

Cannabis Companies Have Already Run Into Hurdles Related to Advertising

Description

It's been a little over a few weeks that marijuana has been legal in Canada, and we're already finding out that there are problems with the level of "advertising" that we've seen. On Monday, we learned that as many as seven pot producers were contacted by Health Canada and notified of issues related to the promotion of cannabis.

While no names were given or the nature of the violations described, we can make some reasonable assumptions on the latter. Just a few days after legalization, there were complaints that the names for some of the products were too appealing for children.

Marilyn Gladu, the Conservative who raised these issues, stated, "The spirit of the regulation was that they did not want the packaging in any way to be attractive to young people."

The problem with that argument, however, is that the only way kids would be able to purchase a "Tangerine Dream" would be to have access to their parents' credit cards and go online and buy it. It's probably a whole lot easier to go through the black market and avoid having a paper trail where someone can see that a purchase was made on their statement.

Given the airtight security I've seen [inside a cannabis store](#), odds are also slim-to-none that kids will be able to make it inside the few pot shops that are open. And even if they could, there is absolutely nothing appealing or enticing about the packages themselves.

This appears to be an attempt by the Conservatives to simply thwart the industry in whatever way that they can. But given that this MP once wrote a poem in an attempt to stop the legalization of marijuana, you probably shouldn't be surprised at the ridiculous lengths the Conservatives will go to in trying to create obstacles for the industry.

Takeaways for investors

There are a couple of important takeaways from this that investors shouldn't ignore.

The first is that advertising might be even more difficult than anticipated. With no apparent advertising and plain packaging filled with warning labels, we're still seeing complaints about the industry just weeks into legalization, and that's a problem.

This presents a big challenge for a stock like **Aurora Cannabis Inc** ([TSX:ACB](#))(NYSE:ACB), which is likely looking to try to build some strong brand loyalty.

While the company has done a great job of growing via acquisition, there's virtually no way to spot Aurora's many different products when you're only looking at packaging from afar. That's going to make it easier for competitors and smaller producers to take market share, and Aurora's advantage in the industry could therefore be limited.

The second concern is that the next federal election could pose a big risk to cannabis investors. While we may not see marijuana legalization undone if the Conservatives regain power, we could see more restrictions imposed on the industry, which could limit its growth even further.

There's clearly an [agenda](#) from the Conservative party, and a win by them could prove to be disastrous for pot stocks.

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Date

2025/07/19

Date Created

2018/11/01

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