

Customer wallet share: a deeper understanding of cannabis demographics



Executive summary

This report introduces the concept of customer wallet share — the amount a group of customers spends on a brand, product, or type of product — and demonstrates how it can be used to gain deeper insight into cannabis consumer preferences. It examines category preferences by generation and gender, looks at generational affinity for inhalable products, dives deeper into concentrates, and more. The report is based on tools available in the new Insights Demographics dashboards, which allows subscribers to view detailed market data for nearly any combination of products and people.

Introduction

Market share is a fairly self-explanatory concept. It is, as the name suggests, the share of the total market that a given product or brand or product category commands. But while looking at the overall performance of a product is important, it doesn't tell the whole story. Even at the level of individual SKUs, market share just tells us broadly how something is selling. At Headset, we're always interested in why, which is why we think demographic data is so important. Enter the concept of customer wallet share, which marries demographic data from our new Insights Demographic dashboards with the concept of market share. This gives us a whole slew of micro-markets, divided up by age, gender, product, and other parameters.

Looking at these micro-markets tells us a lot about how consumer groups behave. We start with a broader look at category sales, broken down both by age and gender. Concentrates and Flower are overrepresented among men, telling us that something about smoking and dabbing appeals to them. Edibles, conversely, are more popular among women. The same phenomenon occurs generationally, with Edibles becoming significantly more popular as we move from Gen Z to the Silent Generation, while the Concentrates customer wallet share drops precipitously. To really understand the generational and gender divide, we've included a somewhat cheeky chart comparing the male Gen Z cohort to the female Silent Generation cohort, possibly the two most different demographic groups. Despite our tasteful color palette, the differences really pop.

Speaking of inhalable product trends, we've also looked at what other products inhalables customers purchase. Perhaps not surprisingly, this tends to be other products from the same inhalable category they first came in for (i.e. if they bought a Vapor Pen, they buy more Vapor Pens). To drill down into this, we broke out the Concentrate customer base and compared their customer wallet share to overall market share. This chart really illustrates the familiar product affinity phenomenon, as Concentrates customers by nearly three times as many Concentrates as the average customer. Interestingly, despite that affinity being real, the aversion to Concentrates still increases generationally, with Silent Generation Concentrate customers (yes, they exist) buying the least amount of Concentrate products of any generation.

While the Insights Demographics dashboards offers the ability to look at these affinities and associated products for nearly any customer base, be it one based on

gender, generation, or just products purchased, we didn't want this report to be hundreds of pages long. The data on Concentrates and inhalable products will be useful, we hope, for anyone operating in that area, but the main point is that this type of data now exists for the cannabis industry. And, with the rollout of Insights Demographics, so does a simple but powerful way to access it.

Methodology

Data for this report comes from real-time sales reporting by participating cannabis retailers via their point-of-sale systems, which are linked up with Headset's business analytics software. Sales data are cross-referenced with our catalog of over 500,000 products to provide detailed information on market trends. Demographic information comes from loyalty programs at Headset retailers. This information includes birth-year and gender for many customers as well as a customer number (much like a loyalty card number when you shop at QFC or Safeway).

Headset's data is very reliable, as it comes digitally direct from our partner retailers. However, the potential does exist for misreporting in the instance of duplicates, incorrectly classified products, inaccurate entry of products into point-of-sale systems, or even simple human error at the point of purchase. For this report, the data are also self-reported by loyalty program participants. Thus, there is a slight margin of error to consider.

What is a customer wallet?

In this report, we are introducing a new term: customer wallet share. For our purposes at Headset, customer wallet share or wallet share is the portion of an individual consumer's or a group of consumers' total purchases devoted to a particular product, or type of product (category, segment, brand, package size, etc.). This is in contrast to market share, which is the percentage of total revenue a particular brand, product, or type of product captures. Customer wallet share information is sourced from Headset's new Insights Demographics dashboard.

