



Cannabis - The First Year

October, 2019



*CELEBRATE
LIFE'S
OCCASIONS*



The Nova Scotia Model

- Public Model with one Stand-Alone store in Halifax and 11 locations where cannabis is co-located with alcohol
- The NSLC also manages a central distribution centre and e-commerce
- The co-location model is unique amongst the Canadian Provinces

Rationale

- Start slow, manage tightly and see how the landscape unfolds

Benefits

- Leveraged the NSLC's retail experience and existing talent and applied to a different category
- Avoided the time and expense of securing new store locations
- Avoided "reinventing the wheel" on branding and operational practices

Implementation

- Project commenced without the final legislation (federal or provincial) or knowledge of when legalization would actually occur
- It was fast and it was a brand new industry for everyone (retailers, producers, regulators)
- Lots of unknowns and big assumptions had to be made
- Frequent interaction with the Province and Federal stakeholders was required
- Many elements had to occur in parallel with many interdependencies
 - Vendor/product mix and pricing, store renovations, E-commerce, staff hiring and training, distribution, consumer education, CSR, customer support centre

Experience to date

- The co-location model is working well
- Lots of great energy in our stores and some very passionate employees
- Supply situation has greatly improved is no longer an immediate concern
- Sales had been trending below estimates but we are now tracking fairly close to expectations. This reflects better product availability and continued penetration of the black market
- It's a "brick and mortar" business (e-commerce adoption has been very low) – similar experience in other jurisdictions
- Level of demand for high THC products and CBD (esp. CBD oils) was not expected
- Keeping conversations non-medical is an ongoing challenge
- Being informative but not promotional
- Now monitoring sales over the fall to see if there was a summer seasonal impact (e.g. tourists)

What's ahead – Edibles, Extracts, and Topicals

- Edibles, extracts, and topicals – final regulations come into force on October 17, 2019
- Being legal does not mean product will be available
- Oct 17 is the earliest date producers can give the required 60 notification period before launching of new products
- Nothing will be available until at least late December
- Slow introduction of product to market should be expected
- The NSLC is now actively working with vendors to finalize the assortment
- Other work is required to get ready including:
 - Store renovations
 - Supply chain impact assessment (temperature control, glass, batteries, etc.)
 - Web site changes
 - Training for employees
 - Consumer education and CSR