

DIRECT MARKETING

to grow your CBD brand

TABLE OF CONTENTS

- 3** Introduction
- 4** Opportunities for CBD Brands
- 6** The Challenge of Marketing For CBD Brands
- 12** How Print and Direct Mail Activate the Brain
- 15** Proven Direct Marketing Tactics
- 33** Conclusion



INTRODUCTION

The CBD space has exploded with new brands and products over several years, and the growth trend will continue.

With state and federal regulations relaxing restrictions on medicinal and recreational use along with a wider acceptance within the public sphere about the benefits of CBD products, there will continue to be more opportunities for new brands.

It's an inspiring time to be in the space.

But while the CBD market is experiencing a surge of new brands and growth, there are also start-up dilemmas. In surveying 4,000 businesses in the CBD and Cannabinoid space:

- 90% of these brands have less than \$2.5 million in sales
- Over 50% have only been in business the last two years
- The top 20 CBD companies make up 17% of the total market sales

The emerging brands compete against Charlotte's Web, Medterra, and other more prominent brands that command attention and take up much air in the room. The big challenge for these businesses trying to get a foothold and a following is straight-up awareness and interest.



And, these crucial first customer engagements are driven by marketing.

This eBook will take you on a tour of some best practices for Direct Mail Marketing, showing you different ways to reach new customers, create interest, and drive more people to your website or location...so you can get new customers and sales.

Onward and upward!

THE OPPORTUNITY FOR CBD BRANDS

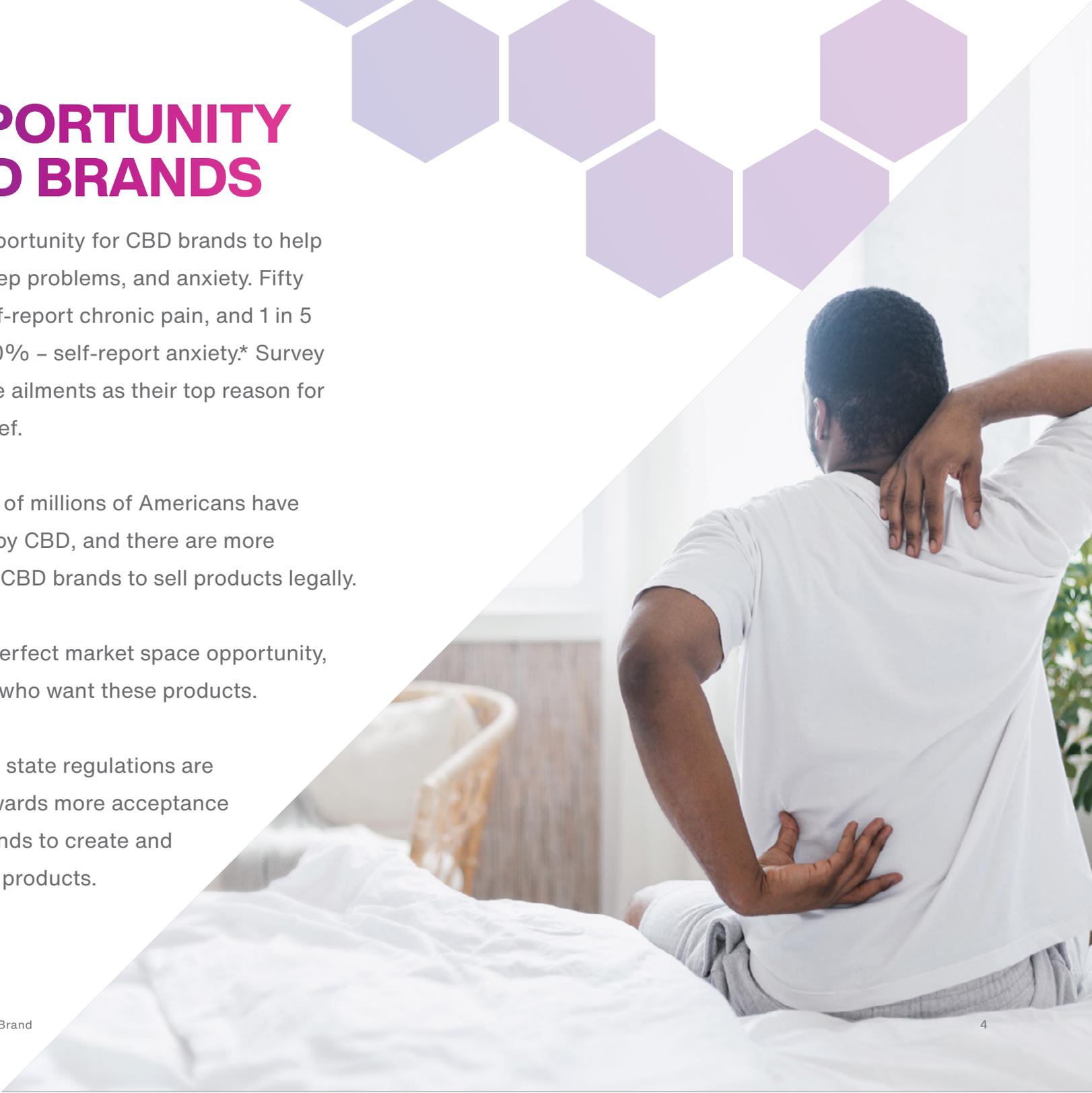
There's a massive opportunity for CBD brands to help with chronic pain, sleep problems, and anxiety. Fifty million Americans self-report chronic pain, and 1 in 5 Americans – about 20% – self-report anxiety.* Survey respondents list these ailments as their top reason for choosing CBD for relief.