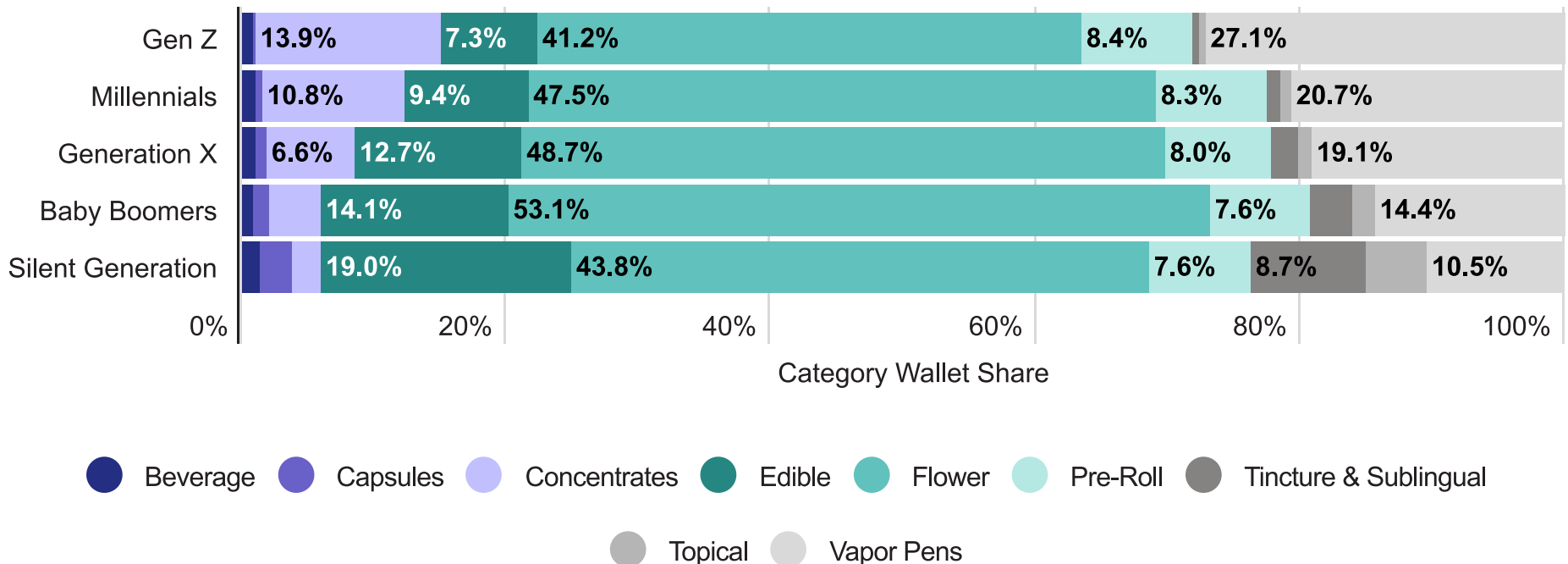
Customer wallets are also interesting in that they're much more diverse than aggregate market shares. More simply put, while there are plenty of people who strongly prefer Flower, no one comes in and buys only Flower. The more granular of a customer base you isolate in the data, the more diverse their buying patterns.

Early adopters and old schoolers

This chart, pulled straight from Insights Demographics, shows us how analyzing smaller customer groups can really offer additional insight. Breaking category wallet share out into separate generations corroborates a lot of what we might describe as “soft” trends — the type of speculative stuff you’re likely to hear around the proverbial water cooler. For example, all the kids are actually vaping. The Vapor Pen wallet share for Gen Z is 27.1%, a full seven points more than even the notoriously tech-friendly, early adopting Millennials.

Flower, the most low-tech form of cannabis consumption, and perhaps the most iconic as well, is popular with Baby Boomers. They are, after all, the generation that made it iconic. Here again, however, breaking out the different generations tells a more interesting story, as the preference for Flower doesn’t extend neatly into the Silent Generation. At 43.8%, they smoke nearly as little as Gen Z. Instead, they prefer Edibles, presumably because they don’t require you to inhale anything to feel their effects. Indeed, Tinctures & Sublinguals, Topicals, and Capsules — all very wellness-oriented, non-inhalable products — are far and away more popular with the Silent Generation, clocking in at 8.7%, 4.6%, and 2.4% wallet shares, respectively. That’s more than double the wallet share of the next oldest generation, Baby Boomers, for the same categories.

