



STRATEGIC PLAN FOR APHRIA INC.

How can Aphria improve their strategic positioning and marketing strategy to differentiate itself in the cannabis industry to create a sustainable competitive advantage?

A thesis submitted to Anglo-American University for the degree of Bachelor in Business Administration with an emphasis in Marketing and Communication

Spring 2020

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## DECLARATION

I hereby declare that no portion of the work referred to in this thesis has been submitted in support of an application for another degree, or qualification thereof, or for any other university or institute of learning.

I declare that this thesis is my independent work. All sources and literature are cited and included.

I also hereby acknowledge that my thesis will be made publicly available pursuant to Section 47b of Act No. 552/2005 Coll. and AAU's internal regulations.

A handwritten signature in black ink, appearing to read 'Lucie S.' with a stylized flourish at the end.

Lucie Soudková

## ACKNOWLEDGEMENTS

KONEČNĚ!

## **ABSTRACT**

Strategic Marketing Plan for Aphria Inc., a Canadian based cannabis producer.

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**Motivation:** The Canadian cannabis industry is a completely new industry since no other market had to deal with marketing a previously illegal drug. Therefore, Canadian companies are experimenting as they are paving the way in this new field. Aphria was chosen for this thesis as there is great room for improvement in its branding and differentiation strategies compared to its competitors. Since recreational cannabis was legalized recently and Aphria entered this market, it is intriguing to analyse the development of it as they are fighting with the illegal market, which maintains a strong position even after legalization.

**Problem:** Due to increasing competition and recent concerns with overproduction of cannabis because of lower demand than expected, Aphria needs to differentiate itself from its competitors through innovative strategies and unique branding.

**Approach:** This paper will analyse the strategic marketing and overall performance of Aphria and will provide recommendations about creating a sustainable competitive advantage.

**Results:** Currently, Aphria does not have a sustainable competitive advantage as its strategy focuses solely on operational effectiveness instead of differentiation.

**Conclusion:** To gain a sustainable competitive advantage, Aphria must improve their marketing strategies and uniquely differentiate its brands, despite the marketing restrictions imposed by the Cannabis Act. This could be achieved, for example, by attracting new customers through a new on-demand delivery app and improving the new product development process.

Dan Ravick Fiala



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## **LIST OF ABBREVIATIONS**

**e.g.:** for example

**et al:** and others

**etc.:** et cetera

**ibid.:** same source, different page

**loc.cit.:** same source, same page

**n.d.:** no date given

**n.p.:** no page given

**OE:** operational effectiveness

**WTP:** willingness to pay

## GLOSSARY OF TERMS

**CBD:** Cannabidiol – “a nonintoxicating cannabinoid found in cannabis and hemp”  
(*Merriam Webster. (n.d.). CBD. Retrieved March 24, 2020, from <https://www.merriam-webster.com/dictionary/CBD>*)

**CBN:** (Cannabinol) “CBN is a non-intoxicating compound that is best known as the cannabinoid created when THC ages. For that reason, it’s usually present in high amounts in older cannabis.” (*Earlenbaugh, E. (2020, January 9). What Is CBN (Cannabinol) & What Are the Benefits of This Cannabinoid? Retrieved from <https://www.leafly.com/news/science-tech/what-is-cbn-and-what-are-the-benefits-of-this-cannabinoid>*)

**Hemp:** (*Cannabis sativa*), “also called industrial hemp, plant of the family Cannabaceae cultivated for its fibre (bast fibre) or its edible seeds. Although all three products—hemp, marijuana, and hashish contain tetrahydrocannabinol (THC), a compound that produces psychoactive effects in humans, the variety of cannabis cultivated for hemp has only small amounts of THC relative to that grown for the production of marijuana or hashish.” (*The Editors of Encyclopaedia Britannica. (2019, August 6). Hemp. Retrieved from <https://www.britannica.com/plant/hemp>*)

**Hybrid:** “The result of cross-pollination of various strains. The effects are often stronger than the original strain.” (*Wilson, C. (2018). Cashing In On Cannabis. Lulu Press*)