To set the stage: tens of millions of Americans have symptoms alleviated by CBD, and there are more choices than ever for CBD brands to sell products legally.

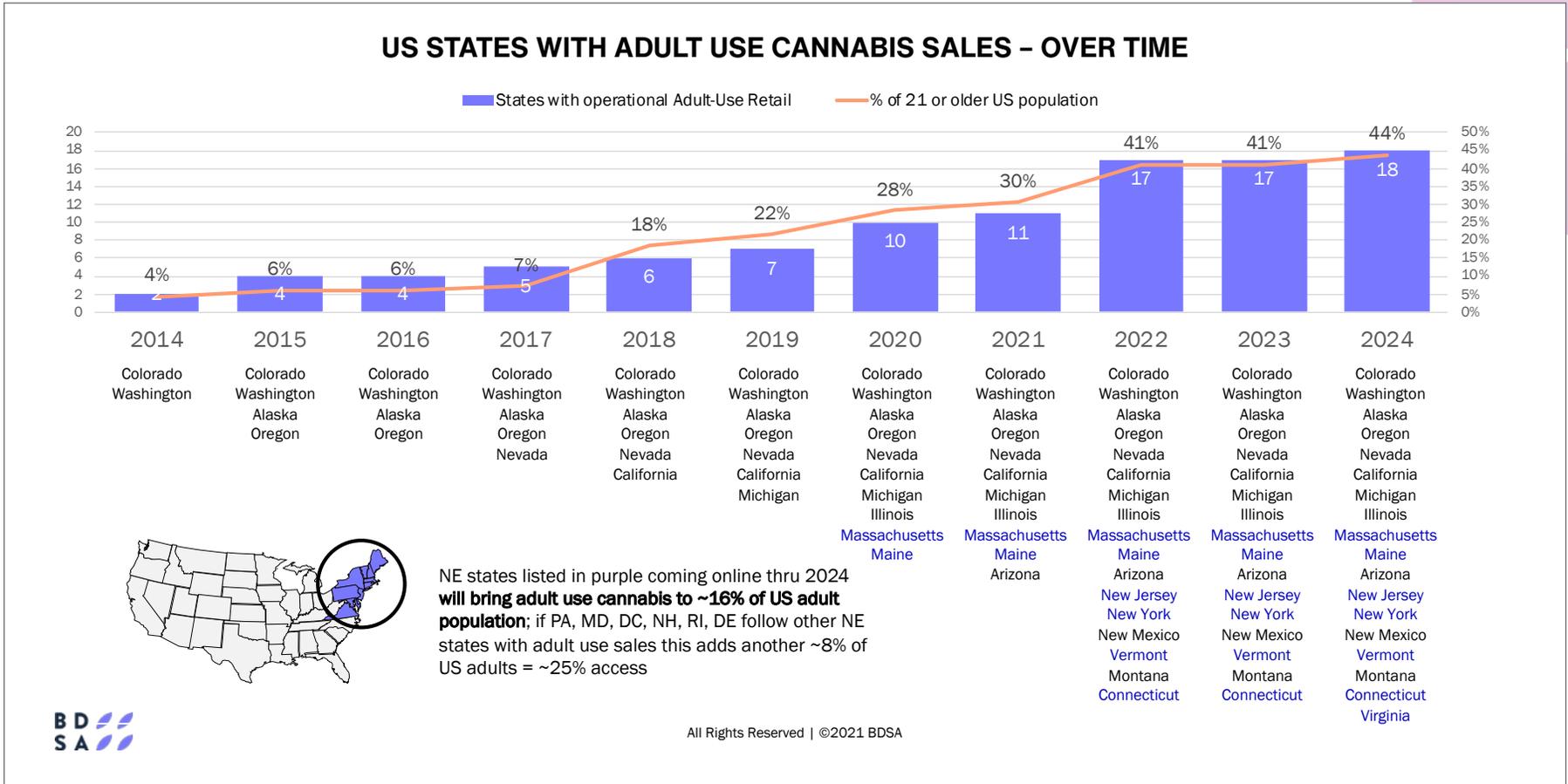
It seems like it's the perfect market space opportunity, and many customers who want these products.

Also, new federal and state regulations are changing, leaning towards more acceptance and openness for brands to create and directly sell new CBD products.

*Source: CDC



By 2024, nearly half of U.S. adults will have access to adult use cannabis and CBD.