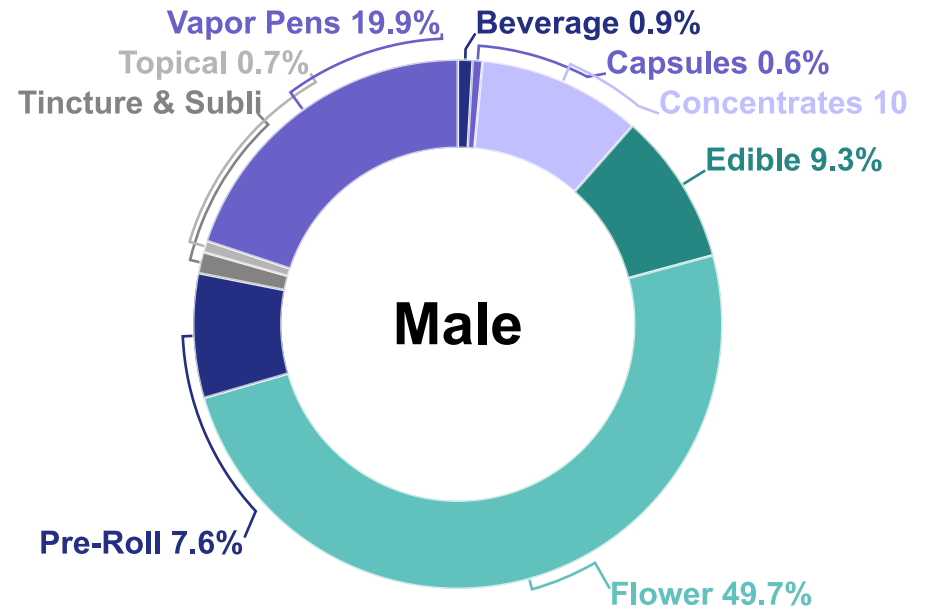
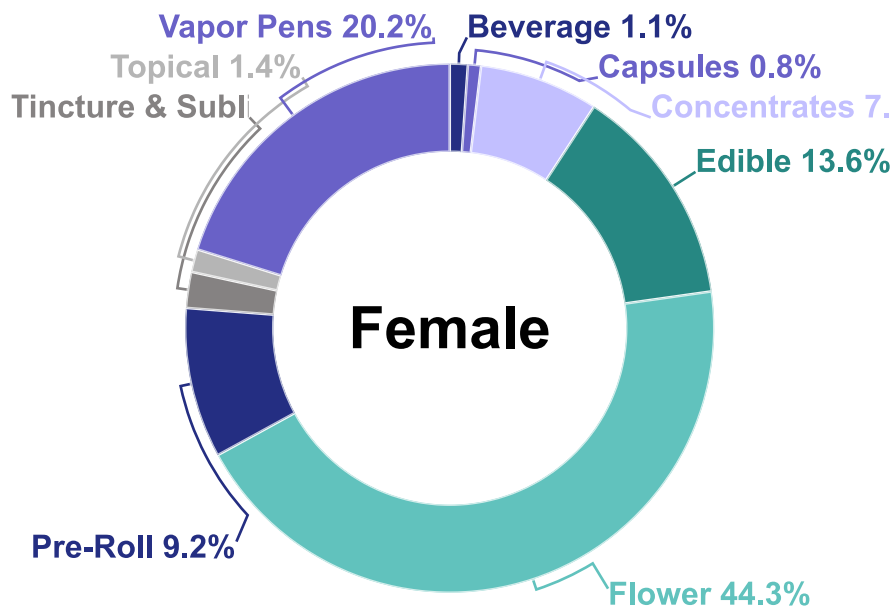
CATEGORY WALLET SHARE BY GENERATION



Her wallet, his wallet

Next we've looked at category wallet share by gender. We should mention that, in the Insights Demographics dashboard, it's possible to look at categories and other topics organized by both gender and generation (which we'll demonstrate in the next slide). For now, we've got some notable differences between the genders without accounting for age. Both Concentrates and Flower are overrepresented in male wallets. Anyone who is familiar with dabbing and the culture surrounding it will not be surprised by this. Despite dabs being enjoyed by people of all genders, the practice of taking a large dose all at once is inherently about being tough and having a high tolerance, both traits being closely associated with traditional masculinity. While it would be easy to explain away the imbalance in Flower purchases by saying that inhaling combustible material is a riskier and therefore more classically masculine behavior, we see that women actually buy more Pre-Rolls than men. Edibles, Tinctures & Sublinguals, and Topicals, on the other hand, are much more popular amongst women, suggesting that there may be some gender-based aversion to inhalation, or at least combustion. Women and men are pretty much even in their preference for Vapor Pens.

