

# ROADMAP TO SELLING HEMP & CBD

**A retailers' guide  
to understanding  
the category and  
optimizing the  
in-store experience**







NATURAL AND SPECIALTY  
BRICK-AND-MORTAR STORES  
REPRESENTED ABOUT  
14 PERCENT OF THE  
\$190 MILLION IN U.S. HEMP-  
BASED CBD SALES IN 2017.



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Photo Credit: Jennifer Olson  
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CBD can be a life-changing ingredient for the people who take it—and the stores that sell it. According to *Nutrition Business Journal* (NBJ), domestic sales of CBD/hemp oil products reached \$238 million in 2018, a dramatic increase of 57 percent from 2017. Researchers predict a 36 percent compound annual growth rate (CAGR) over the next four years, with growth doubling by 2021.

Natural Products Expo West allowed CBD products for the first time in 2015, and at the 2019 show, there were more than 170 exhibitors with offerings in the category. This is for supplements alone and does not include food, beverage, personal care and cosmeceutical categories, which also represent a large chunk of the market.

In 2017, natural and specialty brick-and-mortar stores represented about 14 percent of the \$190 million in U.S. hemp-based CBD sales, according to *Hemp Business Journal*. By 2022, those stores are projected to account for 28 percent of the \$650 million in sales. These stores also face big competition. CVS, Walgreens and Rite Aid have launched pilot programs selling CBD products in certain states. 📍

# STATE-REGULATION ROUNDUP

- **Idaho, South Dakota and Nebraska** continue to take the position that CBD, including hemp-based CBD, is illegal under state law.
- **California, North Carolina and Texas** have adopted the FDA's position that hemp-based CBD cannot be a dietary supplement or food ingredient.
- **Oklahoma and Maine** passed laws explicitly permitting CBD retail sales.
- **Wyoming and Kansas** passed laws that protect all CBD, with up to 0.3% THC.
- **New York state** requires that all CBD products and cosmetics be manufactured under dietary supplement regulations.
- **Indiana, Utah and Oregon** have unique labeling requirements, such as QR codes or child-resistant packaging.

There are also requirements for state licensing and registration requirements for growing, processing and/or handling hemp.



Even luxury retailer Neiman Marcus began carrying a wide range of CBD products this year. Barneys launched The High End, a luxury cannabis-lifestyle shop. Sephora curates a CBD section in its stores. Shoe-store chain DSW is putting kiosks featuring CBD personal care products in 96 of its stores. CBD products can also be found at practitioners' offices, coffee shops, bookstores, boutiques, fitness clubs, pet shops, smoke shops and dispensaries—as well as online on brand websites and at specialized e-commerce sites such as Thrive Market. All of which shows CBD has arrived, and it's just about ubiquitous.

On the front line of sales as gatekeepers and education experts, retailers play a critical, multifaceted role in building the consumer trust that will grow the industry. Consider the following a GPS to help you route your store's road to CBD sales amidst evolving regulations and shifting gray areas.

## WHERE YOU SELL MATTERS

The recent Farm Bill was massive for hemp cultivation, but it isn't the only part of the conversation when it comes to legislation. The processing and creation of the products sold in retail fall under the FDA's jurisdiction, and the industry eagerly awaits more clarity. But what might be even more relevant now is that each state has its own laws regarding CBD.

State regulations are constantly evolving. As a retailer, you can minimize risk by staying current on your state—and city—laws, and how they are being enforced. Jonathan Lawrence of Fresh Thyme Farmers Market, which has 75 locations across a variety of Midwest states, finds that brand partners and the U.S. Hemp Roundtable keep him up-to-date with the changing legal landscape. "Our partners really support us in knowing the legal issues in every region," he says. "We're in 11 states, and even the different counties have different interpretations of rules about CBD. This is a product where you really have to know what's going on."



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— Jonathan Lawrence,  
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# HOW TO STOCK YOUR STORE

As with all supplements, when considering which hemp-derived CBD products to stock, look for brands that comply with U.S. quality and safety standards for supplements. These standards guarantee the identity, purity, strength and composition of the finished product. In addition, refer to the list below, based on the suggestions of Douglas “Duffy” MacKay, ND, the senior vice president of scientific and regulatory affairs at CV Sciences. He has more than 20 years of experience in nutrition research, dietary supplements, health sciences and regulatory affairs, including 10 years with the Council for Responsible Nutrition.

