

A detailed, high-magnification grayscale image of cannabis trichomes, showing their intricate, hair-like structures and crystalline tips. The background is a soft, out-of-focus gray, making the sharp trichomes stand out.

NAVIGATOR

February 2017

CANNABIS IN CANADA

The only monthly poll and analysis
exclusively focused on marijuana

Introduction

Welcome to the second edition of *Cannabis in Canada*, Navigator's monthly publication focused on Canada's medical and recreational marijuana sector featuring our own in-house cannabis polling.

Public opinion polling can be a valuable tool in this emerging sector. While no poll or any public affairs research is a silver bullet, polling results can provide valuable insight into how the Canadian population views a particular issue, especially one as politically charged and confusing as cannabis.

We believe that public opinion drives political action. Politicians, by their very nature, want to solve problems and leave their mark on public life. Since we know that politicians want to address the concerns of the electorate, it makes sense to understand what that electorate is saying.

This is not just a theory for us.

In each of the federal elections in the last 10 years, we have undertaken significant coast-to-coast-to-coast public affairs research in the 48 hours following the polls closing. We were not so much interested in *how* people voted, but in *why* they voted the way they did, and what they expected from the government. In each of those reports we were able to successfully forecast government behaviour based on our research, and this gave our clients a head start in their communications, public affairs and advocacy.

The legalization of the recreational use of cannabis in Canada is controversial, to say the least. That is not news. This new industry will be subject to the whims of governments for years to come. First there will be federal legislation and regulations. Then, the provinces will consider retail options, and I am sure local municipalities will weigh in on zoning, if applicable. In other words, understanding politicians, their motivations and what their voters are saying about the issue is critical to success in the sector, and perhaps even the very existence of the sector.

One only needs to look at Ontario's move to an open market for electricity in the late 1990s and early 2000s, which the government of the day reversed when public opinion turned drastically against the policy. This is a fight I know well, as I was chief of staff to Ontario's energy minister at the time. We cannot let the same turns in public opinion hamper the long-term prospects for legalizing the recreational use of cannabis. We must learn from that mistake.

In the pages that follow, you will find our snapshot of this month's polling data. (Full polling results are available to subscribers and clients.) I want to highlight a



Will Stewart
Managing Principal

“This new industry will be subject to the whims of governments for years, if not decades, to come.”

few key points that I think can tell us something about the current state of public opinion in the sector:

Support for legalizing recreational use changes radically with age

Millennials are the most supportive, at 51%, and seniors least supportive at 35%. Participants in the sector will likely be happy that the current federal government is focused on youth, so politicians can view the legislation as something that will benefit their election prospects. However, young voters are fickle. Many are not regular voters, and this is the same age group that took to the streets upset with decisions on pipelines and on electoral reform. Will the Liberals see cannabis legislation as a way to keep the youth vote, or will they instead try to bolster their fortunes by seeking to appeal to older voters who don't support recreational use to the same extent?

Impaired driving is the big issue

Last month we reported that 86% of those polled saw impaired driving as the biggest issue in the sector. While many in the sector are taking the position that someone else will have to deal with this issue, smart participants in the sector are trying to figure out how to address it. It has always been assumed that impaired driving was on the minds of Canadians, but the large percentage who expressed concern about it in our polling illustrates what a significant issue this is. If legalization of recreational use comes with an increase in impaired driving incidents, policy-makers may think again about their approach to the product, and could even reverse the policy.

Not only is our research a valuable tool for tracking opinion over time in the sector, it can provide insight into where the industry should unite to ensure a healthy and successful sector moving forward.

“It has always been assumed that impaired driving was on the minds of Canadians, but the large percentage who expressed concern about it in our polling illustrates what a significant issue this is.”

Key Findings

Given that support for legalization is limited to a minority of Canadians, the federal government and its task force on the issue face challenges in developing legislation that addresses a myriad of public concerns.