CATEGORY WALLET SHARE BY GENDER

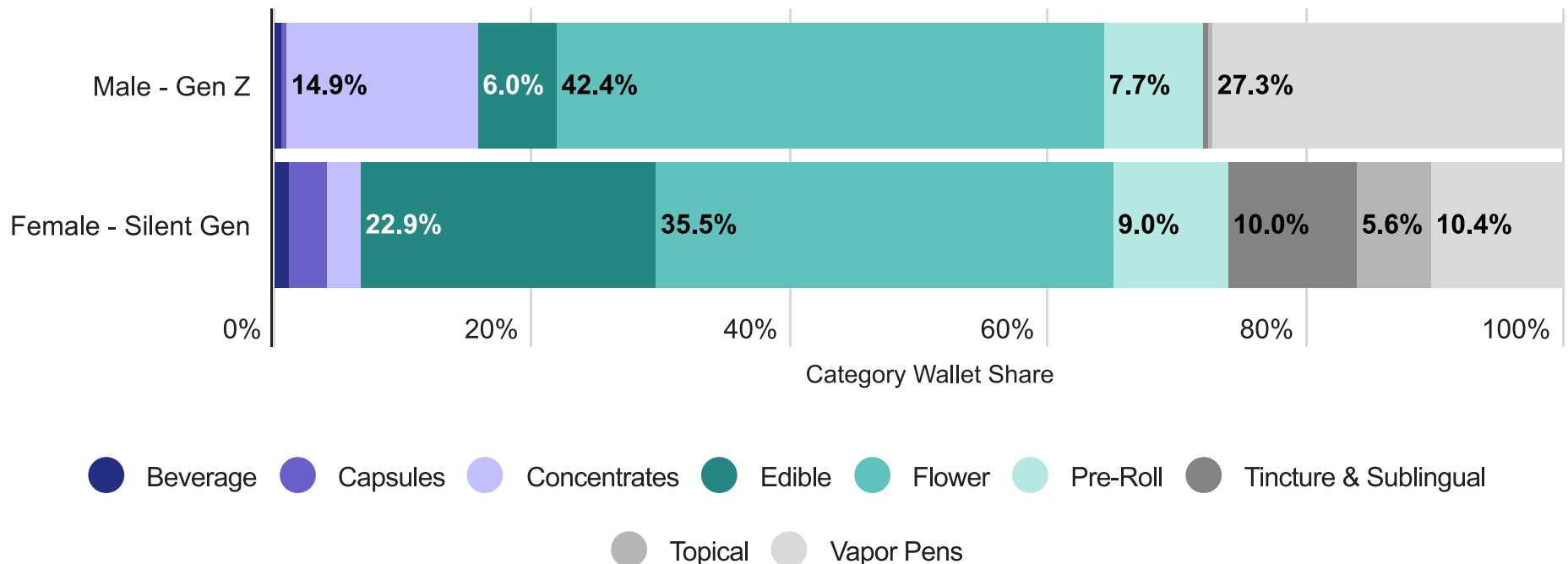


A balance of opposites

Here we get really granular, comparing the two most distinct demographic groups in our dataset: Gen Z men and Silent Generation women. There are definitely some drastic differences here. Silent Generation women are the least inclined to inhale cannabis of any cohort, while Gen Z men love Concentrates (14.9% wallet share) and Vapor Pens (27.3%). And even though Gen Z men shy away from Flower, at only a 42.4% wallet share, that's still way more than the 35.5% wallet share for Silent Generation women. The reverse is true of all the non-inhalable, wellness-adjacent categories we mentioned earlier. Silent Generation women have a 10% wallet share for Tinctures & Sublinguals, a 3.1% share for Capsules, and a 5.6% share for Topicals. Those categories are so small you can't even see them on the wallet share chart for Gen Z men.

What might be most interesting, with two customer groups so distinct, is where they agree. That would be Pre-Rolls, at 7.7% wallet share for Silent Generation women and 9% wallet share for Gen Z men. This mimics other demographic breakdowns, where Pre-Rolls seem to be enduringly popular no matter who you're asking. They may not have a huge share of topline sales, but they do seem to have a universal appeal.

CATEGORY WALLET SHARE COMPARISON: MALE GEN Z VS FEMALE SILENT GENERATION

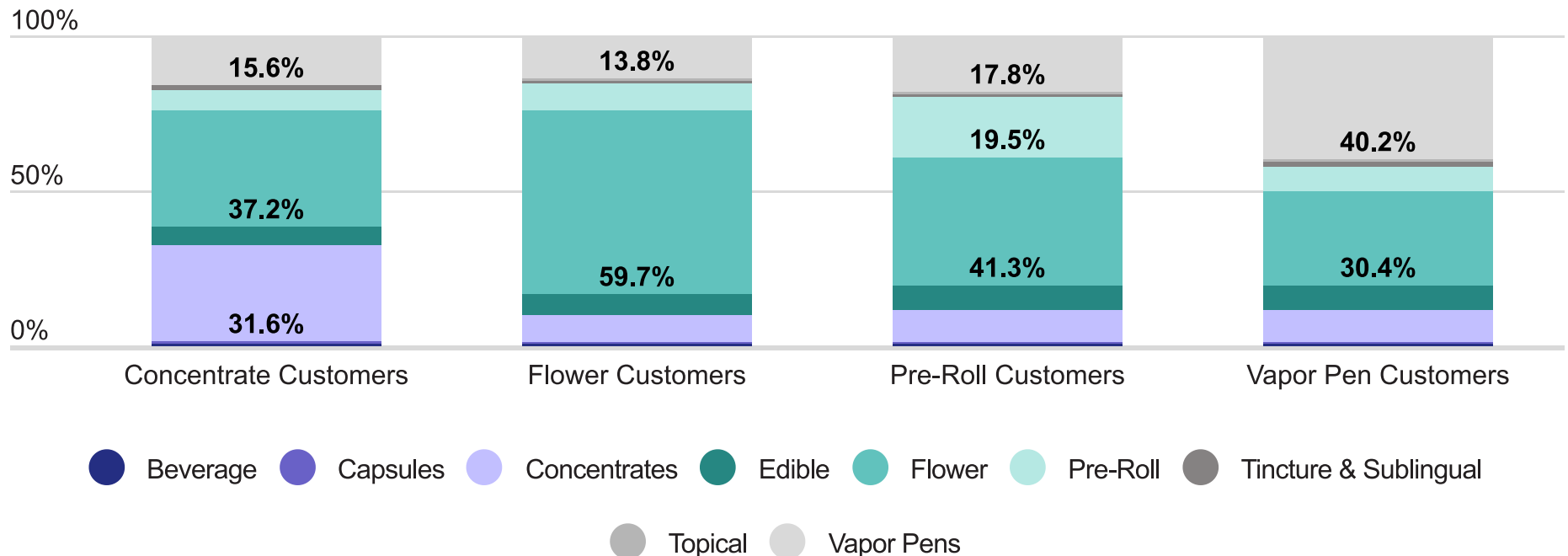


Smoker's choice

Instead of demographic parameters, we instead look at purchasing groups. This chart shows customer wallet shares for people who made purchases within the four inhalable product categories we track: Concentrates, Flower, Pre-Rolls, and Vapor Pens. The cohorts here are a bit more nebulous than an age or gender based group, as people who bought inhalable products within the last six months can overlap significantly with one another. Also, each inhalable category is going to skew towards itself (i.e. Concentrate buyers will naturally have a much higher wallet share to Concentratespercentage of Concentrate purchases). That said, there's still a lot to be gleaned from this.

