient hours are essential.

As well, cannabis consumers want retail stores to be located in a safe area, and also away from schools and other child-oriented areas. For one in 10, this is the most important consideration. It's also a reminder that while cannabis will be legalized, it remains a valuable commodity with a strong illegal market. Retailers, producers, and other cannabis industry organizations will need to ensure they prioritize security—both physical and cyber—and work closely with police services and justice agencies to keep themselves, their customers, and society at large protected and safe.

By far, the most critical feature for cannabis stores is having staff with strong product knowledge.

Shopping preferences in physical stores



Free shipping, clear pricing, and robust cybersecurity: vital for online sales

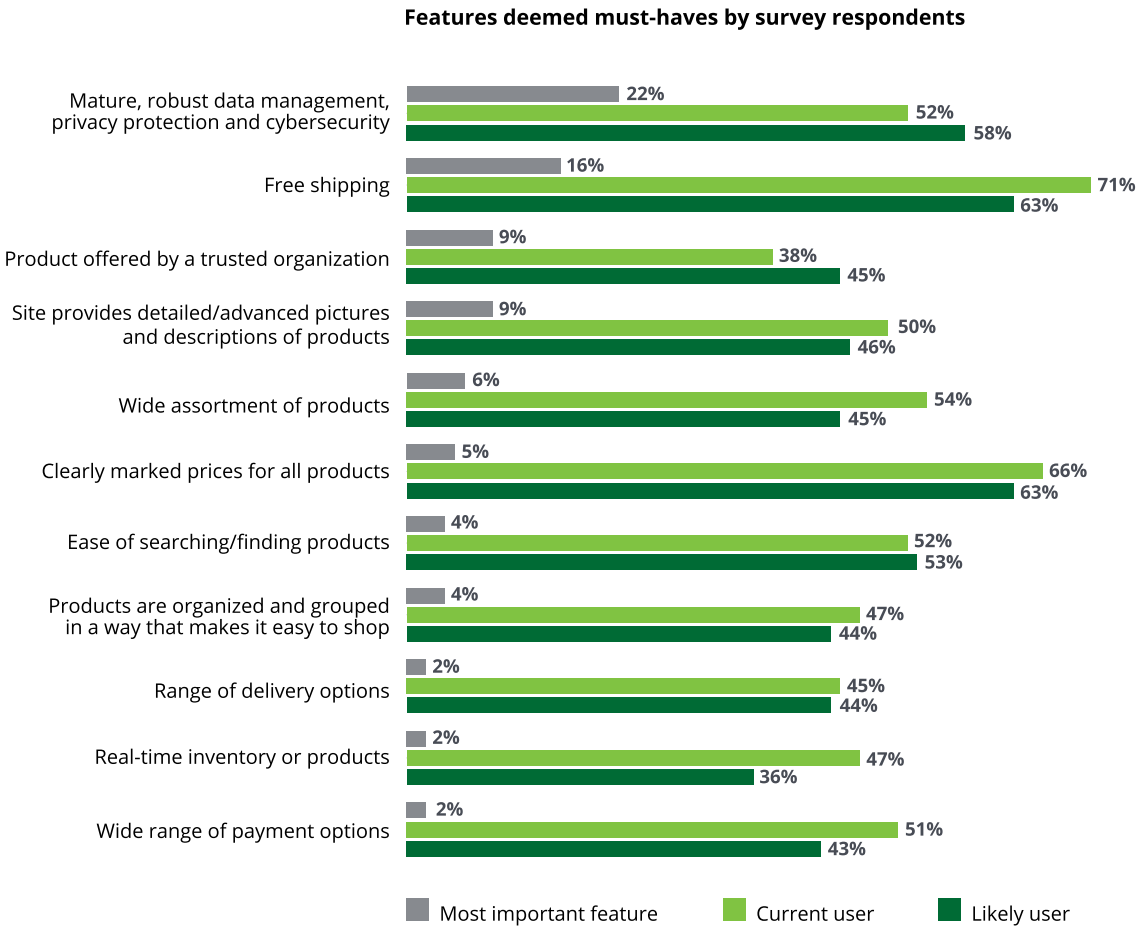
A sizable proportion of cannabis consumers say they would prefer to buy online from licensed producers or manufacturers (33 percent), licensed private retailers (30 percent), or government retailers (28 percent) after legalization—though it won't be possible to order from producers or manufacturers at the onset of legalization.