43%

of Canadians support the legalization of marijuana (only 34% oppose and 23% neither support nor oppose)

Canadians want some kind of control over retailing of the product:



57% support dedicated retail dispensaries that are government owned; 46% support major pharma chains/drug stores

Support for legalization is directly correlated with age/generation:



vs.



Millennials are most supportive (51%)

Seniors (70+) are least supportive (35%)



EIGHT-IN-TEN (79%)

of Canadians agree that purchasing marijuana must be restricted to persons of legal drinking age



The main benefit seen in legalization

is to provide those who use marijuana with access to **quality-controlled products that will meet government requirements for strict production, distribution and sales**



48%

Almost half of Canadians (48%)

would oppose a privately owned, retail dispensary in their neighbourhood; only 23% would support such a retail outlet within proximity of their home)



84%

The main concern about legalization is about **driving under the influence** of marijuana (84% are concerned)

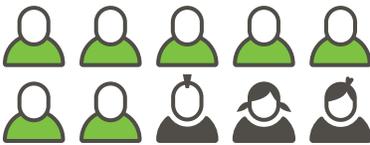


A majority of Canadians (56%) express concern that, if legalized, marijuana will become a gateway drug to harder drugs and substances



$\frac{3}{4}$

Nearly three quarters of respondents see potential positive economic outcomes resulting from legalization, including new tax revenue, licensing fees and the sale of marijuana-related paraphernalia



SEVEN-IN-TEN

are concerned that legalization will result in increased use among young people, including those under the legal drinking age



40%

Only a minority of Canadians (40%)

support a system that includes dedicated, privately owned retailers as the means of purchasing marijuana

When it comes to the establishment of the Task Force on Marijuana Legalization and Regulation,

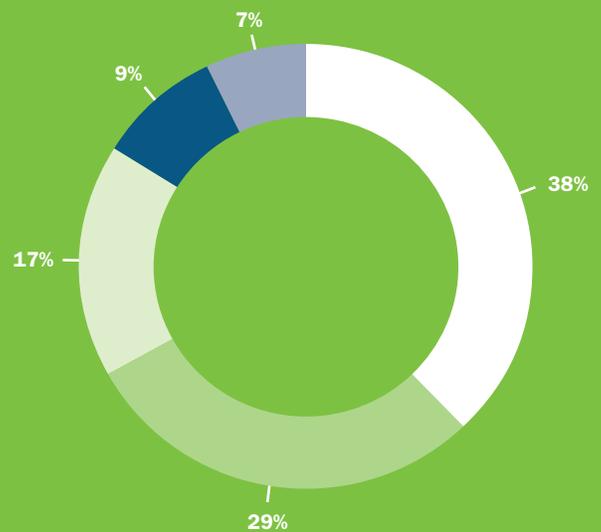
more than half of Canadians (51%) see this as an appropriate step. **Only 26%** oppose the creation of the task force.

51%

The Online Canadian Cannabis Conversation

In January, the online conversation fragmented along five major topics:

JANUARY 2017 SOCIAL MEDIA TOPICS



LEGALIZATION NEWS

Content in this conversation topic consisted primarily of links to news articles covering the legislative process around legalization in different jurisdictions, including commentary on these items.

MEDICAL USE

Content in this conversation category consisted primarily of user reactions to news stories about medical marijuana; academic analysis of different treatment applications; and sharing of personal experiences. This conversation was

predominately neutral in tone, with a spike in negative reactions to news of patients being unable to access medical marijuana. While we found limited interactions about specific medical cannabis products, we found an uptick in conversations about edibles— specifically with hashtags #MME (medical marijuana edibles) and #RushRetweet (a particular brand) surging this month.

DISPENSARIES

Conversations in this category focused broadly on dispensaries, and/

or where to sell cannabis once it is legal. Dispensaries are mentioned in nearly every long-form post about distribution. Police crackdowns on illegal dispensaries tend to generate a high volume of interest and engagement on social media. This month was no exception, as police cracked down on illegal dispensaries in Saint John, N.B.

