

TBC Special Report:  
**On a Beauty High  
With Cannabinoids**

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**theBenchmarkingCompany**

*Beauty & Personal Care Consumer Research*

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In the beauty industry, ingredient stories come and go but there is one ingredient that is disrupting the landscape in a radically compelling way: cannabis. Edgier and more scintillating than any ingredient to come before it, in this special CEW report, The Benchmarking Company takes a closer look at cannabis and how its presence in beauty and personal care (BPC) products is creating a new high in the natural/organic category.

Want to know more about how and why today's consumers are clamoring for cannabis? Purchase The Benchmarking Company's 2018 PinkReport® *The New Age of Naturals*. For immediate, actionable information on beauty trends and what today's beauty consumer wants from you, visit <http://benchmarkingcompany.com/beauty-by-the-numbers/> or contact us at [info@benchmarkingcompany.com](mailto:info@benchmarkingcompany.com)

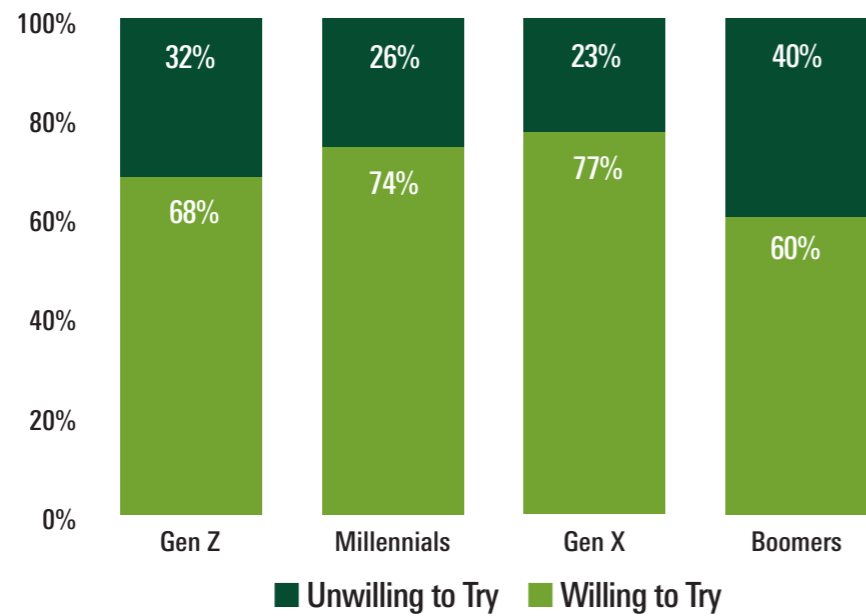
## Survey Design and Scope

A relative newcomer to the BPC landscape, and in particular the natural/organic category, consumers often misunderstand cannabis-inspired products. But this confusion doesn't seem to have muted its appeal. Both buyers and consumers have met these products with open arms, with over half of all consumers saying they have purchased some type of product made from hemp (one of the many cannabis plants). Plus, a majority of consumers are buying into marketing messages about hemp and cannabinoids (CBDs) as being "good for you," which helps drive interest to try and use these products.

Although cannabis-based products are a trending and in-demand segment of the BPC market, brands and makers of these arguably unique products must be aware of specific hurdles if they hope to retain consumer interest and loyalty. Specifically: concerns over the legality of cannabis-based products, retail distribution considerations, and consumer education regarding the benefits, as well as the safety of products containing cannabinoids. TBC's original research touches on these critical variables and more.



### Willingness to Try BPC Products with Hemp or Cannabinoids by Generation



## The Demand for Cannabinoid Beauty is “High”

Headlines in top beauty magazines and the pages of beauty retailer websites indicate that cannabinoid beauty is poised to enjoy its moment as the “IT” ingredient, and demand for these products is, well, high. Sixty-four percent (64%) of all women are aware that BPC products containing hemp or cannabinoids are available, and 72% of those who have yet to purchase or try these products are willing to give it a whirl.

Not surprisingly, 72% of consumers aged 18 to 38 (Gen X and Millennials) told us they previously purchased some type of BPC product containing cannabinoids, while 30% of consumers overall giving some type of CBD product a try.