For one, Flower is as ever the most popular category across all cohorts here, with the notable exception of Vapor Pen buyers. Good news for Vapor Pen manufacturers is that their customers are extremely loyal. Vapor Pen customers spend more on Vapor Pen products than any other single category, at a 40.2% wallet share, which is not necessarily true of Concentrate or Pre-Roll purchasers (31.6% and 19.5%, respectively). Pre-Roll purchasers are actually the most friendly towards other categories, with far and away the lowest wallet share for their own category of any group. This suggests they're most often buying Pre-Rolls along with other things, while other categories are more frequent "trip drivers."

CROSS CATEGORY WALLET SHARE OF INHALABLE CATEGORY CUSTOMERS

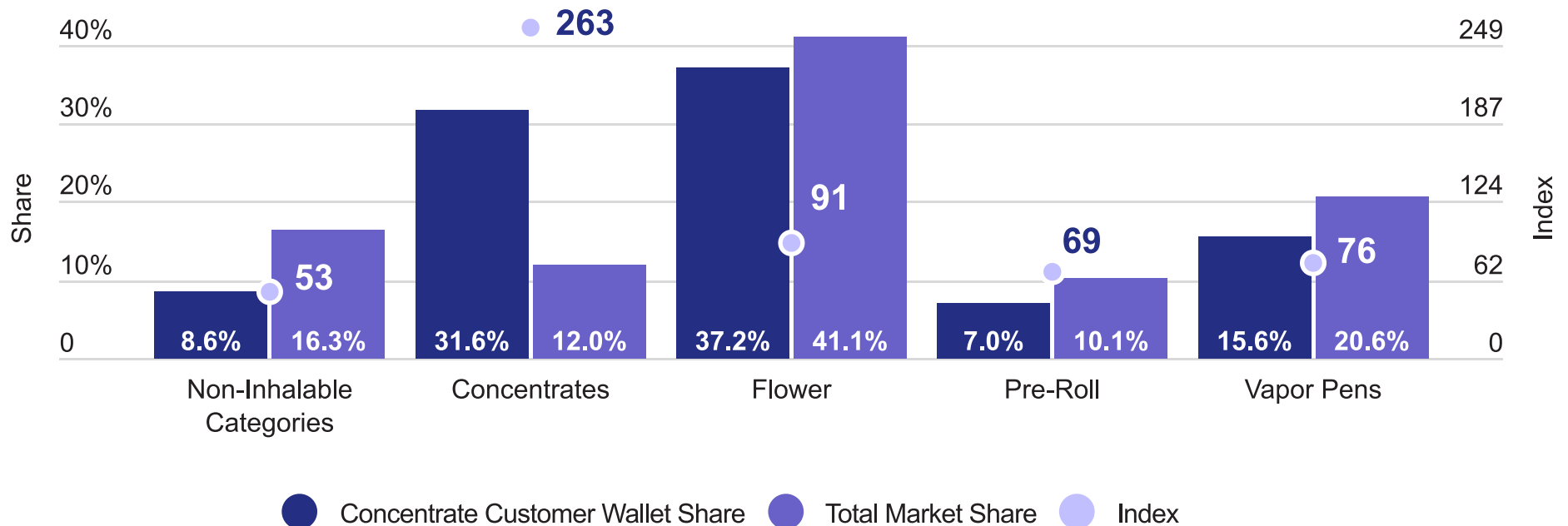


Customer wallets and total market compared

We've made much of how customer wallet shares can show trends that topline sales data cannot, but we haven't juxtaposed those wallet shares with market data. Yet. This slide is exactly that: Concentrate customer wallets compared to the overall market. It includes index values, which allow us to understand how relatively different these two datasets are. If an index value is at exactly 100 for a given category, the total market and the specific customer wallet line up there. If it's above, the customer wallet leans more towards that category than the market at large. The reverse is true for values below 100.

Here we see that Concentrate customers are just that — Concentrate customers. Their index for Concentrate spending is 263, nearly three times the share of the overall market, while they under-index for all other inhalable categories and especially for non-inhalable categories, at only 53. Here we see that even Vapor Pens, technically a different formulation of concentrated cannabis, still under-index, which should drive home that consumers perceive these two chemically similar categories as very different things.

