Examining attributes of retailers that influence where cannabis is purchased

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Background

- With the legalization of cannabis in Canada, consumers are presented with numerous purchasing options.
- Licensed retailers are limited by the Cannabis Act and provincial regulations with respect to offering sales, advertising, location, maximum quantities and customer support access.
- The degree these policies influence consumer purchase behavior will help inform regulatory refinement.
- This study sought to measure consumer preferences for attributes of cannabis retailers to inform cannabis policy.

Methods

- A discrete choice experiment was used to explore trade-offs consumers make when deciding where to purchase cannabis.
- Attributes included: availability of sales/discounts, proximity, product information, customer service, product variety and provincial regulation.
- Participants ≥ 19 years old who lived in Canada and purchased cannabis in the previous 12 months were included.
- A multinomial logit (MNL) model was used for the base model, and latent class analysis to assess preference sub-groups.

Results

- 1626 people completed the survey (Table 1).
- The MNL model showed that customer service carried the most weight in purchase decisions, followed by proximity and availability of sales and discounts.
- There was considerable heterogeneity in preference patterns, with a five-group latent class model demonstrating best fit (Figure 2).
- Only one group (15% of sample) placed a high value on the store being provincially regulated, while three groups were willing to make a trade-off with regulation to access better customer service, product information or closer proximity.
- One group preferred non-regulated sources (24% of sample), this group was also primarily driven by the availability of sales and discounts.
- Three groups (60.5% combined) preferred online stores.

Figure 1. Sample Choice Task

You are going to make a cannabis purchase from a store, either in person or online, which of the following locations would you choose?

While some options may not seem to be possible, assume both are available as presented.

Attribute	Location 1	Location 2
Prices	Product discounts available	Products offered at regular prices
Product Information Available	Extensive information in each product such as terpene levels, grower and supply chain information	Only what is on the package
Customer Service	I can get all of my questions answered and can receive help selecting my products	No one is available to answer questions of help select a product
Proximity	Store within a 30-minute drive	Within walking distance
Product Variety	Limited product selection	Wide product selection
Store is provincially regulated	Yes	Unknow
Choice	[ ]	[ ]

Table 1. Sample Characteristics

Characteristic		Number (%) N=1626
Sex	Female	776 (47.8)
	Male	833 (51.3)
	Prefer not to say	14 (0.9)
Gender	Woman	756 (46.5)
	Man	825 (50.7)
	Gender Diverse	17 (1.0)
	Other	11 (0.6)
	Prefer not to say	15 (0.9)
Age	19-29	300 (18.5)
	30-39	512 (31.5)
	40-49	231 (14.2)
	50-59	243 (14.9)
	60 or above	340 (20.9)
Education	Did not complete high school	23 (1.4)
	High school diploma	141 (8.7)
	Some post-secondary	237 (14.6)
	College/trade school	533 (32.8)
	Undergraduate degree	470 (28.9)
	Graduate degree	222 (13.7)
Income	<$25,000	140 (8.6)
	$25,000 to $49,999	314 (19.3)
	$50,000 to $74,000	291 (17.9)
	$75,000 to $99,999	264 (16.2)
	$100,000 or more	486 (29.9)
	Prefer not to say	130 (8.0)

Figure 2. Relative Attribute Importance from Latent Class Model

	Group 1 24.9%	Group 2 14.6%	Group 3 21.5%	Group 4 14.9%	Group 5 24.1%
Most Important	Customer Service	Proximity – Prefer brick and mortar	Proximity – Prefer online	Regulated Store	Availability of Sales
Moderately Important	Extensive product Info Product Variety Regulated Store	Availability of Sales Extensive product Info Regulated Store	Customer Service Extensive product Info Product Variety	Customer Service	Proximity – Prefer online stores Product Variety
Minimal Importance	Availability of Sales Proximity - Prefer brick and mortar	Customer Service Product Variety	Availability of Sales Regulated Store	Extensive product Info Proximity – Prefer online Availability of Sales	Regulated Store – Prefer not regulated Minimal product Info
No Importance				Product Variety	Customer Service

Discussion

- The findings identified key factors in Canadian cannabis consumers' purchasing decisions, which can inform efforts to attract more buyers to the legal market.
- While group 4 had their needs met by the regulated market, other groups were willing to make trade offs on regulated status for more important attributes.
- It will be challenging to adjust policies to attract group 5 as they were driven by deep discounts and have a preferences towards non regulated sources.
- Customers represented in group 1, 2 and 3 would be a good target to attract to the licensed market with regulatory modification.
- Given the preferences expressed by participants, such efforts should involve greater access to customer service, detailed product information, and competitive pricing including sales and discounts.
- Policy makers may need to think outside the box when it comes to improving access to information, as many consumers are purchasing cannabis for medical purposes and information from qualified health care providers are needed to fill those gap.

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