## Score! Where She's Buying Her Cannabinoid Beauty

When it comes to purchasing BPC products formulated with such a legally uncertain ingredient, know/trust is a key motivator. Consumers turn to vetted retailers they already trust to sell and provide the highest-quality BPC products and ingredients to provide them with cannabinoid-based products that are safe and authentic:

- 38% go to a specialty beauty retailer such as Sephora or ULTA;
- 34% turn to a general online retailer like Amazon;
- 27% buy directly from brands via ecommerce; and
- 21% look to their favorite, affordable superstore like Walmart or Target.

Although some consumers are buying cannabinoid beauty from a large online retailer such as Amazon.com, 24% of respondents say they would NOT feel comfortable buying these kinds of products from a general online retailer for one crucial reason: authenticity. Consumers worry that large online retailers cannot guarantee the authenticity/purity of these cannabinoid-based products. Plus, consumers don't trust retailers vetting process for these brands, leaving the burden on consumers to decide if the cannabinoid-based product is truly what it purports to be, and is safe (and legal!) to buy and use.

# Cannabinoid-Based Products She's Buying & Using

According to our research, consumers of all ages, from Gen Z to Baby Boomers, are purchasing cannabis-based BPC Products. Gen Xers purchase the most body care, however Millennials and Gen Z dominate spending in all other BPC categories from hand creams to hair care, and are also the consumers buying the most cannabis-based products overall.

Among those who use cannabinoid-base products, body products are the top usage category for all consumers, followed by hand cream, lip balm, and bath and body products. Why this focus on body over, say, facial skincare or haircare? For one thing, body products made from cannabis-based ingredients have been available for a while. Hemp, a variety of the cannabis plant, has long been touted as a folk remedy for dry skin and is said to help alleviate skin issues associated with eczema, including irritation, inflammation, and redness (though no cosmetic product should or can make such claims!). It's only recently that products and messaging about the benefits cannabinoid-based products have on skin issues normally associated with the face—fine lines, wrinkles, loss of firmness, and uneven skin tone—have flourished.

Also, given the provocative nature of this ingredient, opting for a body product may seem safer and less risky to consumers who are still uncertain about what it means, exactly, to use products containing cannabinoids.

Top 5 products purchased:

- 1) Body skincare
- 2) Hand cream
- 3) Lip balm
- 4) Bath & body products
- 5) Oil

Want the full breakdown of which generation is buying what and how much they're purchasing? It's all in the 2018 PinkReport® The New Age of Naturals.



## Her Favorite Cannabis-Based Brands

When asked to name their favorite cannabis/hemp BPC brand and product, respondents had a hard time coming up with a specific brand name; only knowing her favorite product was a hemp “lotion.” But of the brands mentioned, the top five listed were:

- #1 Hempz
- #2 The Body Shop
- #3 Malibu Tan
- #4 Milk Makeup
- #5 Dr. Bronner

Since consumers haven't been using cannabis-based BPC products for that long, it's not surprising that most consumers can't name a favorite brand or specific product. More than one quarter (26%) of women who use cannabis-based BPC products have only been doing so for the past six months, and another 16% for the last year. And despite being the youngest age group, Gen Z claims to have used these products the longest, with 25% saying they've used them for 3-5 years.

What does this mean for cannabis-based brands? As far as creating emotional connections and loyalty with consumers, the field is still in its infancy and wide open with opportunities. Consumers are still looking to form attachments to products and companies in the category that can help them understand why cannabinoid-based ingredients are beneficial and educate them on how/why they are safer and better than what she's already using.



## Why She Is, and Isn't, On Board with Cannabinoids

For consumers who purchase BPC with cannabis-based ingredients (38%), they say the primary reason for their purchase is based on their understanding that “hemp/cannabis is a good for you ingredient.” And the most prolific buyers—Gen Z, at 43%—said positive product reviews were the number one reason driving these purchases. “The well-known medicinal value of cannabis” was another top reason, which has the potential to add risk to any cosmetic company touting this key ingredient, particularly if making medical claims about these products. Any brand marketing products that include cannabis must be careful not to state, suggest, or otherwise imply their products have medicinal benefits or they may just find themselves on the receiving end of an FDA Warning Letter.