RECREATIONAL USE

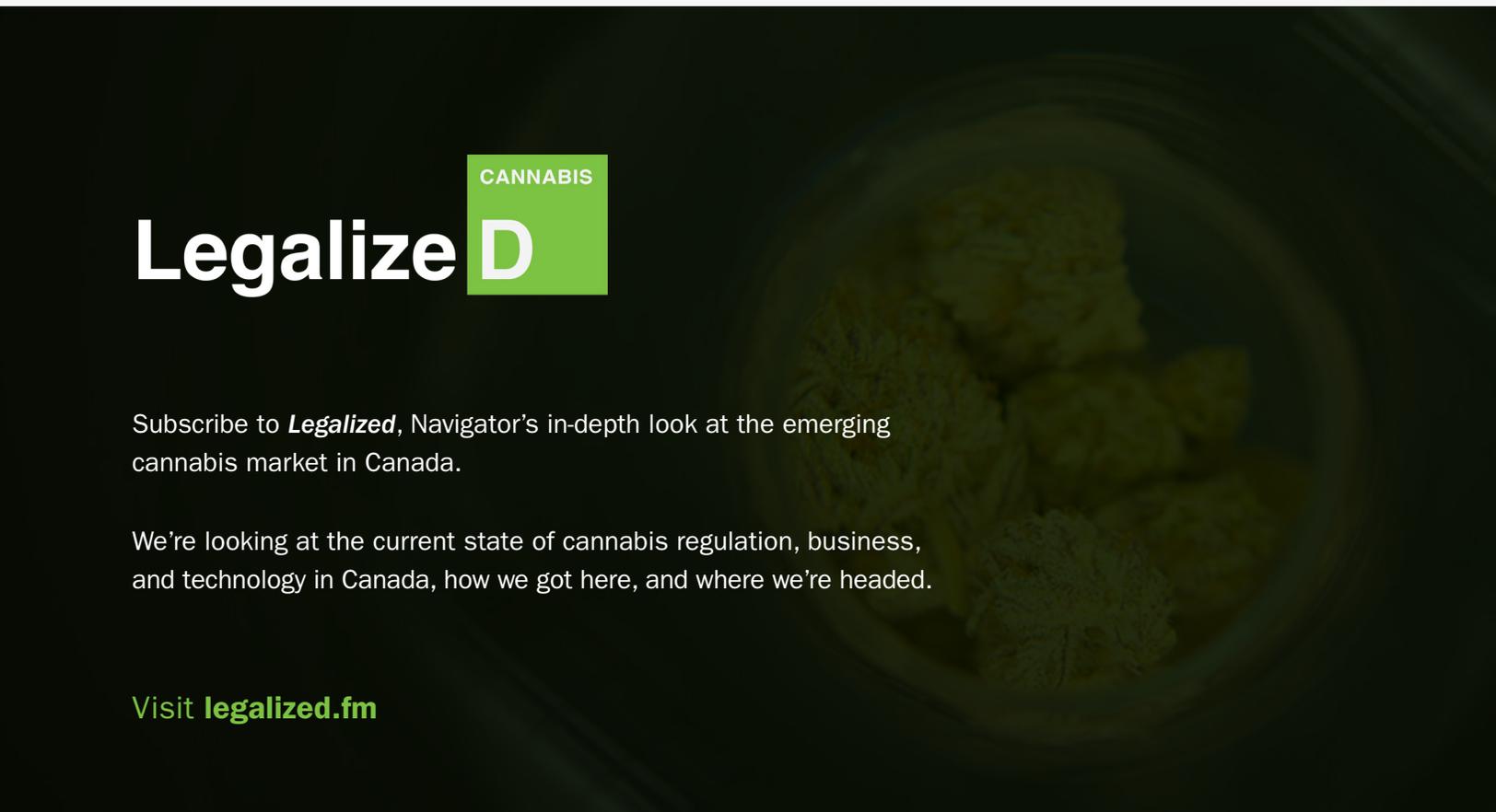
Unlike the “Legalization News” category, this conversation solicited engagement from both ends of the

spectrum—those advocating for and against the legalization of recreational marijuana. Some of this content included long-form essays. We also found that some industry brands with a traditional medical-marijuana focus have begun building brand equity in the recreational space, using social media as a marketing channel.

