

Cannabis Marketing

IN THE ROARING 2020'S

Basis[®]
Technologies



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The Golden Era of Cannabis Marketing

PART 1

What would you think of this billboard if you drove past it on your commute? It doesn't beg anyone to purchase a product, but the meme-like collection of words and images demands a second glance. When that second glance inevitably lands, an easy-to-remember URL dares viewers to take the next step.

This cannabis ad isn't purely driven by a brand penchant for absurdism. In fact, the ad's cryptic quality is the reason why Smarty Plants has been able to launch their product line similarly to any other CPG. Corresponding ads are allowed to run on platforms like Facebook and Spotify where most cannabis ads are banned, because they don't mention cannabis or include a direct CTA.¹

In this way, Smarty Plants' campaign represents the ingenuity demanded of marketers by the opportune, yet strictly regulated, cannabis sector.



¹<https://www.adweek.com/commerce/these-ads-dont-tell-you-what-theyre-selling-and-business-is-booming/>

Challenges and Opportunities

59% of US adults support adult-use legalization, and 88% support medical marijuana.² 21 states—including Washington DC and Guam—have legalized adult-use, and more than 44 have medical marijuana laws.³

While the eventual federal legalization of cannabis is inevitable, marketers today must navigate a complex advertising landscape. Multiple sets of regulations stack up, from federal and state governments to individual advertising channels. Even if an ad passes all those layers of regulation, it can still be denied—for any reason—by a publisher.



The Golden Era of Cannabis Marketing

GOLDEN ERA:

A time when something is at its most successful

—*Longman Dictionary of Contemporary English Online*

As frustrating as the complexity of cannabis regulation can be, Smarty Plants is a good example of the creative ingenuity that can arise *because* of complex challenges. Cannabis marketers today have an opportunity to reshape advertising as we know it, by changing consumer perceptions of a product whose regulatory history has been shaped by stigma and racism.⁴

Marketers in this space are tasked with more than just selling a strictly regulated consumer good. Their job is to educate, change minds, and reframe stigmas about cannabis use. It's a tall order—but as the cliché goes, diamonds are made under pressure.

Read on to learn how marketers can effectively navigate the challenges of cannabis marketing in the U.S., in order to take full advantage of its many opportunities.

⁴<https://www.bakerinstitute.org/sites/default/files/2021-02/import/inequities-in-cannabis-policy-2021.pdf>

Reefer Madness:

The Cannabis Marketing Regulatory Landscape

When marketers start out in the Cannabis space, navigating regulations can be one of the most intimidating aspects of the job. On the one hand, cannabis **products** are regulated by federal and state governments, as well as industry standards. On the other, cannabis **marketing** is regulated by federal and state governments (the FDA and state Departments of Health, specifically) as well as advertising platforms and publishers. Marketers must research guidelines on the federal, state, and platform level—and make sure their partners are well-versed in them as well—before drafting campaigns.

Types of Cannabis Regulation:

Prohibition

Criminal penalties for marijuana activity.

Decriminalization

The removal of some criminal penalties for marijuana activity (this can mean a variety of things depending on the place)

Medical legalization

This can mean anything from a limited criminal defense in court, to full medical legalization.

Legalization

Full legalization of cannabis means changing state law to make cannabis activity no longer a crime.⁵

U.S. Regulation Timeline

1970
The Controlled Substances Act of 1970 makes marijuana a “Schedule I” drug (meaning that it’s categorized alongside drugs like heroin and LSD).

1996
Proposition 215 in CA legalizes medical marijuana.

2012
Colorado and Washington become the first states to legalize and license the sale of adult-use cannabis.

1937
The federal government criminalizes marijuana for the first time with the Marijuana Tax of 1937.

1973
Oregon becomes the first state to decriminalize cannabis.

1998
Alaska, Oregon, and Washington become the second, third, and fourth states to legalize medical pot.

2016
California, Maine, Massachusetts, and Nevada legalize the sale of adult-use cannabis.

2019
Illinois legalizes the sale of adult-use cannabis.

2021
Connecticut, New Mexico, New York, and Virginia pass legislation to legalize marijuana for recreational purposes.

2014
Oregon and Alaska legalize the sale of adult-use cannabis.

2018
Michigan and Vermont legalize the sale of adult-use cannabis.

2020
Arizona, Montana, South Dakota, and New Jersey legalize the sale of adult-use cannabis.

2022
Rhode Island legalizes the sale of adult-use cannabis.⁶

⁶<https://www.leafly.com/learn/legalization>

THE REGULATORY LANDSCAPE

FEDERAL MARKETING REGULATIONS:

Brands **may not** make any claims that a cannabis product can cure, prevent, diagnose, or treat a serious disease.