©BDSA, Cannabis Market Review: The Power of the Northeast

As more states allow recreational adult use, the national trends lean towards more acceptance and normalcy. CBD and Cannabis should continue to transition from the fringes to an alternative, and finally into the mainstream of usage.

THE CHALLENGE OF MARKETING FOR CBD BRANDS

A persistent hiccup: the ability to market!

Currently, there are limits and caveats to where and how you can market your brand. State and federal restrictions and guidelines have created blocks for directly engaging customers with some marketing channels:



NO

- Facebook
- Instagram
- Twitter
- Google Ad Network
- Google AdWords
- TikTok
- Radio
- Television

MAYBE

- **Billboards**
Locations excluded from schools or places of worship, where 80% are over 21 yrs
- **Bus Stops**

YES!

- **Direct Mail**
- **Email to Subscribers**
- **SEO**
- **Press Releases**
- **Websites**
- **Blogs**
- **Medical websites**
Like Healthline, WebMD, etc.

While there are a handful of marketing channels available to CBD brands, one of the most effective and available is Direct Mail Marketing.

The first step is to think about where this kind of marketing fits within the entire Customer Journey.



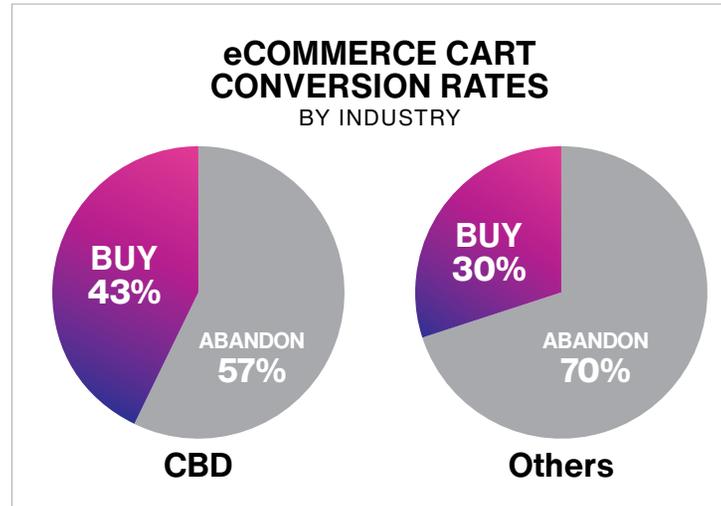
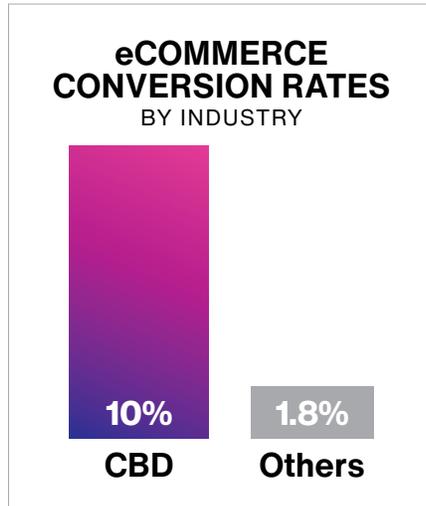
As a primer, the Customer Journey is something every customer goes through to buy anything – whether it’s a candy bar, a new car, or their first CBD tincture. The journey is one where brand new customers need first to become aware, then interested in a product. After that, they go through a consideration phase, weighing the benefits and risks of moving forward. They need more education at this point, and then they can be influenced to make their decision. Finally, when they have decided to move forward and spend money to buy something, it has to be easy to do.

When customers finally purchase, the brand's goal is to retain loyalty, and hopefully inspire advocacy. Advocacy and retention are stages where CBD brands currently have the edge over most other categories.

A study by Metrilo noted these excellent performance metrics of CBD eCommerce brands:

- ✓ Average \$72 order
- ✓ Customer Lifetime Value of \$588
- ✓ 78% of revenue comes from repeat customers

And to make other categories jealous, the actual eCommerce performance of CBD brands consistently outgains different market categories:



So for the back part of the customer journey, CBD brands are showing excellent progress, promise, and performance.

- 5 ✓ FACILITATE ACTION
- 6 ✓ RETAIN LOYALTY
- 7 ✓ INSPIRE ADVOCACY

Facebook and Google, which make up 60% of all digital ad spend in other categories, restrict CBD advertisements from their network.

Since consumers regularly spend over 3 hours a day on their phones, these digital channels are where almost all customers are looking.

There are ways to promote via 3rd-party or 'interstitial' websites that are in between an ad and the actual CBD brand, but that requires extra work, savvy, and time that most CBD marketing teams and owners don't have to pull off successfully.

Out of all of these challenges, one solution rises to the top as a way to engage brand new customers and pull them into your eCommerce or storefront experience: Direct Mail Marketing.

A black and white dog is captured mid-air, jumping through a red and white hula hoop. The dog's mouth is open, showing its teeth and tongue. A person's hand is visible at the top right, holding the hula hoop. The background is a bright blue sky with light clouds. The dog is wearing a collar with a tag.