CONCENTRATE CUSTOMER WALLET SHARE VS TOTAL MARKET CATEGORY SHARE

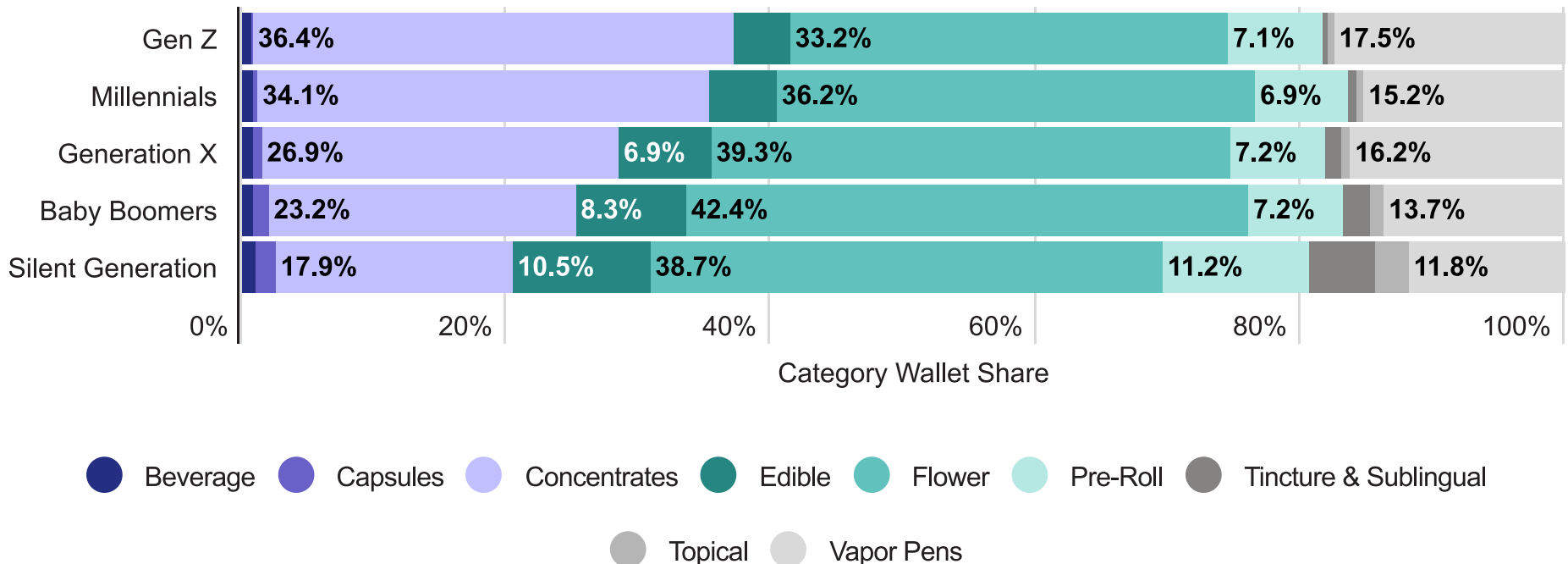


Concentrates customers across the ages

While older consumers are generally not drawn to Concentrates, we're still able to compare those Baby Boomers and Silent Generation consumers who do purchase Concentrates with their younger peers. What we see is that, in line with our top level observation, even these older customers don't have a serious affinity for Concentrates. Gen Z Concentrate customers purchase Concentrates at double the rate of the Silent Generation, 36.4% to 17.9%, suggesting that Silent Generation buyers aren't die-hard dabbers. Perhaps they've been encouraged to give it a shot by a trusted budtender, but the suggestion doesn't seem to be sticking.

As with other customer wallet data, Edibles affinity increases with age, even among Concentrate consumers. Notably, Silent Generation consumers who buy Concentrates also buy Pre-Rolls at a slightly higher rate than other generations, suggesting they're not as averse to inhalable products as the rest of their generation. Indeed, combined with Flower, they actually have the highest percentage of combustible purchases, at 49.9%, of any generation. This definitely confirms the notion that younger generations are more amenable to vaping, be it Concentrates or Vapor Pens.