TAX REVENUE

This conversation topic aggregates posts about the economic benefits of legalization for the federal treasury. Canadians appear to have high expectations regarding economic

benefits of legalization and frequently reference Colorado for comparison. Canadians also reacted to news coverage of Alaska, which collected its first month of marijuana tax revenue. This month, we discovered a new topic of conversation around the idea of using tax revenue from the legalization of marijuana to address homelessness in large Canadian cities. To our surprise, the conversation on how best to use new tax revenues is a passionate one, soliciting intense and emotional engagement. We have also tracked a growing (and passionate) response to prohibition as a waste of taxpayer dollars.



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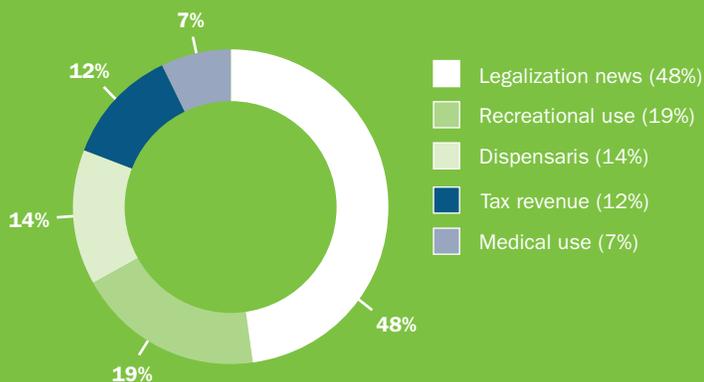
SPOTLIGHT: ATLANTIC CANADIANS SEIZED BY THE TOPIC OF DISPENSARIES

Our digital analysts were intrigued that support for legalization proved to be highest in Atlantic Canada (57%), well above Quebec, which had the lowest levels of support (37%). We dug deeper into the online conversations occurring in these two parts of the country to see if we could glean additional insights. We found interesting differences:

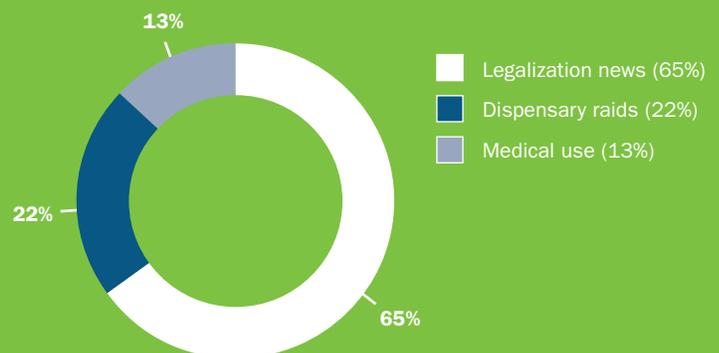
- While the volume of conversation was nearly identical in both regions, the conversation in Quebec was more diversified, spanning coverage of legalization news, recreational use, dispensaries, potential tax revenue models, and medicinal use. There was particular interest among news publishers (but not readers) about the legislative aspects of legalization in other jurisdictions, primarily Maine.
- By contrast, the majority of the conversation in Atlantic Canada was overwhelmingly driven by local news. Raids in Saint John, N.B. were covered in mainstream media across the region and generated public reaction on the topic of dispensaries. These police raids brought to bear the question of how recreational marijuana will eventually be sold to consumers. Publishers produced several follow-up stories, keeping this topic top-of-mind and driving the social media conversation.

