



ARTICLE

WHAT OTC CONSUMERS THINK ABOUT CANNABIS

CPG, FMCG & RETAIL | 05-15-2019

It's not every day that a brand-new segment of consumer packaged goods (CPG) products arrives on the scene, not to mention one that we're projecting will create billions of dollars in sales. But that's exactly what's happening with legalized cannabis and cannabis-infused products in the U.S., including both psychoactive products and cannabidiol (CBD) derived from hemp. In aggregate, cannabis holds the potential to change how, what and why consumers purchase CPG products across verticals. In the health and wellness space, for example, CBD products meet many of the same needs as traditional categories (think ailment treatment and general health and wellness).

Importantly, general consumer interest around legalized cannabis consumption has shifted over the years. In fact, a recent Nielsen survey revealed that 34% of U.S. adults (age 21+) are interested in consuming legalized cannabis. Though a majority of consumers are not currently interested, there is a wind of change in the air that will likely gain momentum as additional states in the U.S. move toward legalization of marijuana for either medical and/or recreational purposes, and even more so as products containing CBD derived from Hemp move into mainstream retail outlets. For CPG manufacturers and retailers, this means it's important to understand consumer perceptions and attitudes toward cannabis and the "whys" behind today's green buys to gauge which categories and brands are primed for disruption—and when to make a move in the space.

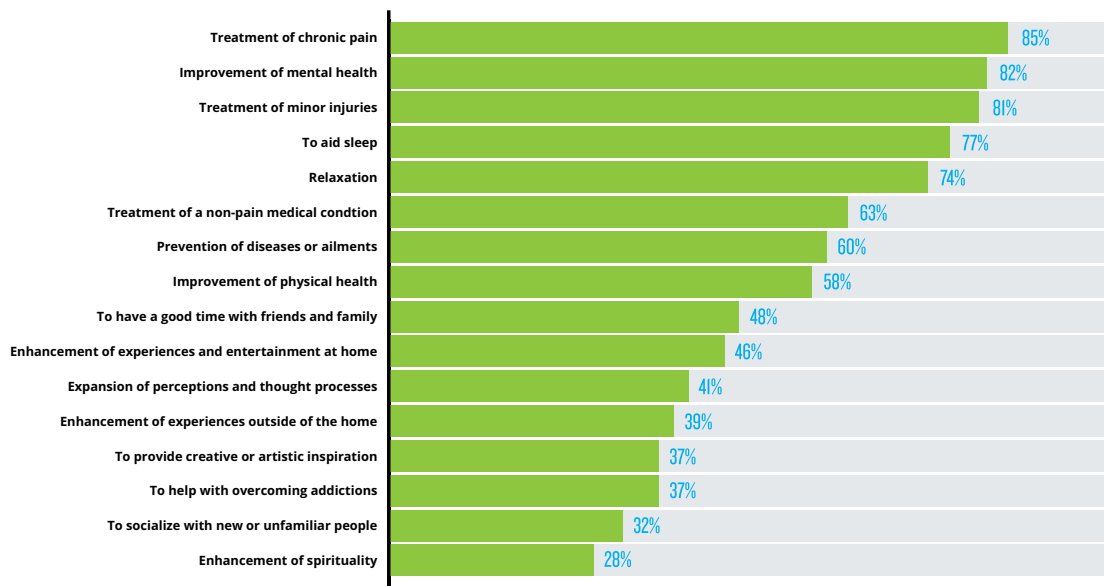
For example, shifting consumer attitudes and interest in legalized cannabis consumption have huge implications for manufacturers and retailers in the health care business. Among U.S. adults (age 21+) who report they would likely consume cannabis if it were legally available, the top reasons are all tied to ailment treatment, prevention and general wellness.

In the health care vertical (and other verticals within the CPG industry), it's also quite important for manufacturers and retailers who carry over-the-counter/prescription (OTC/Rx) products to understand consumer attitudes and preferences for different types of cannabis-derived products. For some needs and ailments, consumers may actually prefer products derived from marijuana, which can only be sold in licensed recreational or medicinal dispensaries. In other instances, consumers might prefer CBD products derived from hemp, which have been federally de-scheduled and are gradually making their way into major retail chains, as these products contain no or less than 0.3% tetrahydrocannabinol (THC), the psychoactive compound found in cannabis. This means that unlike THC, products with CBD derived from hemp have no psychoactive effects when consumed. Today, these products are approved only for non-ingestibles, but the FDA will be considering their approval for consumables as well in the months ahead.

