



1 Pot Stock That Every Cannabis Investor Should Own

Description

Pot stocks are on the rise again. If you want to get involved, there's one company you should look at first.

There are so many ways to go wrong with cannabis investing. But if you get it right, you get direct exposure to millionaire-maker stocks. Keep these rules in mind, and you'll stack the odds in your favour.

Only invest in these pot stocks

There's so much to know when looking at cannabis companies. But if you want to boost your success, you only need to know one thing: avoid commoditization.

The best way to learn this lesson is by reviewing what happened in 2018 and 2019, when pot stocks skyrocketed in value, only for those gains to evaporate as quickly as they came.

On the upswing, investors were obsessed with raw production growth. Whichever company could scale growing operations fastest was rewarded. On the way down, investors finally understood that production growth didn't necessarily translate into profit growth.

"If you're investing in the cannabis industry, you'll want to fully understand the biggest risk nearly every marijuana producer will face: commoditization," I [wrote](#) just before the market tumbled in 2019. "Today, it's not very profitable to grow staples like tomatoes, beans, rice, or cabbage. In another decade, there's a chance that growing cannabis isn't wildly profitable either. That reality could crush nearly every cannabis stock."

If you want to succeed with pot stocks, only invest in businesses that can avoid that commoditization trap.

This is the best cannabis company

How do you avoid commoditization? You excel at branding. Just look at **Coca-Cola**. It sells commodities like sugar and water for steep premiums. That's because consumers don't want just any sugar and water — they want a Coke.

Which pot stock will be the Coke of cannabis? Look no further than **HEXO** ([TSX:HEXO](#))(NYSE:HEXO).

“Cannabis is a brand business,” [stressed](#) HEXO's CEO. “We're not about commodity farming. We're focused on developing products that offer very specific experiences and are dose-controlled, shelf-stable and delivered to the adult-use market through non-prescription channels.”

The company is already ahead of most pot stocks in building credible brands for its products. For example, it has a deal with **Molson Coors** to co-create and co-brand cannabis beverages. In this case, HEXO jumped straight to the front of the line by leveraging a brand that consumers already know and love. The competition is stuck trying to build its brand power from scratch.

HEXO's branding strategy is just getting started. It has a proven track record of working with large companies, executing everything from raw cannabis production to placing the end product on shelves. It wants to replicate its Molson success in other categories like sleep aids and cosmetics. I wouldn't bet against it.

To be sure, I expect several pot stocks to succeed at branding. But of the companies that succeed, branding will be a big part of nearly all that success.

If you want to win with cannabis stocks, stick with companies that focus on a brand-first strategy like HEXO.

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Date

2025/08/16

Date Created

2021/03/28

Author

rvanzo

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