CONCENTRATE CUSTOMER CATEGORY WALLET SHARE BY GENERATION

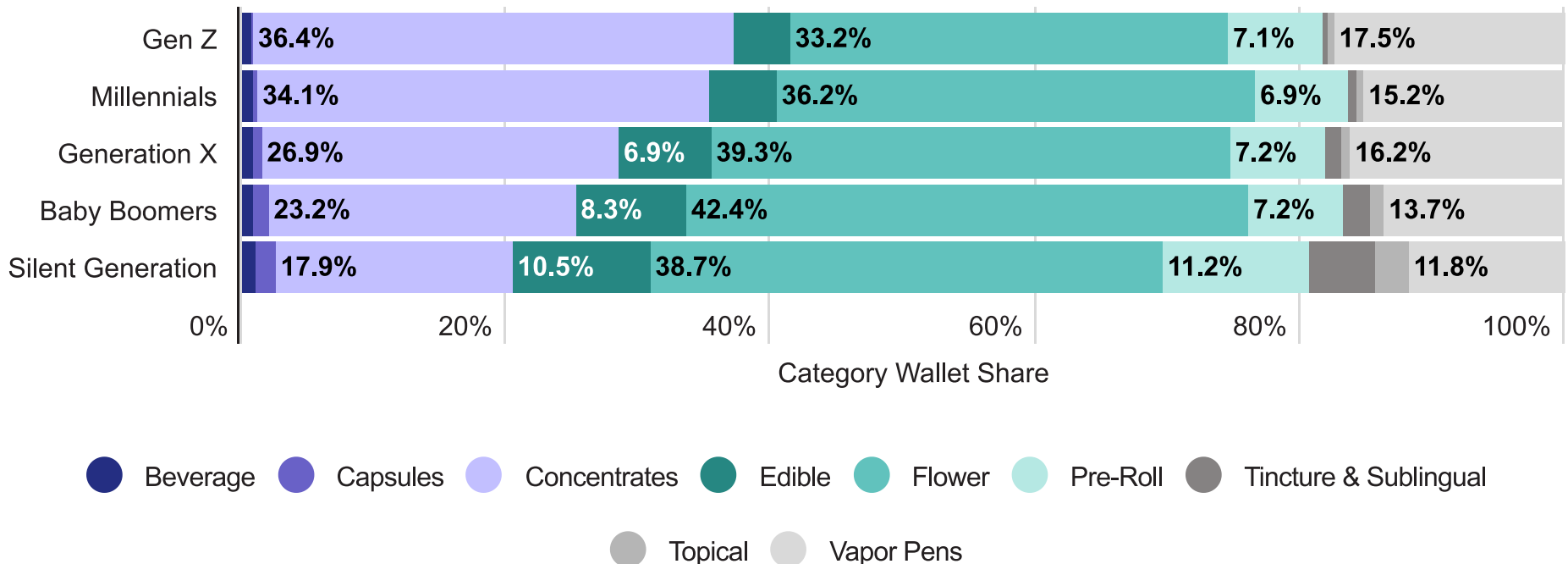


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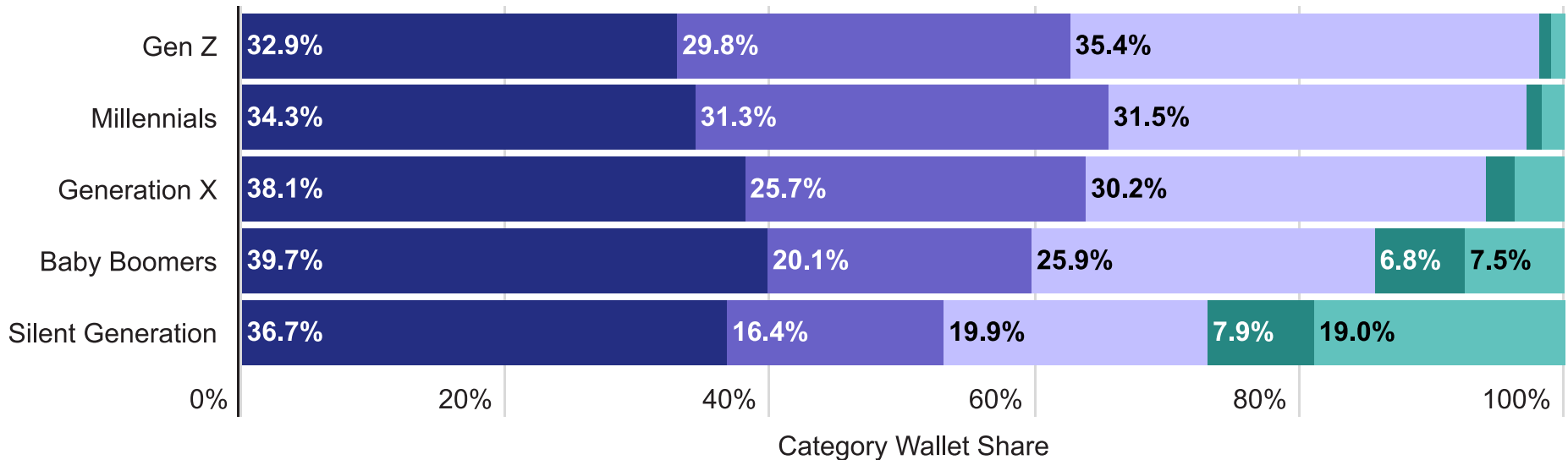


Getting granular

While we've established that older Concentrate customers are just less interested in Concentrates in general, there are still some interesting trends that emerge when we dive into what Concentrate segments each generation prefers. The one that is both most obvious and most evident is the Silent Generation and Baby Boomer preference for Rick Simpson Oil, commonly abbreviated to RSO. Rick Simpson was (to really condense his history) a beloved pioneer of the medical cannabis movement who developed his own extremely simple method of cannabinoid extraction in the late '90s. He was of an age with most Boomers, which might explain why his namesake method is still popular with that generation, as well as even older folks who might have been interested in cannabis back then and have become legal customers since.

What younger generations like is Wax and Live Resin, two products born of more modern cannabis processing methods. To be fair to their elders, it's not like they're being sticks-in-the-mud; these products simply didn't exist when they were coming of age. Among the early adopters, Millennials seem to like Live Resin a bit more than their Gen Z counterparts, who prefer Wax - which usually has the lowest average item prices of all tracked Concentrate segments.