**Indica:** “A species of cannabis. The plant is short and stocky. Indica’s effects are primarily physical and some emotional, including relaxation, sedation and pain reduction.” (*Wilson, C. (2018). Cashing In On Cannabis. Lulu Press.*)

**Sativa:** “A species of cannabis. The sativa plant is tall with narrow, serrated leaves. It has THC – the psychoactive-inducing part of the plant – and the effects are primarily on the mind and emotions.” (*Wilson, C. (2018). Cashing In On Cannabis. Lulu Press.*)

**THC:** Tetrahydrocannabinol – “a compound that is present in cannabis (a drug made from the hemp plant): Marijuana’s psychoactive ingredient may be useful for the treatment of glaucoma, multiple sclerosis, nausea and pain. “ (*Cambridge Dictionary. (n.d.). TETRAHYDROCANNABINOL: meaning in the Cambridge English Dictionary. Retrieved March 24, 2020, from <https://dictionary.cambridge.org/dictionary/english/tetrahydrocannabinol>*)

**Topical:** “A lotion or ointment that is applied directly to the body’s surface. Topicals are utilized for fast-acting localized relief of inflammation and pain. Cannabis topicals are typically non-intoxicating, which allows patients to enjoy the plant’s therapeutic effects without THC’s attendant psycho-activity. (*WeedMaps. (2020). Topical Marijuana Definition & Information. Retrieved April 7, 2020, from <https://weedmaps.com/learn/dictionary/topical/>*)

## CHAPTER 1: INTRODUCTION

This paper analyses the Canadian cannabis company Aphria Inc. (henceforth, Aphria). The goal is to evaluate the company's marketing strategy, financial standing, issues with the current strategy and suggest improvements for Aphria.

*The research is up to date to 01.05.2020*

### 1.1. Industry Overview

Cannabis used to be an illegal substance, but some countries are legalizing it for medical purposes and recreational use. Globally, the cannabis industry is growing and the Total Cannabinoid Market is expected to reach up to \$40.6bn by 2024 ([Arcview Market Research & BDS Analytics](#), 2019, p.15).

Due to the federal legalization of cannabis, Canada is the largest legal cannabis market and is projected to reach \$5.2 billion by 2024 ([Arcview Group](#), 2019, n.p.). In 2018, Canada legalized adult-use cannabis which is predicted to grow to \$4.8 billion in 2024. Meanwhile, medical cannabis is expected to decrease “as the market shifts to adult-use access with no medical card required” ([Arcview Market Research & BDS Analytics](#), 2019, p.14).

Due to the market size and opportunities, Canadian companies are leading the way in the cannabis industry. The largest licensed cannabis producers in Canada are Aurora Cannabis (henceforth, Aurora), Canopy Growth, Cronos, Tilray, and Aphria ([Reiff](#), 2020, n.p.).

The cannabis products available on the market include:

- Dry flowers
- Capsules
- Oil
- Edibles (chocolates, mints, gummies, and cookies)
- Vapes
- Beverages (THC or CBD-infused: beer, lemonades, energy drinks etc.)
- Topicals (creams, muscle wraps, patches)
- Hemp products (textiles, foods, beauty products, paper...)

Marketing in the Canadian cannabis industry is highly restricted, but there are many loopholes in the Cannabis Act that marketers use to advertise. For example,

mentioning cannabis products and advertising to minors is illegal ([Health Canada](#), 2019, n.p.). Therefore, marketers implement age-gated websites and social media, use words like “wellness” or “relaxation”, and use influencer marketing as it is a “regulatory grey area” ([Wired Messenger](#), 2019, n.p.).

A recent concern in the cannabis industry is overproduction. After the adult-use legalization, Canadian companies began expanding their production facilities to meet the expected demand ([Peters](#), 2020, n.p.). Nonetheless, the demand grew slower than expected and companies such as Aurora, which has an annual production capacity of 700,000kg, are starting to downsize ([Yahoo Finance](#), 2020, n.p.). Despite overproduction concerns and “a series of disappointing quarterly results”, the expectations for the industry remain high ([Peters](#), 2019, n.p.).