Product descriptions **must** be backed by legitimate research and **must not** mislead consumers.

Brands **may** make structure/function claims.⁷

A structure/function claim:

- Does not assert that a product can diagnose, cure, treat, or prevent disease.
- Does assert that a product can maintain, promote, or support a normal structure or function of the human body.

REGULATIONS BY ADVERTISING PLATFORM:

Research cannabis marketing guidelines for each platform where you'll be placing ads, as they all vary. For example:

Twitter allows cannabis ads in US states where cannabis is legal.

Facebook's U.S. advertising policy prohibits ads that promote cannabis sales.

Instagram doesn't allow people or organizations to advertise or sell marijuana on their platform, regardless of state or country.

Google prohibits ads for substances that alter mental state for the purpose of recreation or otherwise induce "highs."

⁷<https://www.fda.gov/food/food-labeling-nutrition/structurefunction-claims>

Interview with an Expert:

3 Questions with a Basis Cannabis Expert

How should marketers think about the many forms of regulations on cannabis marketing?

Basis Expert: Think about regulations in three layers: Federal, State, and platform-specific. Once you're clear on federal limitations, you need to see what parameters live within the state where you're advertising (ad disclaimers, calls to action, etc.) The nuances of each platform and supply/demand side regulations should be covered in that third layer.

What are the common mistakes you see marketers and brands making in this space?

BE: Trying to outsmart the regulations. You can technically scrub a website of any mention of CBD-related terms to qualify for a Google Search campaign, but then your search campaign will have a very low-quality score compared to what users are searching for. You can also try and run a Facebook campaign hoping that their QA checks don't find your campaign, but eventually those campaigns will likely be blocked and your account shut down.

How do advertising platforms like Basis handle cannabis marketing regulation?

BE: Basis Customer Success Managers are responsible for informing our partners of any regulations relevant to their campaigns. At Basis, this is addressed within the standard RFP process, where we share our media recommendations. Cannabis clients can also expect recommendations for best practices in regards to where and how to advertise.

The Future of Cannabis Regulation in Digital Advertising

With just 10% of Americans feeling that marijuana should not be legal at all, increased legalization is inevitable.⁸ Still, until marijuana is legalized on the federal level, marketers will need to approach cannabis advertising with attention to the three layers of regulation: Federal, State, and platform-specific.

For marketers, this means that for the foreseeable future, cannabis will need to be approached with attention to the three layers of regulation: Federal, State, and platform-specific.

How Marketers Can Stay Up to Date on Cannabis Regulations:

Marketers should keep up with trade publications, as tech companies and platforms will continually update their plans. Leafly's [Guide to Marijuana Legalization](#) contains a state-by-state guide to legalization, plus pages for each state with up-to-date information on the latest cannabis regulations.

⁸ <https://www.pewresearch.org/fact-tank/2022/11/22/americans-overwhelmingly-say-marijuana-should-be-legal-for-medical-or-recreational-use/>

A grayscale photograph of a person's face in profile, holding a small glass dropper with a white cap to their open mouth. The person is wearing a textured, ribbed sweater. The background is dark and out of focus.

I Got Five on It:

Five Cannabis Consumer Personas to Know

We know that cannabis consumers are far more diverse than the “stoner dude” stereotype, but there’s a big need to gather more data on their characteristics.

One challenge for marketers is that cannabis consumers typically don’t make their purchasing decisions ahead of time, and very few are brand loyal.⁹

This makes it even more imperative for brands to optimize their packaging and leverage high-impact media at high frequencies. And, of course, they’ve got to understand their target audiences.

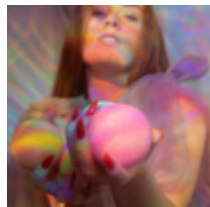
Another challenge is that consumers often blur the lines between recreational and medical use—it’s not either/or, but often both.

⁹<https://store.mintel.com/report/us-the-recreational-cannabis-consumer-market-report>

FIVE CANNABIS CONSUMER PERSONAS TO KNOW

Women

Women are one of the largest untapped cannabis audience segments, and there's a big opportunity to earn their dollars. For example, during the pandemic, Gen Z women had the fastest growth in year-over-year cannabis sales.¹⁰



EXAMPLE CAMPAIGN: Kush Queen CBD

Kush Queen CBD's brand kit utilizes imagery featuring women taking care of themselves, treating themselves, and relaxing. There is a luxurious quality to the imagery, catering to women seeking wellness and self-care.