“We keep having to jump through hoops, and the hoops keep moving.”

— CMO of CBD brand

DIRECT MAIL VS. BROADCAST MARKETING

While Broadcast marketing: while broadcast marketing reaches an audience – a neighborhood, a group, a 'demographic' of some kind, direct mail marketing reaches actual individuals. Direct mail enables you to leverage a vast amount of data providers to narrow down specific characteristics of buyers to produce a physical mailing list of those people.

TURN A SEARCH LIKE THIS:



INTO AN ACTUAL MAILING LIST LIKE THIS:



Identify and target the exact buyer you want to get in front of with direct mail.

By identifying and reaching prospects who are most likely to buy, CBD brands have a better chance of turning their marketing spend into actual orders.

The mechanics of launching a direct mail program are pretty straightforward, and the kinds of tactics are varied. But what underpins all programs is a high-response rate inherent in direct mail, confirmed by recent neuroscience studies. Our brains respond to print and direct mail.



THE IMPACT OF READING PRINT MADE EVIDENT BY RECENT BRAIN SCAN STUDY

The brain loves physically reading stuff.

Recent MRI and EEG brain wave measurement studies show how print marketing leaves a deeper impression and more engagement.

In a study titled “A Bias for Action – The Neuroscience Behind the Response-Driving Power of Direct Mail” by Canada Post/True Impact Marketing (2015), these three attributes of reading were measured: **cognitive load** (ease of understanding); **motivation** (persuasiveness); **attention** (how long subjects looked at content). The physical printed piece performed much better than its digital counterparts.



Direct mail requires 21% less cognitive effort to process than digital media, suggesting that it is both easier to understand and more memorable.

Post-exposure memory tests validated what the cognitive load test revealed about direct mail's memory encoding capabilities.

When asked to cite the brand (company name) of an advertisement they had just seen, recall was 70% higher among participants who were exposed to a direct mail piece (75%) than a digital ad (44%).*

The engagement factor seems to be reiterated in study after study, with indications that when a consumer receives a printed piece, they simply retain information better.

*Canadian neuromarketing firm TrueImpact, on study sponsored by Canada Post.



PRINT & MAIL HAS A POWERFUL IMPACT ON LONG-TERM MEMORY ENCODING*

Print and Direct Mail



+35% stronger than social media

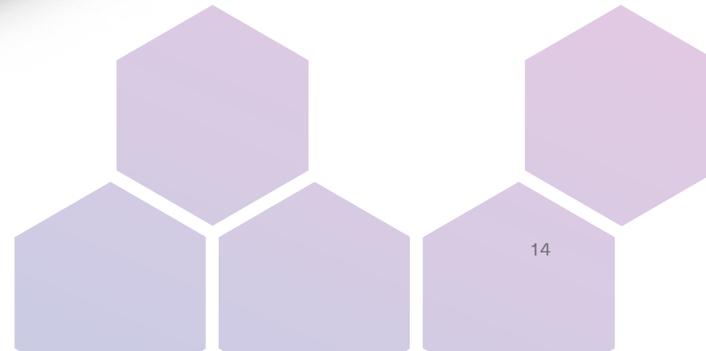
+49% stronger than email

* Royal Mail Market Reach, Neuro-Insight, 2018

Learn more about why our brains respond to print and direct mail by downloading our ebook:

How the Brain Reacts to Print Marketing.

DOWNLOAD NOW



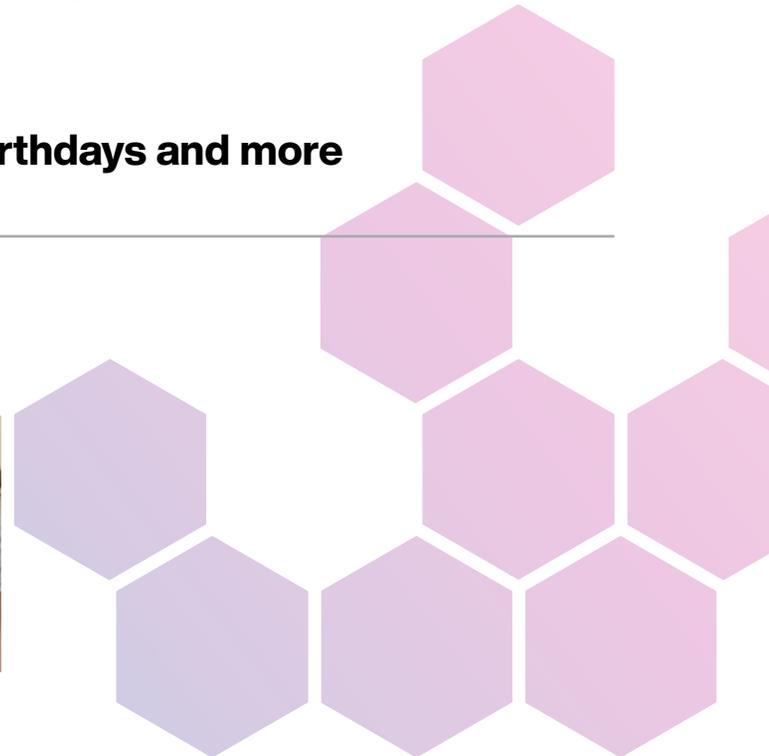
3 PROVEN DIRECT MAIL MARKETING TACTICS

to reach, engage, and convert your targeted audience.

