



# Canada's Cannabis Industry: Strategy and Operations

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For any new company, setting strategies and establishing effective operations can be time-consuming and challenging. Add to this the obstacles of navigating a newly legalized market where government and industry standards are being established in real-time, and establishing clear strategies, generating consumer insights, and even defining business models often get put on the back burner.

For companies that were emerging in Canada's cannabis industry last year, this may sound familiar. However, the challenges faced in the industry are matched—if not surpassed—by the potential for opportunity and growth.

## AUTHOR

Ian Brenner  
Senior Managing Director

When B. Riley Farber was asked to consult for a large, vertically integrated Licensed Producer with international distribution in the recreational and medical cannabis markets, we were not only well-equipped to face the challenges, they also recognized the ample opportunities to capture market share globally.



## The Challenge

When the Licensed Producer approached Farber, they were growing rapidly but needed guidance in the areas of strategic planning, customer insights, and business analytics.

### Strategy

Early on, Farber's [Business Strategy](#) practice established that the company first needed to answer critical strategic questions like:

- Which markets should be pursued and how can opportunities be evaluated?
- Why would employees, partners, and customers be attracted to the company?
- How can proper behavioural norms be established in a company growing 300% per year?

Answering these questions needed to be done in a way that brought the company's leaders together, developing a cohesive team to face the challenges ahead.

### Customer Insights

Although the company was seeing rapid growth, they were not learning from their activities. They hadn't yet queried their own database to answer questions like:

- What products sell better, and where?
- How do our customers differ by their purchasing behaviour?
- What is the lifetime value of our customers?

It was clear that the company needed to build the capabilities to mine the data they had collected on existing their customers. This would provide them with a better understanding of their customers' buying habits and preferences, allowing them to better forecast for the future. This would not only improve customer retention, but also product-specific and geography-specific marketing.

### Business Analytics

While the company's growth was a positive factor, they lacked an enterprise resource planning (ERP) system to understand their inventory requirements for future product demand. Some of the main questions the company needed to consider were:

- How can various scenarios to forecast demand be used to establish inventory needs for both medical and recreational cannabis?
- How can greenhouse space be coordinated to maximize output given that cannabis strains grow and flower at different rates?
- How much time is required to produce various types of products given that some processes (such as oil-solvent testing) are unique to specific products?



The model also needed to be flexible to ever-shifting inputs and business conditions.

## The Solution

When it came to establishing the company's strategy, B. Riley Farber worked closely with the company's board and management team to help articulate their intent by developing a mission, vision and values. The company then brought in B. Riley Farber's Organizational & Talent Development practice to help instill the mission, vision, and values in their top team members and to help them build both business acumen and emotional intelligence in a way that created strong interpersonal connections.

In addition, once talent gaps had been identified in the company, Farber's [Interim Management & Executive Search](#) practice worked with the CEO to find and hire several key executives. B. Riley Farber's Organizational & Talent Development practice was brought in once more to provide coaching to executives who were operating in new roles. In terms of analyzing the company's **market data**, B. Riley Farber mined the existing customer database and provided key insights into the buying habits of their customers. In addition, B. Riley Farber worked with the company to identify their strengths (high rate of new clients, diverse client base) and areas of concern (issues around customer retention, high variance in customer relations, inconsistent success with product lineup).

Once they identified these problem areas, Farber's team made recommendations for improvement, including helping first-time customers select products by suggesting popular products based on their specific demographics and following up with customers at select intervals based on their buying patterns.

To bridge the approximate one-year gap that it would take to select and implement an ERP system, the company needed an interim solution to understand its inventory demands and capacity. Farber's [Business Modelling & Analytics](#) team worked closely with the company to create an advanced excel-based inventory planning model.

One of the first steps was to establish whether a push or pull inventory model would best suit the company's forecasting needs. Ultimately, a pull type model was selected. Farber's team then worked to understand the production and operating processes for each product type and strain combination, including the time required for various stages—such as propagation, hardening, flowering, harvesting, drying, testing and packaging.

## The Result

The company used a number of Farber's services – including the [Business Strategy](#), [Business Modelling & Analytics](#), [Organizational & Talent Development](#), [Interim Management & Executive Search](#) practice—to establish their focus, gain an understanding of their customers and inventory needs, identify gaps in staffing, coach their leadership team, and even recruit for new positions.

B. Riley Farber helped the company's board and management team establish a cogent strategy and clear mission and vision that resonated with all stakeholders. This was a critical step in enabling the company to raise hundreds of millions of dollars in capital from new investors.

By mining the company's customer data base, B. Riley Farber was able to provide a clear understanding of customer



buying habits and retention scores across various demographics, which also shed light on the company's poor customer retention rate. This made it apparent that their high rate of customer acquisition was not translating into sustainable success.

Improving customer retention became the company's primary objective for the following year and they are launching a number of initiatives across the business.

B. Riley Farber provided the company with a business model that could run various forecasting plans with different product types and strains, allowing them to determine the timeframes in which the inventory would need to move through each stage of the production process. The model also highlighted areas of concern, such as capacity constraints.

The speed and efficiency of running scenarios using the new model was a faster and more accurate methodology than the process the company had previously used for forecasting.

With Farber's analysis, consultation, and guidance, the company was able to raise funds from international investors, setting them up for the next stage of their evolution.

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Building an Executive Team for a Cannabis Start-Up [Read case study.](#)