## 1.2. Company Background Information

*Table 1: Company details*

<b>Name</b>	Aphria Inc.
<b>Headquarters</b>	Leamington, Ontario, Canada
<b>Founded</b>	2013
<b>CEO</b>	Irwin D. Simon (since early 2019)
<b>Employees</b>	620
<b>Revenue (2019, in Canadian \$)</b>	<ul style="list-style-type: none"> <li>• Net Revenue: <b>237,110,000</b></li> <li>• Revenue from cannabis produced: <b>86,348,000</b></li> <li>• Revenue from medical cannabis: <b>43,662,000</b></li> <li>• Revenue from recreational cannabis: <b>36,948,000</b></li> </ul>
<b>Production Capacity</b>	<ul style="list-style-type: none"> <li>• 255 000kg</li> <li>• Third largest producer after Aurora and Canopy Growth (<a href="#">Yahoo Finance</a>, 2020, n.p.; <a href="#">Bourgeault</a>, 2019, n.p.)</li> </ul>
<b>Production</b>	<ul style="list-style-type: none"> <li>• The only cannabis producer to grow 100% in greenhouses. (<a href="#">Aphria Inc.</a>, 2020c, p.4)</li> </ul>



<b>Operations</b>	<ul style="list-style-type: none"> <li>● 10 countries</li> <li>● Medical cannabis since 2014:</li> <li>● Aphria brand</li> <li>● Broken Coast</li> <li>● Adult-use cannabis since 2018:</li> <li>● Solei</li> <li>● Riff</li> <li>● Good Supply</li> </ul> <p style="text-align: right;"><a href="#">(Aphria Inc., 2020c, p.5)</a></p>
<b>Main Competitors</b>	<ul style="list-style-type: none"> <li>● Canopy Growth</li> <li>● Aurora</li> <li>● Tilray</li> <li>● Cronos</li> </ul> <p style="text-align: right;"><a href="#">(Reiff, 2020, n.p.)</a></p>

[\(Aphria Inc., 2019b, pp. 13-50\)](#)

Aphria's greenhouse production combined with focus on innovation and automated workflow is their main competitive advantage as that decreases their costs and allows them to be the best-cost provider.

Although the company generates most of its revenue through international distribution, mainly through its German subsidiary, CC Pharma, this paper focuses only on Aphria's operations in the Canadian cannabis production.

### **1.3. Personal Interest**

Aphria was chosen due to the new and growing cannabis industry. Aphria is an intriguing company because it has a cost advantage, but not a sustainable strategy compared to its competitors. Therefore, there is great room for improvement and suggestions to give.

## 1.4. Purpose of the thesis

The objective of this paper is to answer the following question: How can Aphria improve their strategic positioning and marketing strategy to differentiate itself in the cannabis industry to create a sustainable competitive advantage? Even though Aphria operates internationally, the focus of the paper is on Canada, as it is the largest cannabis market with the greatest potential for growth due to the federal legalization of cannabis.

## 1.5. Conceptual Framework

The research gathered data and information from secondary research:

- Academic journals, business websites, annual reports, the company websites, digital databases
- Strategic marketing and planning books and academic articles
- Data collection from publicly available sources for tables or graphs
- Assumptions were based on the researcher's overall understanding of the industry and company

## 1.6. Methodology

The researcher used three research methodologies to obtain a critical overview of Aphria:

- **Descriptive research:** was used to explain the difficulties of the company's strategy and current standing (Kotler & Armstrong, 2012, p. 103)
- **Exploratory Research:** was conducted to gain understanding about the company, its industry, marketing strategy, and its issues (Kotler & Armstrong, 2012, p. 103).

## 1.7. Statement of sources consulted and cited

The following sources were used: Academic articles, academic journals, company reports, audited annual reports, business websites, books, and textbooks. All references sources are included in the Bibliography and Works Cited sections.