(Top 10 list available in the [2018 PinkReport®: The New Age of Naturals](#))

There's no question that 'good for you' messaging (which fuels many cannabis-based BPC products) is making an impact, but there is still a lot of education and awareness needed in this category. Questions about the legality of cannabinoid products and active ingredients derived from the cannabis plant abound. For those beauty and personal care consumers who are NOT interested in marketing hemp or cannabis-based products, reasons vary, but all point to a lack of understanding or certainty about the ingredient and the need for more information:

- 52% simply don't understand the benefit of using products with these ingredients;
- 30% are afraid the products won't be safe for their skin;
- 24% feel their current products are already good enough; and 18% are afraid of “getting high” from using products containing cannabinoids

Which leads us to what consumers know, or actually don't know, about the ingredients themselves. Seventy-two percent (72%) of all respondents admitted they do not know the difference between the two derivatives of CBD oil, one from hemp and one from marijuana. There is a strong need for more education and clear messaging – through consumer claims, packaging copy, and training.





## Special Addendum: The Legal Highs (and Lows) of Cannabis-Based Beauty

Finally, before any brand looks to cash in on CBD oil as an ingredient, there are five critical legal issues to consider. Ronie M. Schmelz, Esq. an expert advising brands in the BPC industry and those interested in moving into the CBD-infused product space in particular, cautions brands to consider the following:

1. Marijuana remains illegal under federal law and in several states. Each state has different laws governing the sale and use of cannabis.

**TBC TAKE:** If you want to market cannabis-infused products, you must understand the state laws of every state where you intend to distribute and sell your products. It's not enough to just be aware of your state.

2. In states where cannabis is legal, local and state licensing is often required for the sale, manufacture, processing, and delivery of products containing the ingredient. State laws regarding cannabis are in flux, so its important to constantly monitor the laws in your state and states where you want to sell cannabis-infused products.

**TBC TAKE:** In other words, never presume what is working for your cannabis-based brand today is what will work tomorrow. As more states legalize cannabis, your distribution channels may expand.

3. Be careful about the vendors you do business with in this space. This is a newly emerging industry and, while many take great pains to comply with state and local laws, others are less diligent. Ask probing questions about your vendors' practices. Less diligent vendors could quickly jeopardize your licensing and ability to operate.



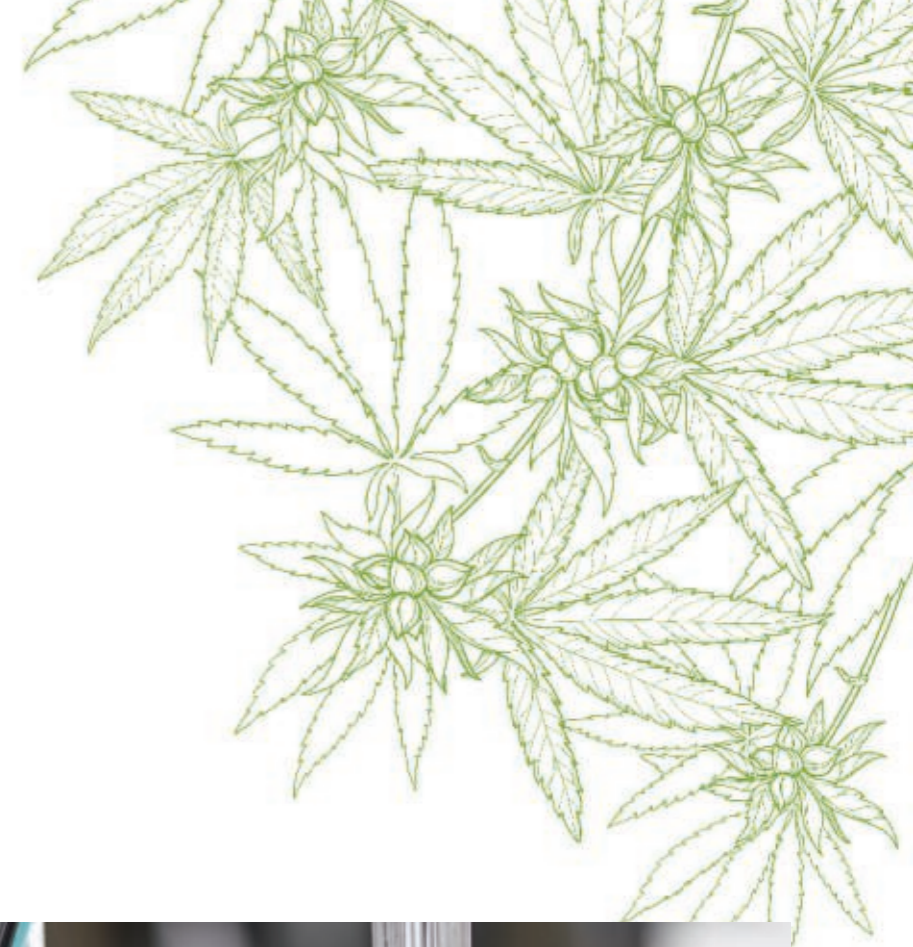
**TBC TAKE:** It goes without saying but know your suppliers, formulators, and labs before entrusting them to oversee the production of products with such a high-profile ingredient. Be sure your partners understand interstate regulatory requirements and go the extra mile to ensure your products are in legal compliance. And, don't forget to test your products and substantiate your product claims with consumer claims testing or clinical testing with a credible third-party research facility or firm.