3

- 1 ACQUISITION & WINBACK DIRECT MAIL**
Reach a highly targeted audience
- 2 POSTCARD RETARGETING**
Convert your lost website visitors
- 3 TRIGGER MAIL PROGRAMS**
Engage subscribers, leads, birthdays and more

Whether you're looking to promote one or multiple dispensaries, drive website traffic or convert more eCommerce sales, these 3 marketing tactics will breakthrough digital marketing road blocks to drive results for CBD brands.





Proven direct mail marketing tactic #1

ACQUISITION AND WINBACK DIRECT MAIL

We refer to Acquisition as finding prospects who have never bought, while Winbacks are a group of existing customers who haven't purchased in 18 or 24 months.

For both of these programs, putting together direct mail requires these elements:

- Mailing List
- Creative
- Format
- Postage Strategy
- Offer

Acquisition Mailing List

Mailing lists are available to find virtually any kind of person based on:

- Interest
- Purchase history
- Age
- Gender
- Presence of children, and even children's ages
- Household income
- Metro Service Area (MSAs)
- Urban/Suburban/Rural
- Home Value

...and hundreds of other selects to narrow down specific kinds of targets. There are even lists of smokers and pet owners to overlay with all of the above information. The combination of different characteristics is almost endless, and the mantra for Direct Mail lists is: "if you can think of someone, you can probably find them."



For CBD brands, there are also additional, market-specific lists that can help find even more interested people. These Specialty Lists are more expensive but are also much more targeted for CBD products and benefits.

- Known purchasers of eCommerce CBD products – transactional data
- Sufferers of Chronic Pain, Anxiety, or Sleep Problems – self-reported medical ailments or survey responders
- CBD Buyers and Interest – self-reported data on CBD interest and points-of-sale
- Behavior & interest, expressing interest in homeopathic remedies
- Dog owners

Winback Mailing Lists

Segmenting and extracting existing customer lists from Customer Relationship Management (CRM) files is the first step. CRM or transactional data files will have records of when customers previously purchased. By finding the customers who haven't purchased in over 18 months, brands can re-energize a base and bring them back for new orders.

In addition, regular existing customer retention mailers are a good idea. Reaching customers before they lapse is key to keeping them engaged with the brand. And as was mentioned earlier, most CBD customers express strong brand loyalty. So it might not be a competitor they are shopping with, but instead a change of habit or just forgetfulness.

Email is a terrific way to reach your existing customers, but even with a 30% open rate, it means 70% don't open the emails. With Direct Mail, you can reach all of your previous customers and even select customers based on purchases and products. It can be very targeted.

Creative

CBD brands need to be mindful of just a couple of guidelines regarding the messages and images put on Direct Mail. They're not onerous and not as limiting as broadcast marketing restrictions. We've collected the guidelines from the USPS® and packaged them up here, along with some best practices that make Direct Mail effective.



Key things to remember!

Don't give away any amount of cannabis or cannabis products, or any cannabis accessories, as part of a business promotion or other commercial activity, including but not limited to: raffles; sweepstakes; buy one, get one free; contests; free product with donation, etc.

Marketing containing any health-related statement that is untrue in any particular manner or tends to create a misleading impression as to the effects on health of cannabis consumption, is prohibited.

Clearly display the percentage of CBD and THC in your product. (Current federal laws do not allow greater than 0.3% THC.)

Do not include elements that may appeal to minors, such as gummy bears or any type of candy, toys, cartoons, etc.

Make sure all advertising is clear, truthful, and appropriately substantiated.

Utilize a method of age affirmation to verify that the recipient of any direct advertising communication is 21 years of age or older before engaging in that communication. The method of age affirmation may include user confirmation, birth date disclosure, or other similar registration method.

Formats

Direct Mail is highly flexible and creative with formats. From letters to postcards, the variety of mail is wide-ranging. We've seen that most brands choose from a straightforward mix of formats that people are used to receiving in their mailboxes...postcards, mini-catalogs, and letters.

Flat Postcards

Flat postcards come in different sizes, from 4.25" x 6" all the way up to 6" x 11". Larger cards will have more stopping power while smaller cards are more affordable. Postage strategies vary for each size.

Folded Postcards

These self-mailers open up to reveal your message and have plenty of room for multiple images and product information. There are plenty of formats to choose from including panoramic folds, gate-folds, trifold and more, and qualify to mail at Letter Rate as well.



Booklets

Think of these as mini catalogs that can be as short as 4 pages to over 100 pages long, enabling you to include a ton of product information. Just like a catalog, booklets have a long shelf-life and can help drive consumers back to your store or website to purchase products.