Boomers

Another important audience segment is the over 65 crowd. There's a big opportunity to market to Boomers, as many cannabis ads focus on drawing in younger consumers.



EXAMPLE CAMPAIGN: Leafly magazine ad

Leafly's print advertisement subtly destigmatizes cannabis use by telling a story about which strains of cannabis consumers prefer, specifically for symptom management.

Millennials

Millennials are a major consumer of cannabis, with 39% of millennial users partaking multiple times a day.¹¹

Another common feature of the millennial audience is an interest in social justice and activism. Given the social justice issues surrounding cannabis, some brands have used marketing to both raise awareness and capture millennials' attention.¹²



EXAMPLE CAMPAIGN:

Jay Z's Monogram Brand billboard campaign

Jay Z's Monogram brand is a good example of a cannabis campaign focused on social justice. This billboard raises awareness of systemic racism within the War on Drugs.¹³

¹⁰<https://www.nbcnews.com/business/business-news/future-cannabis-female-gen-z-women-are-fastest-growing-consumers-h1274253>

¹¹<https://newfrontierdata.com/cannabis-insights/39-of-millennial-cannabis-users-report-consuming-multiple-times-a-day/>

¹²<https://www.forbes.com/sites/deloitte/2021/07/22/for-millennials-and-gen-zs-social-issues-are-top-of-mind-heres-how-organizations-can-drive-meaningful-change/?sh=2609a892450c>

¹³<https://ldi.upenn.edu/news/war-drugs-as-structural-racism>

Wellness & Self-Care Enthusiasts

While people in the U.S. have historically understood cannabis as an intoxicating substance, a building body of research on its health benefits has created a big opportunity for brands to educate potential consumers interested in wellness.¹⁴

The caveat is that marketers cannot assert that recreational products can diagnose, cure, treat, or prevent disease, per the FDA's guidelines (see page 8 for details).

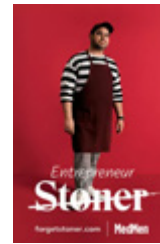


EXAMPLE CAMPAIGN: Dreamt Brand

Dreamt markets itself as “California’s #1 cannabis sleep brand,” and leads with research-backed claims about its products’ effectiveness for promoting sleep.

Newcomers

All the above groups—and many more—contain potential newcomer consumers. As such, there’s a big opportunity for brands to educate and destigmatize cannabis for the U.S. public.



EXAMPLE CAMPAIGN: MedMen “Forget Stoner”

MedMen’s “Forget Stoner” campaign visually busts the “stoner” stereotype, featuring imagery of diverse adults with titles like “officer” and “entrepreneur.” The advertisements ask consumers to reimagine their assumptions about who consumes cannabis.

How Did COVID Impact Cannabis Consumption?

Across the board, the COVID-19 pandemic accelerated consumer adoption of cannabis products: Legal marijuana sales rose by 120% in 2020 and 61% in 2021.¹⁵

As a result of stay-at-home orders, dispensaries and brands amped up their curbside pickup and online delivery options, accelerating the e-commerce market for cannabis.

¹⁴ <https://www.nccih.nih.gov/health/cannabis-marijuana-and-cannabinoids-what-you-need-to-know>

¹⁵ <https://www.theguardian.com/us-news/2022/mar/30/pandemic-marijuana-use-increase-covid>

More Green for Your Green

Best Practices for Cannabis Campaigns

Running your first campaign for a cannabis client, and want to make sure you have all canna-bases covered? Here's what Basis' programmatic experts recommend:

Campaign Targeting

Because cannabis-friendly inventory is limited, we advise against excessive targeting. Tactics should minimize the number of targeting layers and have generous frequency caps—if any. We do not recommend applying hyperlocal targeting, niche creative types, or duplicative targeting with PMPs.

Ad Targeting

- **Requirements:** There's likely a need to do age targeting on cannabis campaigns depending on local laws. Age requirements can vary by state, province, and product.
- **Self-regulatory guidance:** Cannabis is an age-restricted product, so age targeting is required for digital advertising, but regulations are murky at best. To be proactive, many industries set self-regulatory requirements. The cannabis industry has not set self-regulation standards yet, but tends to model itself after the alcohol industry. For alcohol advertisements, age-targeting tactics must meet 71.6%+, 21+ audience composition.
- **Retargeting:** For retargeting tactics, if the data collection occurs on an age-gated website, the retargeting audience may already be of adequate age. In that case, if all is executed properly, you may not need to apply additional age targeting as it could unnecessarily impair scale.

