

No Snoop Dogg for Canopy Growth Corp., Says Regulators

Description

Canopy Growth Corp. ([TSX:WEED](#)) was the first Canadian cannabis company to cross the \$1 billion market cap threshold for a number of reasons. Among them, Canopy was one of the first firms to receive official Health Canada licensing, and is also currently among the largest national producers and distributors of medical cannabis products by volume.

One particularly important aspect of Canopy's business model from an investment standpoint, however, is the company's branding activities.

In October of last year, Fool contributor Will Ashworth wrote an article asking investors whether "[Snoop Dogg can take \[Canopy\] to New Highs?](#)" This article debuted at a time when Canopy's stock price was trading at the \$5 level – approximately half of today's current levels.

The amount of value added to Canopy's stock price from the aforementioned branding initiatives alone can be very hard to back out. The Canadian cannabis giant initiated a number of other strategic growth initiatives at the same time; building out more production capacity, acquiring other firms domestically and globally, building distribution partnership and exporting marijuana to new markets, and a range of other activities coincided with the Snoop Dogg campaign referenced in Will's article.

Canadian government says no to celebrity endorsements

Now, it appears Ottawa will be taking a very strong regulatory stance to the marijuana legalization process. While the Federal government is currently looking at transferring the job of implementing marijuana distribution to the individual provinces and territories, Federal regulations will apply to how the commodity is advertised, restricting firms' abilities to advertise however and wherever they wish.

One of the explicit restrictions which has been handed down by Ottawa is a ban on celebrity endorsements of marijuana products. Advertising agencies and marijuana companies themselves have already come out and stated that, while explicitly advertising cannabis products with celebrities may not be allowed, the sheer fact that consumers are not yet accustomed to seeing advertisements for marijuana will mean that the first ads to hit the market will have exponential impact.

Bottom line

The potential for explosive growth in recreational marijuana usage has long been thought to be closely linked to the mass-market creating effect national advertising campaigns can have for companies like Canopy. While the reality is that Snoop Dogg will not be able to explicitly promote Canopy's Tweed-branded products, the potential for Snoop Dogg to indirectly promote Tweed-branded products is a possibility, depending on the specifics of the legislation which has been tabled at this time.

Losing their appointed celebrity representative may not be all that bad for Canopy, considering these restrictions will apply to all firms in the industry. However this is certainly a small blow to the marijuana company leading the pack in branding initiatives.

Stay Foolish, my friends.

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