## WHEN VETTING FOR QUALITY, CHECK FOR:



**Science.** Seek science-based companies with their own science portfolios, rather than companies that use borrowed science, with the assumption that all CBD products are the same—they are not.



**Quality source.** Ask manufacturers if the hemp used to make hemp extract products is sourced from globally certified hemp seeds that are authentically food-fiber-type hemp. Products derived from marijuana and isolated CBD aren't legally allowed in dietary supplements.



**CGMP-compliant facility.** Ask for evidence demonstrating the product was made in a facility that complies with current good manufacturing practices (CGMPs).



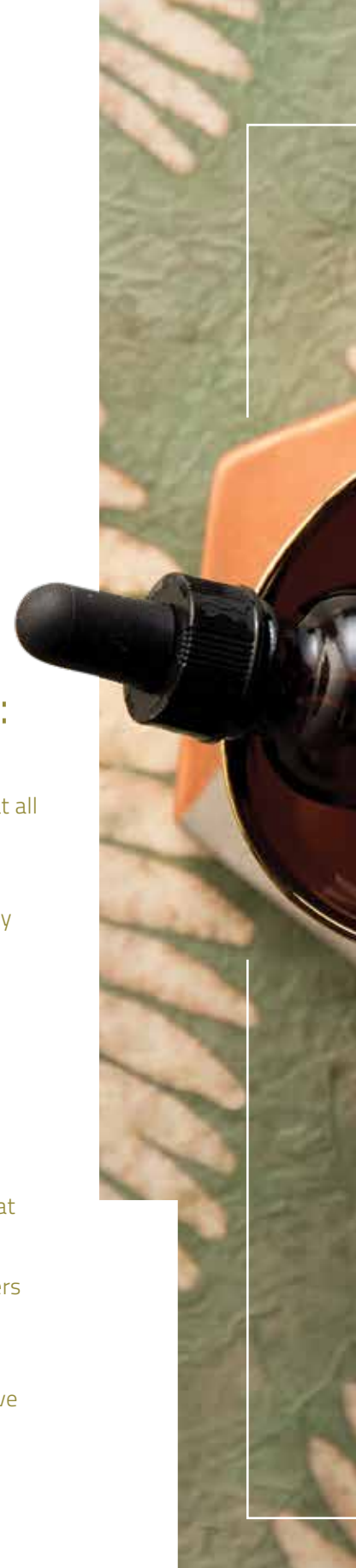
**Specific labeling.** Look for products that include CBD, and the amount of it listed in milligrams, on the Supplement Facts panels of their labels, so consumers know exactly what they are buying. Another plus: companies that include QR codes on their labels and promote other transparency practices.



**Certificate of Analysis (COA).** Making COAs available to consumers and buyers shows that the products have been tested for purity and potency and are absent of harmful contaminants.



**Post-market surveillance.** Supplement marketers are legally required to have an adequate post-market adverse-event surveillance program to monitor and report any adverse events to the FDA. This helps ensure there are no unexpected hazards when the general population consumes the product.







Some retailers have tailored their buying parameters further to fit their store's mission and target market. For example, Lucky's Market carries only full-spectrum hemp extract. "Philosophically, that is in line with what we believe," says Sindy Wise, senior director of apothecary at Lucky's Market.

Annie Rouse of Anavii Market, an online retailer of hemp and CBD products, says they have developed an application process that includes a COA, with full-spectrum cannabinoid testing, terpene testing if available and contaminant testing for residual solvents, microbiologics, heavy metals, pesticides and herbicides. Anavii also does its own third-party testing for random spot-checks to verify the companies' test results.



## GETTING TO THE SOURCE

Find out where the brands you are considering carrying get their hemp. And, of course, make sure the products you stock come from the plant source outlined in the 2014 Farm Bill: industrial hemp-derived, full-spectrum hemp oil. This means it contains less than 0.3 percent THC. It also means no CBD isolates.