Brand Safety

- Minimal—if any—brand safety targeting should be used for cannabis campaigns.
- Avoid applying “default” brand safety sets used for more traditional brands and products.
- Do not exclude categories like “drugs” or “controversial subjects,” as content that is highly contextually relevant to the campaign will likely be excluded.
- Avoid the use of “safe from”/inclusion style brand safety segments.
- If you must use brand safety targeting, use negative/exclusion targeting.

Exchange Resources

Do not select specific exchanges within the open market. Bidders will automatically enforce ad quality restrictions on open market buying. When exchanges become cannabis-friendly, campaigns will automatically be eligible to run with those exchanges.

Creative Guidelines

- Ads depicting young people are less likely to be approved by exchanges.
- Ads for edibles or concentrates are less likely to be approved by exchanges.
- CTAs should be labeled as “Learn More,” rather than “Order Now.”
- If possible, build two different creative concepts to double your chances of approval.
- Specific exchanges and PMPs will require a pre-approval creative process. Basis recommends allowing for extra time before launch for this process to take place. Also, you may receive specific feedback if your ads are disapproved. Typically, a thorough explanation will be given, although any publisher or exchange has the right to deny creative as they see fit without further explanation. When possible, be ready to make the desired changes to resubmit for full approval and a successful launch.



Blaze it Up

Set Your Campaigns Apart with Basis

Basis automates the media management process from start to finish. Burgeoning cannabis businesses will benefit from its premium inventory, subject matter expertise, and built-for-scale tech capabilities. Basis provides access to:

PEER39 TARGETING

The future is cookieless. Basis integrates with Peer39 to better understand the audiences that cannabis brands want to reach using reliable and privacy-compliant tactics.

INTEREST

Peer39's first-to-market interest targeting is available for use in the open exchange.

SEMANTIC

Peer39's machine learning and natural language processing technologies can determine if an article mentioning cannabis is about its health and wellness benefits or about a police raid where it was confiscated.

DEDICATED PMP TEAM

Basis' PMP team sources custom and always-on cannabis-accepting deals. If you're considering a private deal outside of Basis' 1200 evergreen PMP's, our specialists can help make it happen.

CANNABIS-FRIENDLY DIRECT PARTNERS DIRECTORY

Basis' vendor solutions team is dedicated to maintaining our vendor directory and building relationships with supply partners. We conduct regular audits of cannabis-friendly vendors and partners and can provide a current list upon request.

DEDICATED CUSTOMER SUCCESS MANAGER

All Basis users are guided by customer success managers who provide fast, thorough updates on cannabis-friendly channels.

The Golden Era of Cannabis Marketing

PART 2

The cannabis gold rush is underway, and in kind, our industry is on the cusp of the golden era of cannabis marketing.

While the ever-changing regulatory landscape creates challenges for marketers, it also forces us to think creatively.

Those bold enough to embrace the complexity are bound to find some of their most rewarding and successful work ahead of them in the cannabis space.

“We have a unique opportunity to forge a new path. Yes, we may be confined by legalities, but we’re totally free from the confines of comparison...We’re not just trying to best one another; we’re trying to progress what’s even possible in the industry.”¹⁶

- Adam Fierman, *Global Creative Director at Zerotrillion*

¹⁶<https://shots.net/news/view/in-the-weeds-the-creative-benefits-of-cannabis-marketing>

Glossary

CANNABIS

Refers to any product derived from the plant *Cannabis sativa*.

MARIJUANA

Parts of or products from the cannabis plant that contain substantial amounts of tetrahydrocannabinol (THC).¹⁷

CANNABINOID

Chemical constituents that naturally occur in the cannabis plant, such as cannabidiol and THC.¹⁸

CBD (CANNABIDIOL)

A cannabinoid that is commonly used for pain relief and stress management.

THC (TETRAHYDROCANNABINOL)

The cannabinoid people associate with getting high.

ADULT-USE

Cannabis bought for recreational use.¹⁹

¹⁷<https://www.nccih.nih.gov/health/cannabis-marijuana-and-cannabinoids-what-you-need-to-know>

¹⁸<https://www.merriam-webster.com/dictionary/cannabinoid>

¹⁹<https://www.leafly.com/learn/cannabis-glossary>

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¹⁸<https://www.merriam-webster.com/dictionary/cannabinoid>

¹⁹<https://www.leafly.com/learn/cannabis-glossary>



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Conversation.



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