True to the research findings, we found overwhelming criticism of the police raids, with online commenters arguing that such raids are a waste of taxpayer dollars and police resources, especially with pending legalization. We should note, however, that we also found sympathy for law enforcement officials, who are seen to be in limbo as we await legislative changes. It would appear that the most active social media users in this space are ready for a post-legalization world.

THE CONVERSATION IN QUEBEC



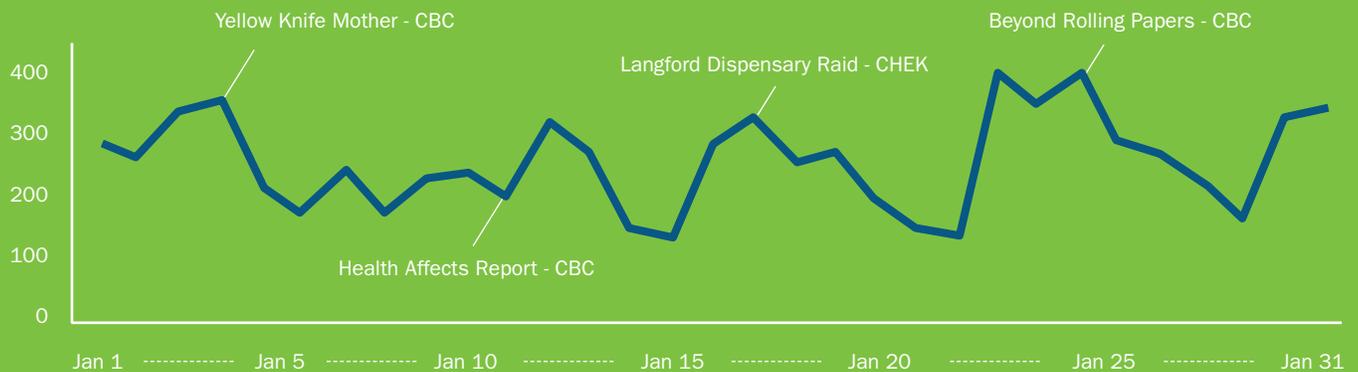
THE CONVERSATION IN ATLANTIC CANADA



NEWS COVERAGE CONTINUES TO DRIVE THE CONVERSATION

We found that spikes in the online conversation were driven almost exclusively by media coverage. Below, we have highlighted news items that received the highest levels of engagement by Canadians.

SOCIAL MEDIA POST VOLUME: JANUARY 2017



TITLE	DATE	PUBLISHER	SOCIAL SHARES	ARTICLE SUMMARY
Shunned over pot: Yellowknife mother reflects on marijuana charges	2017-01-04	CBC	f 1.1K 🐦 47 in 1 Total: 1.15K	<ul style="list-style-type: none"> The article highlights the recent shift in Canadians' attitudes towards marijuana by focusing on the case of a Yellowknife couple arrested in 2009. Kim MacNearney says she started smoking and growing marijuana to cope with chronic pain from a degenerative spine disease after experiencing complications from traditional pain killers. The MacNearneys were sentenced to three months house arrest, two months' probation, and 100 hours of community service. The piece uses the MacNearneys' experience to illustrate how public opinion has changed in the last decade. Initially treated as criminals, their case appears increasingly blurred in an evolving legislative landscape. The MacNearneys ultimately hope to have their criminal records expunged after legalization.