## A DEEPER LOOK: NUTS 'N BERRIES

"I couldn't take it; I was getting 15 to 20 companies per day saying 'we have CBD,'" says Mari Geier, co-owner of Atlanta independent retailer Nuts 'n Berries, of the ceaseless onslaught of companies. The store began selling CBD in 2015 and now carries about 26 brands. Last year, the number of companies courting her shelves cranked up. "As I got further into this, some of these products weren't really very good," she says. So, the store developed a three-point system, requiring:

1. General good practices, such as a COA, a panel of tests, clearly labeled products, education and support.
2. A product story—without this, Geier won't let products in the door.
3. A partner relationship that provides samples, education, marketing and point-of-sale.









## HOW WAS IT GROWN?

"AVOID COMPANIES THAT CAN'T SOURCE FROM SEED TO PLANT TO SHELF," SAYS JOSH HENDRIX, DIRECTOR OF DOMESTIC HEMP PRODUCTION AT CV SCIENCES. "IT'S THE WILD WEST RIGHT NOW—PEOPLE ARE MOVING HEMP FLOWER AND STALKS AROUND BETWEEN BROKERS, SO YOU WANT FULL TRACEABILITY."

### HENDRIX URGES RETAILERS TO:

- ☑ Focus on hemp grown outdoors, produced by sun and rain, with no pesticides or herbicides.
- ☑ Look for organic and regenerative growing practices.
- ☑ Look for U.S. Hemp Authority Certification. The seal was designed around the FDA's Good Manufacturing Practices and Good Agricultural Practices.
- ☑ Avoid hemp grown on contaminated soil. Hemp can improve the soil it's grown on by sucking the toxins out and putting carbon back in through a process called phytoremediation—a phrase coined when hemp was found to remove heavy metals from soils near Chernobyl. While this is a powerful environmental cleanup tool, you don't want to sell products sourced from plants grown on contaminated soil.



# GROWING HEMP SALES RESPONSIBLY

Retailers have had success displaying CBD products both in their own CBD category and cross-merchandising them alongside other supplements in condition-specific spaces.

Creating a hemp category creates cachet. "Hemp for your health is going to be the future of the natural products industry," says Hendrix. "The hemp-for-your-health category is coming, and hemp extracts will drive that train."

That's an idea Jordan Fink of Adele's Naturally in southern Indiana tried first, but then he saw an even better way that has definitely paid dividends. "It's all over the store right now," Fink says. "It is what people are looking for. I like to put it in places where if I'm busy someone can find it on their own."

Other stores keep their CBD products in locked cabinets. "It's a high-theft item," says Lawrence. Fresh Thyme keeps half its CBD products locked and half on open shelves close to where staff is parked. The locked cases have not seemed to slow sales. "It's taken off like no other category I've seen in my time," says Lawrence.

Matt Murray of GreenAcres Market in the Midwest keeps some of the store's CBD products in a locked case, too. "Others do better on shelves with structure/function products like stress, sleep and anxiety," he says.

## WHAT YOUR CUSTOMERS THINK

Rarely has an ingredient sparked as much enthusiasm, sales—and confusion—as CBD. Here's what NBJ proprietary consumer research among 2,739 consumers found:

54% of consumers were "not familiar with CBD" or had "heard of CBD but don't know what it is."

Millennials and Generation X are most familiar with CBD, while baby boomers lag significantly behind.

Men were far more than likely than women to be familiar with CBD.

People who purchase CBD are not always sure what they purchased, what it does, how it's regulated or even whether there is a "high" involved in the product they just bought and consumed.

## EDUCATION AND CONTENT ARE KING AND QUEEN

Clearly, educating customers is critical. Retailers we spoke to said it is the cornerstone of product sales. "Be prepared to answer a lot of questions," says Murray. Keeping staff educated is vital. Geier says she spends at least two hours a day studying the medical journals to translate that information to the staff and her community. She and her staff educate customers about the endocannabinoid system and the benefits of the plant.

The most successful brands provide extensive educational materials, which help staff and customers stay well informed. Brand partnerships are essential to education, says Lawrence. "We're so limited with what we can and can't say—having vendors have their trainers and teams come in to talk not only with staff but with customers who have so many questions about these products...they can say what it is and more importantly what it is not."

Retailers say CBD education events regularly pack their spaces—even though they can't promote them on Facebook (it is illegal to advertise or market CBD on Facebook). "We've had the biggest turnout for these lectures than for any other," says Murray.

Fresh Thyme makes each education session more of an event by laying out a spread of snacks and holding a sales promo for CBD products. "They can come learn about it and get a great deal at the same time," says Lawrence.