Like the rest of the retail industry, those selling cannabis will find that customers have high expectations about how and when they get their products. Two-thirds of cannabis consumers say free shipping is essential. They'd like speedy delivery, too: 63 percent expect their purchases to arrive within two days, and 34 percent say they'd be willing to pay a higher price for expedited delivery. Current consumers are more willing (41 percent) to pay for faster delivery than likely consumers (27 percent); respondents aged 54 and younger are twice as likely to pay more for expedited delivery (38 percent) than those aged 55 and older. Online retailers may find that getting pricing right will be a delicate task.

Two-thirds of cannabis consumers also say clearly marked prices are a must-have feature for prospective online retailers. More than half (58 percent) of respondents with a high school education or less want to see organized product groupings as well, to smooth their shopping experience. Daily or frequent consumers are more likely (39 percent) to feel the availability of accessories—such as pipes, bongs, and rolling papers—is necessary, compared to those who consume less frequently (26 percent).

But what consumers want most from online cannabis retailers is privacy and data security. One in five (22 percent) say that mature, robust data management, privacy protection, and cybersecurity for their e-commerce business is the most important feature, while it's a must-have for 52 percent of current and 58 percent of likely consumers. This strong interest in data security and privacy isn't surprising, given numerous high-profile cyber breaches in recent years and consumers' understandable desire to keep their personal and financial information secure. As well, cannabis consumers are likely to want to ensure their consumption isn't made public because of the potential for personal, professional, or reputational damage.

Shopping preferences in e-commerce



Implications and considerations

The federal and provincial/territorial governments are taking a groundbreaking leadership role in making Canada the first G7 country to legalize recreational cannabis nationally. It is a complex effort, and the needs of diverse stakeholders must be delicately balanced. Public safety—from a health, security, and justice perspective—is paramount, of course. At the same time, there's a strong desire to foster innovation and entrepreneurship across the country and to show the world that a well-regulated, well-run, highly professional cannabis industry can be a positive contributor to a national economy.

For retailers, legalization represents new opportunities and challenges. Successful retailers will be those who learn quickly from their counterparts in other retail sectors, who have experienced a wrenching evolution in recent years as power has shifted to the consumer.

For all involved in this budding industry, there will be lessons to learn, implications to comprehend, and many issues to consider as we embark on the first step of the legalization journey.

Government plays a key role in ensuring public safety

Migrating the cannabis trade to legal channels offers numerous advantages to the country's federal and provincial/territorial governments: a regulated industry, safer products, investments in justice agencies, improvements in public education and harm reduction, and a curb on illegal sales. It also means tax revenues. However, given that sales of cannabis are likely to cut into those of beer, spirits, wine, and even tobacco, it's important that governments ascertain the ultimate impact of legalization on so-called sin tax revenues.

And while the federal government, through Health Canada, is committed to tracking legal recreational cannabis "from seed to sale," the plans to date do not include the detailed analytics and tracking that could provide the system with a springboard. Clarity on this issue is needed.

It's also clear that while federal and provincial governments have largely sorted out their respective roles and responsibilities, municipalities aren't nearly as ready. Cities are still coming to grips with such matters as whether to allow people to consume in public spaces, where to allow physical storefronts to set up shop, how to deal with cannabis lounges and cannabis-themed events, and whether justice agencies have the tools and technology required to deal with public safety issues such as cannabis-impaired driving, illegal sales, illegal sales to minors, and organized crime. We should expect to encounter some bumps along the road after legalization, and trust that we will find solutions to them.

Governments at all levels will also need to establish a strategy to encourage the cannabis industry to continue to develop in a safe, healthy, secure, well-regulated, and professional manner. In part, this will involve making a determined effort to reduce the stigma surrounding cannabis consumption to make those who consume—and those who don't—more comfortable with the idea. Yet at the same time, they must do so without appearing to actually encourage consumption itself.