TITLE	DATE	PUBLISHER	SOCIAL SHARES	ARTICLE SUMMARY
Marijuana's health impacts reviewed in U.S. report	2017-01-12	CBC	f 751 🐦 63 in 25 Total: 840	<ul style="list-style-type: none"> The U.S. National Academies of Sciences, Engineering and Medicine recommended further research into cannabinoids for medical use, noting that marijuana can treat chronic pain and be used as a sleep aid. The panel also noted that marijuana can increase the risk of schizophrenia and heart attacks. The committee also noted marijuana has been linked to depressive disorders, can affect motor skills as well as brain development.
Police close down Langford marijuana dispensary CHEK	2017-01-17	CHEK News	f 528 🐦 10 in 0 Total: 538	<ul style="list-style-type: none"> Langford, B.C.'s first—and only—marijuana dispensary was shut down less than a day after officially opening. The article states “locals were thrilled to buy marijuana in their own community” and includes an interview with a resident who planned to use marijuana from the dispensary to treat migraines associated with an eye condition. The piece is sympathetic towards dispensaries and legalization, suggesting that the city had “no choice but to shut it down.” The mayor is quoted saying that “this is not a legitimate business right now” and “we’re not saying we won’t do this in the future”.
Marijuana business expands beyond smoke and rolling papers: Don Pittis	2017-01-23	CBC	f 578 🐦 115 in 15 Total: 712	<ul style="list-style-type: none"> The piece focuses on investment opportunities in cannabis, speculating that legalization will make pot smoking less common. It frames the argument by visiting a Toronto business that currently sits in “legalistic fiction,” claiming to sell water pipes while clearly displaying pot leaves in its store. The article focused on how prohibition has prevented innovation in how people consume marijuana. Without naming specific companies or products, the article claims “smoking will go the way of the dodo” as legalization inspires the production and sale of products that allow consumers to consume marijuana while avoiding the negative effects of smoking.

What your customers are buying is different than what you are selling

Companies operating in the cannabis space need to know what their customers are really buying, not just what they are selling.

Until 1986, Nike was, like most other companies, selling its products by promoting their features and benefits. But the brain trust at the sportswear company was convinced that they were leaving money on the table by following this traditional path. They believed they could achieve a much higher level of sales and brand loyalty by not by following the traditional features and benefits path to convince people to buy.

What changed the course for Nike for the next 30 years, and made it one of the most iconic and enduring brands on the planet, was a simple realization:

What Nike's customers are buying is fundamentally different from what the company is selling.

Since the 1960s, Nike has been selling some of the highest quality, most technologically advanced athletic gear in the world. But what its customers are buying is “Just do it.” They are buying the reinforcement of a real or perceived attitude about themselves that they are “can-do” people—people who don't let barriers stand in the way of them achieving their goals. By using Nike products, you become a “Just do it” person and a part of a community of people who “Just do it.”

The journal you are reading is produced by another company that knows, and can clearly articulate, what its customers are buying versus what it is selling: Navigator is a critical issue management company with expertise in its primary tools of research, communications and government relations as its primary tools (what it is selling). But what its customers are buying is “When you can't afford to lose.” It is the feeling you get when you, your business or your livelihood is threatened, and you really want the help of people who always know the best way out.

In the January issue of *Cannabis in Canada*, we talked about the fact that the marketing of products in the cannabis industry is severely restricted by government regulation. It is precisely because of these restrictions that it is

so important the companies operating in the cannabis space know what their customers are really buying. With so little ability to communicate their brands and products because of the restrictions, it is critical that these companies optimize what few tools are available to them to distinguish themselves from their competitors, and carve out a unique and profitable space for themselves in the cannabis business.

A survey of LP web sites and those of related products shows them all selling their products the traditional way by highlighting their features and benefits. As such, they all look the same and there is nothing to differentiate one from the other. We realize that from a communications standpoint, their hands are tied by strict government regulation so it seems like there isn't much else they can do.

But even under the current stifling regulations, profiling their products from the perspective of what the customer is buying versus what the company is selling will begin the process of distinguishing themselves in the marketplace in a way that features and benefits can no longer achieve. And, as we said in our last column, those who begin the process of positioning themselves uniquely now will be the ones who get the fastest start—and the greatest advantage—coming out of the gate when cannabis is fully legalized.