Small Postcard Reminders

Smaller postcards are ideal fast-touch marketing (more later on Trigger programs) or reminder cards. Also, they're suitable for ride-alongs if you have a storefront dispensary.

Folded Cards in Envelopes

This approach is great for invitations, to convey a special note or anniversary offer, VIP touch for unique customers, or Thank You cards for purchases (that's a good idea to engender loyalty).

Letters

While seemingly old-fashioned, a letter is one of the most powerful ways to tell a longer or more personal story. And with new variable printing technologies available for customized images, letters don't just have to be filled with just text.



Postage Strategies

Depending on the audience, where the mailing is going, and how quickly mail needs to land, the postage used on cards can change for optimal delivery and the lowest cost possible.

Postage is postage – it's a necessary part of Direct Mail and the most expensive. So being as thoughtful as possible about approaching this part of the mail program can pay enormous dividends.

Letter Rate (sometimes called Bulk) usually makes sense for most brands, especially if time is not of the essence. These cards are typically delivered 5-15 days after the mail. It's a lower-priced option, and the larger cards (6"×8.5" or 6"×11") are best suited for this kind of postage.



First Class is an option best used with 4.25"×6" or the 6"×8.5" cards since both of those sizes fall into a First Class rate. First Class is slightly more expensive than Letter Rate but has a much faster delivery time of about 2-7 days. If specific sales events or Trigger programs require a more rapid outreach, this is the best postage option.

Drop-Shipping can be a good approach for saturated local mailings – usually for dispensaries looking to mail around specific locations. Cards are shipped to the Sectional Center Facility (SCF) and then distributed via Letter rate. That enables brands to get faster delivery while taking advantage of Letter Rate prices.



Offer

The offer used in Direct Mail is a critical component. Direct Mail is a response-driving marketing channel used for getting a person to take action. Even if someone hasn't heard of a brand, the first introduction should be easy and enticing.

When choosing offers for Direct Mail, it's best to separate them from email subscriber offers or other online offers. These offers should be more compelling, especially since you're acquiring or winning back these new customers.

The offer itself won't be the most critical reason a prospect buys, but it might be a nudge that moves your recipient from just thinking about buying to actually buying.

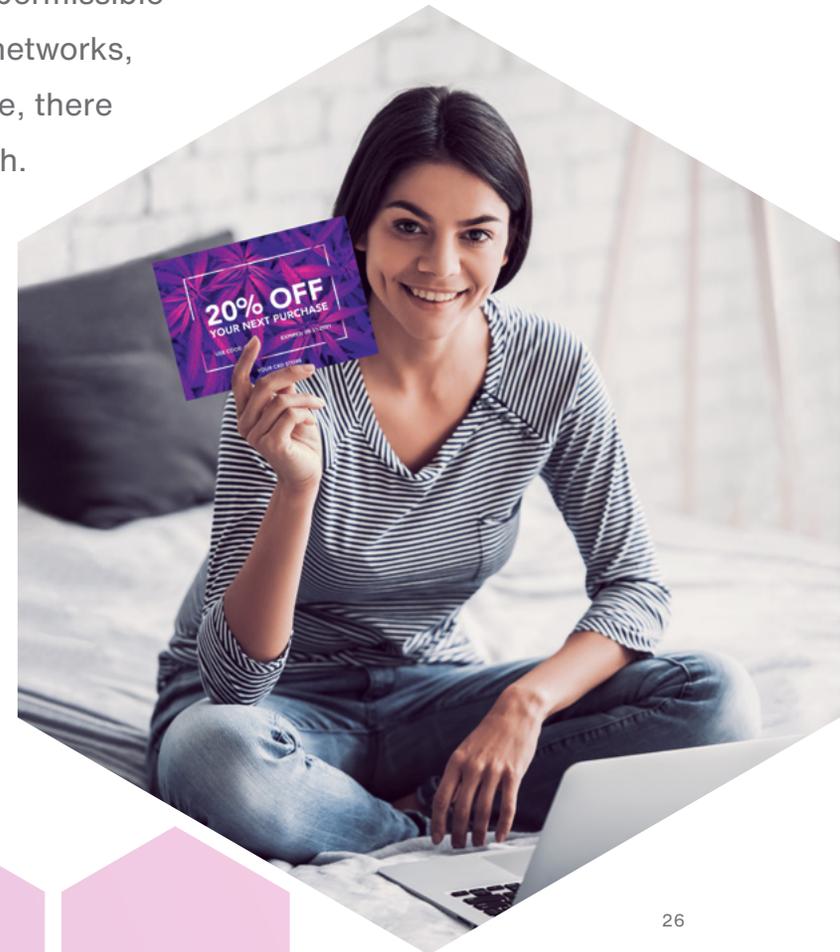


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Proven direct mail marketing tactic #2 **DIRECT MAIL RETARGETING**

This channel has proven to be one of the most cost-effective, reliable, and clever ways to reach anonymous website visitors who haven't purchased.