Consistent experiences, and deep customer insights will play a vital role in ensuring Canadian cannabis retailers thrive.

Retail fundamentals will still apply: customer insight and data is critical

Deloitte's perspective is that to succeed, cannabis companies will need to execute today's retail fundamentals just as effectively as those in more traditional sectors. Consistent and engaging omnichannel experiences, deep insights derived from customer and retail network analytics, and effective security and product integrity will be key to ensuring they thrive. As the cannabis industry matures and stabilizes, customer experience will be of paramount importance. It's essential for governments and other stakeholders to support these retailers, because they're central to the effort to eliminate the illegal trade over time.

Location, as always, matters. But retailers will need to be sensitive to the fact that communities may not take kindly to an inundation of cannabis stores. Careful attention to customer segmentation and skilful exploitation of consumer analytics can help the companies optimize their retail networks.

Our research—and our experience with traditional players—makes it clear that cannabis retailers must deliver an outstanding and secure experience if they're to thrive and, perhaps more important, to attract consumers away from illegal sources. Retailers who make an effort to develop a deep understanding of their customers, and tailor the experience, products, practices, and prices they provide accordingly, will be well positioned to succeed. As the industry matures, retailers will undoubtedly want to differentiate themselves by moving into discount or premium market segments and delivering unique, seamless experiences in-store and online.

It's likely retailers and consumers alike will be somewhat baffled by the wide range of products that will be available. As we've seen, product assortment is important to consumers, and this will be especially true once edibles arrive on the scene. Retailers will need to invest considerable effort into deciding which stock keeping units (SKUs) to bring in, which will undoubtedly be shaped by their customers' preferences.

Online channels will need to safeguard privacy and security

Cannabis retailers' online channels will be an important source for consumers to research and discover products. While many will buy from physical locations, a substantial number of people will choose to buy online for the simple reason of privacy. Many won't want to run the risk of being seen buying cannabis while doing so still has a trace of stigma about it.

This desire for privacy extends to online sales. Consumers want to be able to trust that their personal and financial information, from login credentials to credit card numbers, are kept very secure—and very private. Online retailers will need to be painstakingly clear about what data they collect and why, and how that data will be stored, used, and shared. Cannabis consumers are especially leery of having their data shared or sold in such a way that they end up being characterized as a drug user, an unfair description for a person consuming a legal, if controlled, substance.

Consumers are also concerned about the potential for cybersecurity breaches. Given that hardly a week goes by without yet another report of such a breach, this worry is completely understandable. Cybersecurity risk is constantly evolving, and companies all along the cannabis supply chain will need to regularly update their data management and cybersecurity programs to ensure both client privacy and corporate data protection.

Security and justice considerations must not be overlooked

Cannabis is a valuable product with a well-established illegal market and sizable public health and safety concerns. That means cannabis organizations at all levels—from regulators to licensed producers and retailers—face unique physical and cybersecurity challenges, and all have a critical responsibility to protect the end consumer and the public at large.