4. Banking can be difficult with heightened Federal reporting and monitoring requirements.

**TBC TAKE:** Is your runway long enough to keep your business going if funds for your cannabinoid products run low, sales creep, or until you can find secure funding from an investor who understands this space, and the risks attached? You must carefully plan your cash flow. Due to federal laws and exposure, traditional banking methods such as accepting credit card payments may not be an option for your brand.

5. Attention to packaging, labeling and advertising regulations for each market are a must, as are claims. **Health** claims should always be avoided, but **consumer usage claims** are ideal to satisfy her need for proof that the products work.

**TBC TAKE:** Consumer claims will make your products shine, and help create legally-defensible, believable marketing messages that resonate deeply with consumers without heightening the risk of regulatory headaches.



## Key Takeaways

- Demand is there for cannabinoid-based beauty and personal care products, but so too is the need for education. Consumers want to buy these products, but they are unsure of their safety, legality, and, most importantly, efficacy. Just because a BPC product contains CBD doesn't mean it works.
- Consumers want more education on why these ingredients matter. Targeted, informative messaging about the products themselves, and what and how the ingredients work, will go a long way toward helping consumers engage more fully with brands.
- There are many legal considerations to take into account before your brand extends into the cannabinoid-beauty arena. Unlike any other ingredient, a clear, careful understanding of the regulations and compliance is critical to protect your brand if you want to sell cannabis-based beauty.

For TBC's complete research into the cannabinoid beauty trend, check out our latest PinkReport: *The New Age of Naturals*, which provides a detailed look at the US beauty and personal care consumers' affinity for natural and organic beauty and personal care products and the motivators and influencers that are driving consumers to purchase more natural and organic products than ever before, including cannabis-based products.

The 2018 PinkReport®: *The New Age of Naturals*, a 120+ page report complete with data tables, will be available for \$1,499 on October 1st, 2018 for \$1,124 by clicking here. <https://benchmarking-company.com/pink-reports/>. Use the code CEW25 to get 25% off as a member of CEW.



## Report Design and Methodology

Data for the study was derived from primary consumer research using a 45-minute quantitative online study. Where possible, data in this study was benchmarked against our original Age of Naturals PinkReport™, published in 2008, to see how far consumers have come in their understanding of what constitutes a natural/organic beauty and personal care brand, how their buying behaviors have changed, and the brands that have moved the needle the farthest over the past decade. Special sections are devoted to male consumer buying habits, wellness, and cannabinoids as key ingredients. The online survey was completed by more than 4,000 US female and male consumers.



## About TBC

The Benchmarking Company is a bi-coastal beauty and personal care consumer research firm with a proven track record in cosmetics, skincare, beauty devices, men's personal care, body care, hair care, nail care, fragrance and wellness/personal care. Our company is laser-focused on providing two important aspects of marketing intelligence: **quantitative and qualitative consumer research** that arms brands with forward-thinking need-to-know information about its customers and prospects, and **in-home beauty and personal care product testing** to garner 5-star consumer claims that are vital for marketing market success. Using renowned proprietary methodologies, our unique approach to research delivers results that promote growth in market share, bolsters sell-in and sell-through and mitigates legal and regulatory risk for our customers.

East Coast office: 703-871-5300

West Coast office: 858-735-2879

Email: [info@benchmarkingcompany.com](mailto:info@benchmarkingcompany.com)

[www.benchmarkingcompany.com](http://www.benchmarkingcompany.com)

theBenchmarkingCompany

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