Because direct digital retargeting isn't permissible through the Facebook and Google Ad networks, when a website visitor leaves a CBD site, there aren't many options to get back in touch. Even with the heady conversion rates of CBD websites, about 90% of the website traffic that comes through will leave without a trace. That's a lot of time and energy to pour into marketing and SEM/SEO efforts only to have visitors leave.



Direct Mail Retargeting matches about 50% of anonymous website traffic to actual postal mailing addresses.

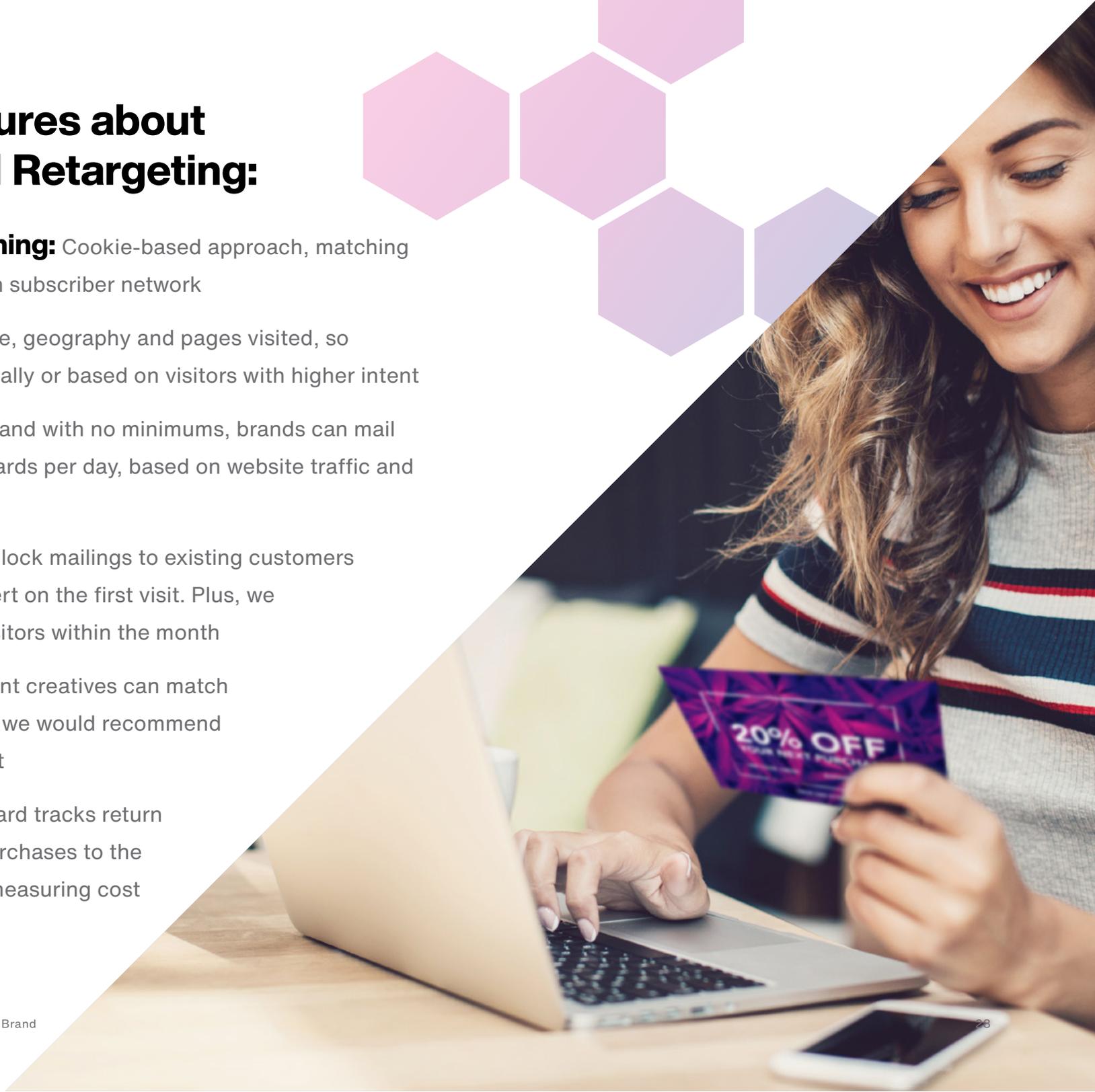
Cards are automatically mailed out each day to those visitors, bringing them back to the site to purchase.



And, because the marketing touch is Direct Mail, the channel is both privacy-compliant and permissible.