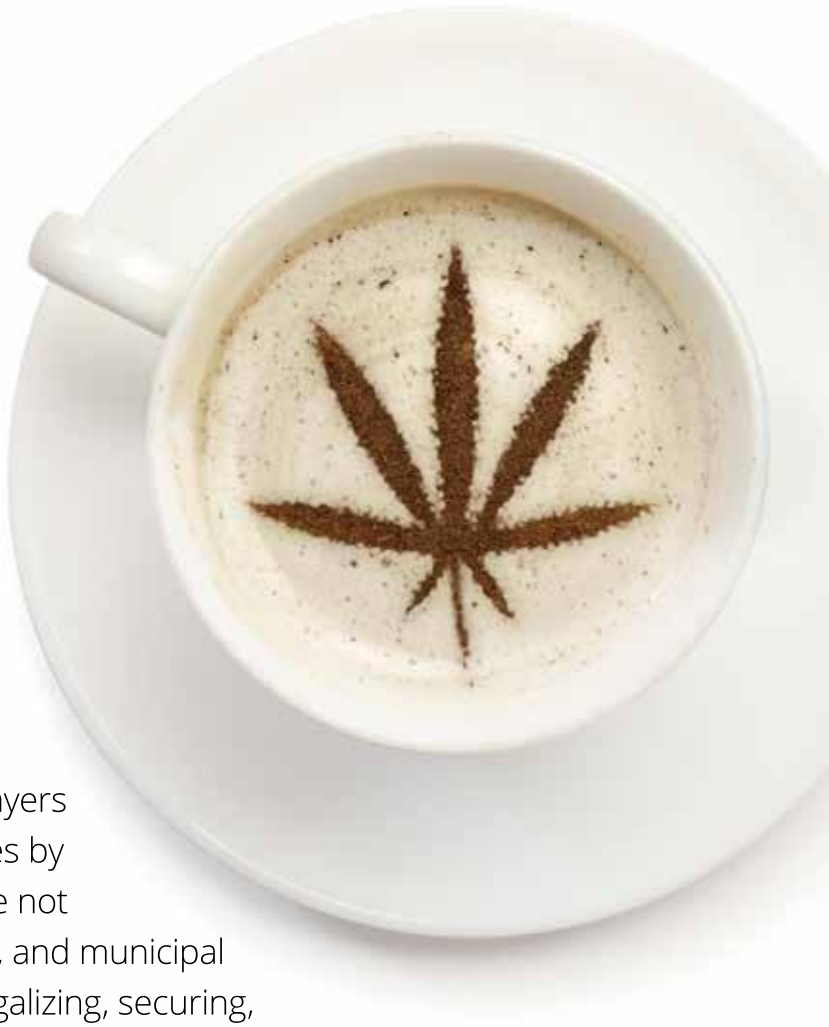
These new cannabis companies must adopt a multi-disciplinary, enterprise-wide approach to help identify, assess, and address the dynamic security risks they face. Those that take steps to implement a full security strategy stand to improve their enterprise risk-management performance overall, increase the organization's value, instill public trust, and achieve an important competitive advantage.

It's also important to note that governments at all levels—federal, provincial/territorial, and municipal—will be developing, introducing, and enacting legislation, regulations, and by-laws regarding the newly legalized market. These new rules will help ensure that Canada's licensed producers, distributors, retailers, and other cannabis organizations do their part to help proactively address issues related to crime, public safety, and community health. They will also ensure the sector coordinates with relevant justice agencies and complies with all applicable legislation and regulations.

It's vital that cannabis organizations adopt a multi-disciplinary, enterprise-wide approach to help identify, assess, and address the dynamic security risks they face in both the physical world and the online domain.

A society in transition, an industry poised for growth

The legalization of recreational cannabis will mark an important change in Canadian society. In time, we expect legalization will legitimize consumption and diminish the stigma that surrounds it today. After all, we've been here before—and we've shown that we have the maturity to develop strong, thriving industries based on tightly regulated, controlled substances such as beer, wine, and spirits. It was not all that long ago that these were regarded in a vastly different light. In our view, cannabis will prove little different. Recreational consumption will eventually become normalized and mainstream, eliciting about as much reaction as having a pint of craft beer.



It can feel at times that Canada's cannabis industry is like the Wild West, with new players seeming to emerge every day and the rules by which the industry is meant to operate are not entirely clear. Federal, provincial/territorial, and municipal governments all play important roles in legalizing, securing, and professionalizing the country's cannabis industry. We encourage organizations all along the supply chain to team with government and respected advisors to strengthen the public trust in a legal cannabis trade, paving the way for a successful new industry in Canada.

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Endnotes

1 Uruguay was the first country in the world to legalize recreational cannabis, in July 2017. https://www.nytimes.com/2017/07/19/world/americas/uruguay-legalizes-pot-marijuana.html

2 Privacy-by-design principles. https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/risk/ca-en-ers-privacy-by-design-brochure.PDF

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