## A DIFFERENT KIND OF DOSE

"This is not the normal 'take two capsules' product," says Lawrence. Helping customers overcome reluctance about determining their own best dose is key. "Often they don't trust themselves to figure out the right amount," he says. "Really, it's just about helping them get back to listening to their bodies." Have them start with the manufacturer's recommended dose and, because CBD affects each person differently, adjust based on whether or not they feel the effects.





## TOP QUESTIONS RETAILERS GET

- ☒ How much should I take?
- ☒ Will CBD make you high?
- ☒ Is CBD legal?
- ☒ What is the difference between  
CBD and full-spectrum hemp?

-NBJ Manufacturer/Company Survey



# BEYOND SUPPLEMENTS

Supplements are just the beginning when it comes to opportunities for retailers to deliver hemp products. Today, you can find the ingredient in food and beverage products, personal care SKUs, textiles and more—and New Hope Network research shows that consumers are craving new and different products to address a wide range of conditions.

New Hope Network's NEXT Concept Lab tests early-stage product ideas among a nationally representative sample of 1,000 consumers. It uses prediction market methodology, leveraging the wisdom of crowds and using gamification to predict the success of an idea.

Testing and analysis revealed two categories with strong opportunities:

- Sweet treats (CBD cookie dough and chocolate tested remarkably well)
- Topical lotions

Retailers confirmed that customers are seeking more CBD food products. They're also seeking products with higher doses of the ingredient, says Lawrence.








# COMPLIANCE


Just as with any supplement, be sure to stay within the FDA and FTC legal framework when discussing CBD products with consumers. Follow these guidelines, adapted from the Council for Responsible Nutrition's Roadmap for Retailers.


## DO


### **BE VERY CAREFUL ABOUT MAKING STRUCTURE/FUNCTION CLAIMS.**

You may be used to sticking to structure/function claims when discussing other supplements. Remember, there is not much supporting science—yet—for CBD.


 **EXERCISE CAUTION WHEN DISCUSSING TOPICALS.** Remember, you cannot make structure/function claims for cosmetics, which are how most CBD topicals are categorized. "With these products, there's a great desire to talk about pain and joints, but it's really all off limits," says MacKay.


 **EDUCATE WITH THIRD-PARTY LITERATURE.** Teach customers about CBD and the endocannabinoid system with balanced, science-based information displayed in a place that's physically separate from products. It cannot mention a specific manufacturer or brand—even with a sticker.


 **STAY VAGUE.** You can say things such as "it's effective," "it works for me" and "I've had great results using this," according to Zerbib, who says these types of statements can be very helpful, especially when a customer is comparing two different products.

 **DISCUSS INGREDIENT CONTENT.** Tell the customer about where the company sources its CBD and how the hemp is grown. Explain how full-spectrum CBD compares to isolates.

## DON'T

 **MAKE DISEASE CLAIMS.** Don't say the product can treat, cure or mitigate a specific disease. The FDA and FTC jointly sent warning letters this spring to three companies for making false claims about treating diseases such as cancer and Alzheimer's.

 **MENTION PAIN RELIEF.** "Once you bring up any sort of pain or symptom linked to pain-related disease, like fibromyalgia, arthritis or migraines, it becomes a drug claim," says Zerbib.

 **IMPLY THAT A PRODUCT COULD REPLACE A DRUG.** Stay away from anything with pharmaceutical connotations. GW Pharmaceuticals has FDA approval for a drug, and anything that suggests or implies drug status is an invitation for a lawsuit, in addition to regulatory concerns.

 **REPEAT TESTIMONIALS.** "While it's tempting to mention how a customer came back to say, 'Oh my god, my arthritis totally went away with this product,' you cannot use that to sell it to another customer," says Zerbib. "Then it becomes a disease claim."

“






I HAVE NEVER SEEN A PRODUCT CATEGORY WITH AS MANY LABELING VIOLATIONS AS THE HEMP/CBD CATEGORY.”

– Michelle Zerbib, director of New Hope Network Standards

FOR MANY IN THE HEMP/ CBD SECTOR, LABELING AND STRUCTURE/FUNCTION CLAIMS ARE NEW TERRITORY. THE BOTTOM LINE? CHOOSE YOUR PRODUCTS CAREFULLY.



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