Some features about Direct Mail Retargeting:

- **Address Matching:** Cookie-based approach, matching devices to an opt-in subscriber network
- **Filtering:** By page, geography and pages visited, so brands can mail locally or based on visitors with higher intent
- **Budget:** Flexible and with no minimums, brands can mail five cards or 500 cards per day, based on website traffic and budget allocation
- **Suppression:** Block mailings to existing customers or those who convert on the first visit. Plus, we suppress repeat visitors within the month
- **Creative:** Different creatives can match specific pages, but we would recommend a single card at first
- **Results:** Dashboard tracks return visits and online purchases to the eCommerce cart, measuring cost per conversion



Direct Mail Retargeting has proven to be an excellent channel for many CBD brands, with results like:

eCommerce Brand

4% Return-to-Site Rate

5.2% Conversion Rate

\$19 Per Conversion

Dispensary selling online

24% Return-to-Site Rate

12% Conversion Rate

\$8 Per Conversion

Emerging CBD Brand

12% Return-to-Site Rate

2.5% Conversion Rate

\$36 Per Conversion

Because CBD brands can control the budget daily or monthly, this is proving to be one of the most reliable, consistently strong performing Direct Marketing channels available.

3

Proven direct mail marketing tactic #3

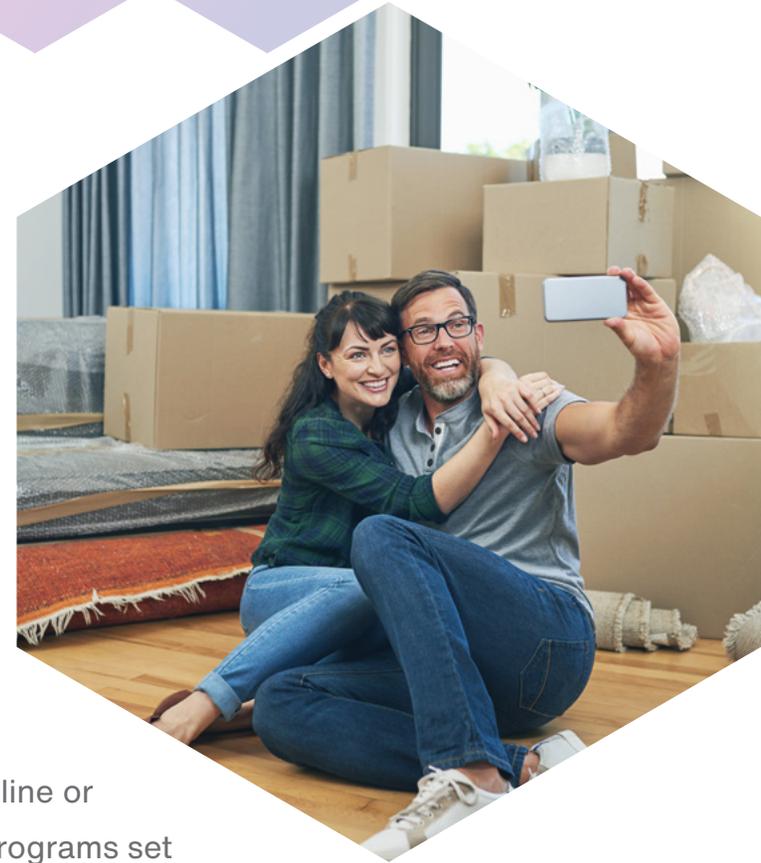
TRIGGER MARKETING PROGRAMS

Trigger programs mail postcards on a regularly scheduled date, using the same card each time. Once set up, these are ongoing and effective touchpoints to reach customers and prospects with regularity. Gone are the days of working around a deadline or wondering, "did that card go out?". Trigger programs set up a methodical, consistent, reliable marketing touch.

These programs automatically mail when a list comes in, or a 'trigger event happens:

New Movers and Homeowners

These lists are updated regularly and are best suited for physical dispensaries that want to welcome new movers to neighborhoods in a radius around their store. Getting in front of these folks right when they move in is a key to establishing a long-term relationship.



Birthday Club

Both on your website and in your CRM is the opportunity to ask for more than age verification – you can get their birthdate! That way, mailing a special birthday offer ahead of time is a great way to target someone and pique their interest in buying one of your products for their special day.

CRM Exports

Classifying your customers as at-risk, eroded, or some time-lapse between orders helps you proactively reach them with a mailer.

When you can categorize those clients, preparing a regularly scheduled mailer is a good idea to ensure that you're keeping in front of them...before they erode.



Email Subscribers

Getting new leads onboard with email subscriptions is a solid tactic to engage website visitors. This method enables brands to keep in touch with a low-to-no-cost touch.

However, even if open rates are 30%, 70% of those subscribers aren't even opening those emails!

Data technology exists to append postal addresses to emails, usually matching about 70% - 80% of emails to household addresses. Sending monthly email subscribers a Direct Mail postcard is an engaging touchpoint, especially when brands segment out the "does-not-open" subscribers. They're not receiving the marketing in their inboxes, so reach them in their mailboxes with a different and effective tactic.



CONCLUSION

CBD brands need more ways to create awareness and gain interest, especially with the hoops and regulations for digital and broadcast marketing.

Direct Mail is the ideal way for CBD Brands to connect with their target audience. With strong response rates inherent in the channel and a team of experts at Modern Postcard to help guide, the next step is clear: contact Modern to begin setting up a program to get new customers.

800.959.8365 | modernpostcard.com/cbd

