



## Why We Aren't Seeing Many Big Cannabis Deals With Other Industries

### Description

Cannabis is still very polarizing for consumers and investors. While it presents a great opportunity, with it being a brand-new industry to get involved in, it also presents a risk, particularly for established companies. Branding is important, and if a company gets it wrong, it could risk alienating its existing consumers, which would be bad news for its stock.

Warren Buffett also alluded to that in a recent interview with Fox when discussing one of his investments, **Coca-Cola**, which he stated has "an awareness of a specific brand." However, he didn't say he would sell his shares in Coke if the company decided to get involved with the industry. Charlie Munger, meanwhile, said that the company has "a wholesome image and cannabis doesn't."

While the soft drink company doesn't appear to have any interests right now in the cannabis industry, there were [rumours](#) of a possible deal with Coke and **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB).

It's not clear if there was anything to the rumours and if Coke was legitimately interested or not, but if it had second thoughts, it wouldn't be the only company to be concerned about the impact the industry would have had on its image.

**Starbucks** said it didn't think the industry would be suitable for its [brand](#), and I suspect many other big companies likely feel the same way. For some, it's just not worth the risk, especially with the industry still being illegal federally and the opportunities being very limited.

While medical marijuana may be making progress in various parts of the world, there are still many skeptics and research on its effectiveness has still been limited thus far. It's going to take a while before we see cannabis get legalized and likely even longer before it's socially acceptable among the general population.

Although Aurora might be looking for a big company to partner up with, its options are certainly limited at this point. Until the U.S. market is entirely open for business, few companies are going to want to step into the cannabis industry, even if it will provide their sales with a boost.

Aurora has even more incentive to find a partner when it comes to beverages, especially with edibles

due to be legalized in October and rival **Canopy Growth** already having a significant deal in place with **Constellation Brands**. However, it's one of many cannabis companies that are looking for deals in what's becoming a crowded industry.

## Bottom line

Buffett and Munger offer more some valuable insight as to why deals are still few and far between for the cannabis industry. Their comments centred on the importance of branding and representing the company's values rather than just sheer sales growth. These are two well-respected investors that know a lot about how successful businesses are run, and their comments are a reminder that more needs to be considered than just a company's financials when investing.

A brand's image is vital to its long-term success, and that's why focusing on the health benefits of cannabis is going to be crucial for Aurora in finding a deal with a company from another industry.

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