Ken Aber & Ian Charmandy

“Those who begin the process of positioning themselves uniquely now will be the ones who get fastest start—and the greatest advantage—coming out of the gate when cannabis is fully legalized.”

Are we there yet?

The long road to legalization

Some industry experts have predicted there will be no functional legislation until early 2018, but the government drafted, debated, and passed nine pieces of legislation in the first 12 weeks of sitting in 2016.

Canada's formal announcement of its intention to legalize cannabis at a UN meeting last year grabbed headlines around the world. As Canada is the first G20 nation to take on this task at the federal level, the excitement is understandable.

Health Minister Jane Philpott, made the announcement on April 20, 2016 at the UN General Assembly's Special Session (UNGASS) on Drugs in Washington D.C., saying the government intended to introduce a bill in the spring of 2017 to regulate and control access to cannabis.

"We will introduce legislation in spring 2017 that ensures we keep marijuana out of the hands of children, and profits out of the hands of criminals," Philpott told the UN audience.

Since the time of that announcement, rumours have swirled about just exactly what this means. Some believed cannabis was legal the moment the Liberals won the election in October 2015. Articles declaring April 20, 2017, as the day it will be legalized had a great deal of traction, likely because it makes a great story. The real story is a bit more complicated.

What the Liberal government has done is promise to introduce legislation to Parliament in the spring of 2017 that will seek to "control and regulate" marijuana. This process is expected to work its way through the Canadian parliamentary system over several months, with many predicting "full legalization" not being functional in Canada until early 2018, or later.

The government also formed a task force last year to gather input from across the country that will help guide the expected legislation. The task force report was submitted late last year and included numerous recommendations on everything from personal and commercial cultivation to distribution, age limits, and more.

These findings are expected to inform the legislation that the government has said it will introduce this spring. Short of changing tack and proposing an amendment to the Controlled Drugs and Substances Act, through which medical cannabis is now managed in Canada, new legislation is the expected course of action.

So what is going on in Canada with legalization?

First, it's important to understand the difference between legislation and legalization. What the Liberal government has promised to do is introduce legislation this spring. This can mean any time between late March and mid to late June, when Parliament takes a summer break until mid September.

This bill would have to take the normal path of any new legislation in Canada, passing through three readings and debate in the House and Senate, and receiving Royal Assent, which can take several months or more. If the government introduces something in the early spring, it could be debated and passed before the summer break, but it's also possible that the debate will continue on into the fall or even winter session.

Some industry experts have predicted no functional legislation until early 2018, but the Liberals drafted, debated, and passed nine pieces of legislation during the first 12 weeks of sitting in 2016.

While this unfolds, the provinces, territories and municipalities are also working to come up with rules and guidelines to adhere to this new legislation, which itself could take a considerable amount of time. Concerns with where production facilities are located have already been an issue with Canada's medical cannabis program, and local and provincial governments are already struggling with how to manage eager entrepreneurs seeking to stake a claim in the retail dispensary space.

Will cities be able to ban retail sales or commercial or even personal production? Will provinces have control over sales and distribution of cannabis similar to how they currently manage alcohol? Will provinces set legal age limits? All of this remains to be understood and debated at the provincial, territorial, and municipal levels.

These are all complex issues surrounding a historic task with no similar examples in history. Even alcohol prohibition in Canada was short lived and nowhere near as embedded as cannabis prohibition. The process of undoing nearly a century of cannabis prohibition while also creating and managing a brand new legal industry will be an enormous and time-consuming task.



“...local and provincial governments are already struggling with how to manage eager entrepreneurs.”

David Brown, *Communications Director*, Lift

NAVIGATOR

Navigator is a team of experienced professionals with backgrounds in public affairs, public opinion research, journalism, marketing, law, government relations and politics. Our passion and expertise lead to creative insights and fresh perspectives. Together we are able to offer clients integrated solutions based on sound research and in-depth analysis that explores issues in new ways.

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