



How Will Aurora Cannabis Inc. (TSX:ACB) and Canopy Growth Corp. (TSX:WEED) Stand Out From the Pack?

Description

Many pot firms including [Canopy Growth Corp. \(TSX:WEED\)](#) (NYSE:CGC) and [Aurora Cannabis Inc. \(TSX:ACB\)](#) have been trying to bring forth brand awareness in spite of imminent regulatory measures come legalization day.

Canadian regulators said “No!” to branded merchandise and celebrity endorsements, at least for now, as it’s hoped that such strict rulings will prevent minors from wanting to try marijuana once it finally gets the green light. As the finishing touches are made in preparation for national legalization day slated for October 17, 2018, how regulators plan to enforce the strict rules remains in question.

Most recently, Health Canada noted its disapproval of marijuana producer-sponsored events, although there are no formalized rules or penalties in the books as yet. Many licensed producers (LPs) appear to be willing to test the boundaries of the rules, which remain vague and clouded by a haze of marijuana smoke currently.

“We have reviewed all activities with counsel to ensure compliance and continue to work collaboratively with regulators in support of this shared objective,” said Caitlin O’Hara, Canopy Growth Communications Specialist.

Technically, no formal rules have been broken yet...

So, with sponsorships and branded products (like Canopy’s Tweed) on the market, will regulators be throwing some LPs in the penalty box once specific rules, laws, penalties and enforcement initiatives finally come to fruition?

My guess is no, but perhaps a slap on the wrist could be in the cards.

While Canopy and Aurora have taken risks that contravene the vague rules in place now, with nothing formalized, it’ll be hard to punish LPs given the rigorous enforcement procedures that haven’t been implemented. Technically, offenders could be subject to a license suspension, but at this point, I think LPs will treat the underdeveloped regulatory measures as the permission to test the boundaries until

Health Canada finalizes its regulatory and enforcement plans.

Product differentiation remains key

Although branding is off limits come legalization day, it will ultimately determine who will become the Marlboro of the industry in the grander scheme of things. Product differentiation, I believe, will separate the real winners in the space from the losers. Brand awareness remains the number one goal for LPs in spite of Health Canada's intent to keep marijuana a commodity within a perfectly competitive market.

Over time, I do believe branding will get the green light, but for now, the big cannabis firms are going to need to be creative when it comes to promoting themselves. As we inch closer toward legalization day, I suspect select LPs will test the boundaries of the rules to get an edge over peers.

Once Health Canada finally makes rules and disciplinary actions official, all LPs will have no choice but to follow the rules.

There are other ways to promote branding while remaining in compliance with the rules, however. Branded swag and subtle colours on packaging are but two examples of how firms like Canopy will promote themselves in the meantime.

Branded packaging will be disallowed initially, but there may be no specifics regarding the appearance of the packaging. Think subtle differentiating elements on packaging like the signature green-cap of **Jamieson Wellness Inc.** vitamins. You don't even have to look at the label to know that it's a Jamieson product.

I suspect LPs will do the same to differentiate themselves, whether it's through use of memorable colours or generic images like in the case of the [Time of Day signature product](#) offered by **Hydropharmacy Corp.**

For now, all we can do is wait and see which differentiation moves that the LPs take on as we learn more about rules and enforcement initiatives that regulators will lay out in the coming months.

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