Many consumers find hemp-derived CBD to be helpful in providing relief for a wide range of symptoms, including chronic pain, anxiety and trouble sleeping.

THE "WHY" BEHIND FUTURE GREEN BUYS

If it were legally available, U.S. adults (age 21+) would consume cannabis for the following reasons:



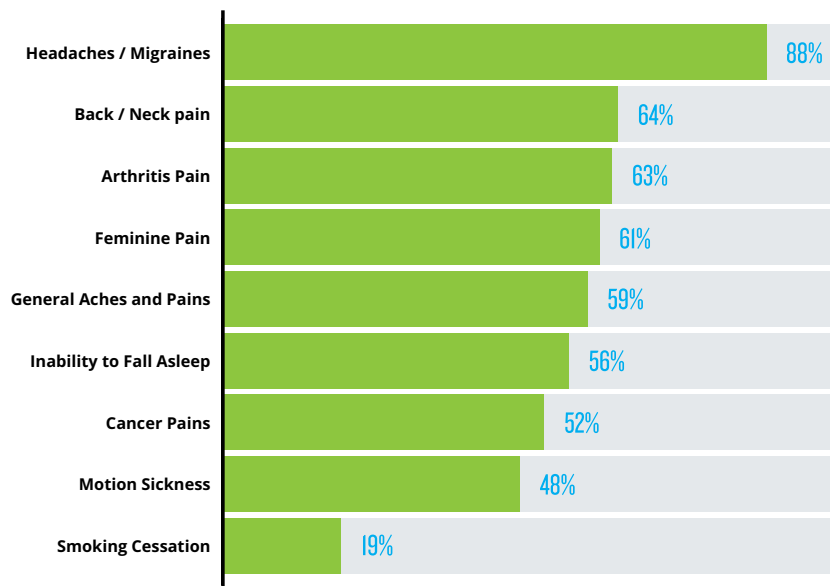
Source: Nielsen U.S. Consumer Research Study

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A significant percentage of certain ailment sufferers are interested in consuming cannabis: 40% of all headache / migraine pain sufferers, 40% of all arthritic pain sufferers and 41% of all back / neck pain sufferers. And, with a few exceptions, the majority of these cannabis-interested adults currently treat their ailments with OTC/Rx medications.

OTC/RX TREATMENT AMONG CANNABIS-INTERESTED ADULTS

Percentage of cannabis-interested adults who have an ailment below and use an OTC/Rx medication for treatment:



Source: Nielsen U.S. Consumer Research Study

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But why are so many consumers considering cannabis as an alternative treatment? The answers point to potential vulnerabilities—and ideas for future innovation—for CPG players. Seventy percent of adults who are interested in cannabis and who today treat their ailment with OTC/Rx medications say they would consider treating with cannabis because of the perception that it's more effective than OTC/Rx alternatives. Sixty-seven percent perceive cannabis to be healthier than OTC/Rx medications, and 69% are influenced by the perception that cannabis is more natural than OTC and Rx alternatives. Just under 50% of adults currently treating an ailment with OTC/Rx medications would consider cannabis as a treatment because they perceive it to be cheaper/more cost effective. The key question becomes "Will perceptions turn into purchases and re-purchases?"

As the market for legalized cannabis grows, it's related impact will interact with a huge cross-section of the CPG industry—for some risk, and for some others opportunity. From health and wellness, to food storage, tobacco and even the traditional food and alcohol/non-alcoholic beverage space, we're at the tip of the iceberg as it relates to the impact of cannabis on CPG categories

So, do you know where your consumers stand?

Note: All information in this article is based on measurement of sales of cannabis products in U.S. jurisdictions where such sales have been legalized, or consumer intentions with respect to future consumption of legal cannabis products.

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www.nielsen.com/us/en/insights/news/2019/what-otc-consumers-think-about-cannabis.html