CONCENTRATE CUSTOMER SEGMENT WALLET SHARE BY GENERATION



Other Concentrates
 Live Resin
 Wax
 Hash
 RSO / WPE / Full Spectrum

Conclusion

As the main point of this report is to demonstrate the power of detailed demographic breakdowns of the cannabis market, it's difficult to make too many predictions about specific cannabis products and product categories. However, we do see a lot of trends recurring, and some interesting new ones in the area of Concentrates.

For starters, what we'll call the "recreational vs wellness" divide, and how it breaks down by gender and generation, seems to be pretty set in stone at this point.

Younger generations and men are more interested in products associated with getting high, like Concentrates, while older generations and women are much more interested in Topicals, Capsules, and Tinctures & Sublinguals. The division in interest around inhalable products breaks down in similar ways, with older generations preferring Edibles by a significant margin. These trends appear in nearly all our demographic data, and would almost amount to truths at this point.

We've also seen a very consistent preference for Vapor Pens in younger generations, with Gen Z being the most enthusiastic customers. Concurrently, Boomers remain the biggest buyers of Flower. This suggests that the tobacco industry trend of Zoomers embracing vaping en masse and rejecting cigarettes applies to the cannabis industry too, although Pre-Rolls enjoy a low but consistent level of popularity across generations and genders. Notably, the Silent Generations avoids just about anything inhalable, preferring Edibles and other methods of application. Again, they are the most health-conscious cohort, which makes sense when you consider that their age range begins at 75.

Long story short, we expect these preferences to persist, as they have in our dataset so far. What's new and interesting here is what we've learned about customer affinity by grouping customers into groups based on their purchased categories. In the instance of inhalable category consumers, we see confirmation in the data that Vapor Pen purchasers are predominantly interested in Vapor Pens. While they definitely still buy Concentrates, Flower, and Pre-Rolls, they don't buy nearly as much, suggesting that they're not terribly interested in dabbing and definitely not interested in smoking. Concentrate and Pre-Roll customers still buy mostly Flower, suggesting that they, on the other hand, are down to smoke.

It might seem obvious that Vapor Pen buyers don't want to smoke, but by breaking the data down into customer wallet groups like this, we're able to see that there also isn't a special affinity for Concentrates there. This tells us that Vapor Pen customers aren't simply avoiding smoking, but may also be interested in a lighter, more controlled and portable cannabis experience than Concentrates offer.

If we may make a shameless plug here, teasing these tales out of demographic data is exactly what the Insights Demographics dashboard was created to do. While we don't know if, say, Baby Boomers who enjoy infused hot chocolate products are more inclined to also buy an infused chocolate bar, Insights Demographics could help us find out.

Takeaways

- Customer wallet share takes the concept of market share (how much of the market a brand, product, or product category commands) and applies it within specific customer groups. Customer wallet share data is drawn from our Insights Demographics dashboard.
- Customer wallet shares for the five generations yield several useful bits of information: Zoomers are the best customers for Vapor Pens, the Silent Generation vastly prefers Edibles, and Baby Boomers are still buying Flower.
- The differences are less pronounced between genders, aggregated across generations, but still there: men prefer Concentrates and Flower slightly, while Women show up more for wellness products like Tinctures & Sublinguals, Topicals, and Capsules.
- The differences between generations and genders are most pronounced between Gen Z men and Silent Generation women. Gen Z men barely purchase any wellness-adjacent products at all, while Silent Generation are uninterested in Concentrates and Vapor Pens. They both buy Pre-Rolls at roughly the same rate though.
- There's a divide between Vapor Pen buyers and other buyers of inhalable products. Vapor Pen buyers want Vapor Pens. Pre-Roll buyers, however, want a bit of everything.
- Comparing customer wallet shares for Concentrate buyers to market shares in general shows a strong, strong preference towards concentrates. This cohort is nearly 3x more likely to buy a Concentrate product than the average customer.
- Among Concentrate customers, older generations prefer segments associated with older methods of cannabis extraction, like Hash and RSO. Younger generations are more favorable towards Live Resin and Wax.

About Headset

Headset is a consumer data analytics platform that provides market intelligence for the cannabis industry. Our extensive Market Reports deep-dive into specific categories and aspects of the industry to help businesses better monitor the market and perform exhaustive category analysis. Reports are generated via aggregate, real-time transaction data to get a unique and thorough analysis of what's happening in the cannabis industry as the data becomes available. Headset offers three distinct products that help retailers, dispensaries, brands, product manufacturers, distributors, and investors move ahead in the industry.



BRIDGE

Become a preferred vendor by ensuring your retailer has the right amount of product at the right time. Through vendor managed inventory, Bridge positions your cannabis operation to limit stock-out events and streamline the reorder process.



RETAILER

No matter what stage you're at in your retail business, you'll make better decisions using data. Headset's cannabis data & retail solutions give you the insights you need to optimize all the moving pieces and better understand your customer base.



INSIGHTS

Real-time market intelligence software to empower cannabis operators and businesses alike to track consumer trends and identify opportunities as they appear, not months after they've been capitalized on by competitors in your market.



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