## 1.8. Structure of the remainder of the thesis

- Chapter 1: [INTRODUCTION](#)
- Chapter 2: [FINANCIAL REVIEW](#)
- Chapter 3: [LITERATURE REVIEW](#)
- Chapter 4: [MARKETING AUDIT](#)
- Chapter 5: [ASSUMPTIONS](#)
- Chapter 6: [STRATEGIC MARKETING PLAN](#)
- Chapter 7: [EVALUATION OF CURRENT SMAP](#)
- Chapter 8: [IMPLICATIONS, CRITIQUE, AND JUSTIFICATION](#)
- Chapter 9: [CONCLUSION](#)

*Note on word count: the word count was exceeded by 4% (480 words).*

## CHAPTER 2: FINANCIAL REVIEW

The following numbers are taken from the company's Annual Reports and Yahoo Finance. However, this financial analysis includes Aphria's global operations, not just the Canadian market as the financials are not divided by geographical area. Accordingly, these figures do not represent the Canadian cannabis revenue, but global operations. Additionally, one must keep in mind that this is a new industry and the financial performances cannot be compared to mature industries. The ratios are compared to the industry leader, Canopy Growth. All numbers are in thousands of Canadian Dollars.

### 2.1. Revenue and Income Analysis

*Table 2: Key Ratios for Aphria*

	2016	2017	2018	2019
Total Revenue	8,434	20,438	36,917	237,110
Cost of Revenue	2,457	3,141	3,970	161,689
Gross Profit	5,977	17,298	40,887	75,421

The large increase in revenue in 2019 can be attributed to the recreational market, which was legalized in 2018 and thus created new sales. Additionally, this includes the distribution revenue from the wholly owned subsidiaries such as CC Pharma, a distributor to over 13 000 pharmacies across Germany. The company's revenue for the year ended May 31<sup>st</sup> 2019 was CA\$237 110 000, out of which only CA\$76 144 000 is attributed to cannabis sales – the remainder is from global distribution revenue ([Aphria Inc.](#), 2019b, p. 36). Accordingly, the revenue does not reflect only Canadian cannabis revenue. Nonetheless, Aphria has a very strong cash position due to the issuance of share capital and convertible debenture.

## 2.2. Profitability Ratios

Table 3: Profitability ratios

	Aphria (years ended May 31st)				Canopy Growth
	2016	2017	2018	2019	2019
Gross Profit Margin	70.86%	84.63%	110.75%	31.80%	39.29%
Operating Profit Margin	-12.93%	10.31%	-19.60%	-26.93%	-244.61%
Net Profit Margin	4.72%	20.54%	79.76%	-6.95%	-302.83%
Cash Flow Margin	-	-16.76%	-19.94%	-11.53%	-61.80%
ROA	1.10%	1.33%	2.24%	-0.68%	-7.85%
ROE	1.14%	1.53%	2.51%	-0.95%	-9.86%
ROCE	1.10%	1.33%	2.24%	-0.68%	-8.54%

Since this is a new industry, profitability is not yet established ([Saminather, 2020, n.p.](#)). Nonetheless, Aphria was among the first to turn a profit ([Owram, 2019, n.p.](#)).

## 2.3. Liquidity Ratios

Table 4: Liquidity ratios

	Aphria (years ended May 31st)				Canopy Growth
	2016	2017	2018	2019	2019
Current Ratio	1.41	1.18	4.44	5.64	12.32
Quick Ratio	3.05	9.72	2.47	4.31	11.12
Cash Ratio	2.76	9.67	2.37	4.12	10.97

## 2.4. Leverage Ratios

Table 5: Leverage ratios

	Aphria (years ended May 31st)				Canopy Growth
	2016	2017	2018	2019	2019
Debt Ratio	3.49%	13.32%	10.69%	29.02%	17.07%
Debt Equity Ratio	3.62%	15.37%	11.97%	40.88%	21.44%

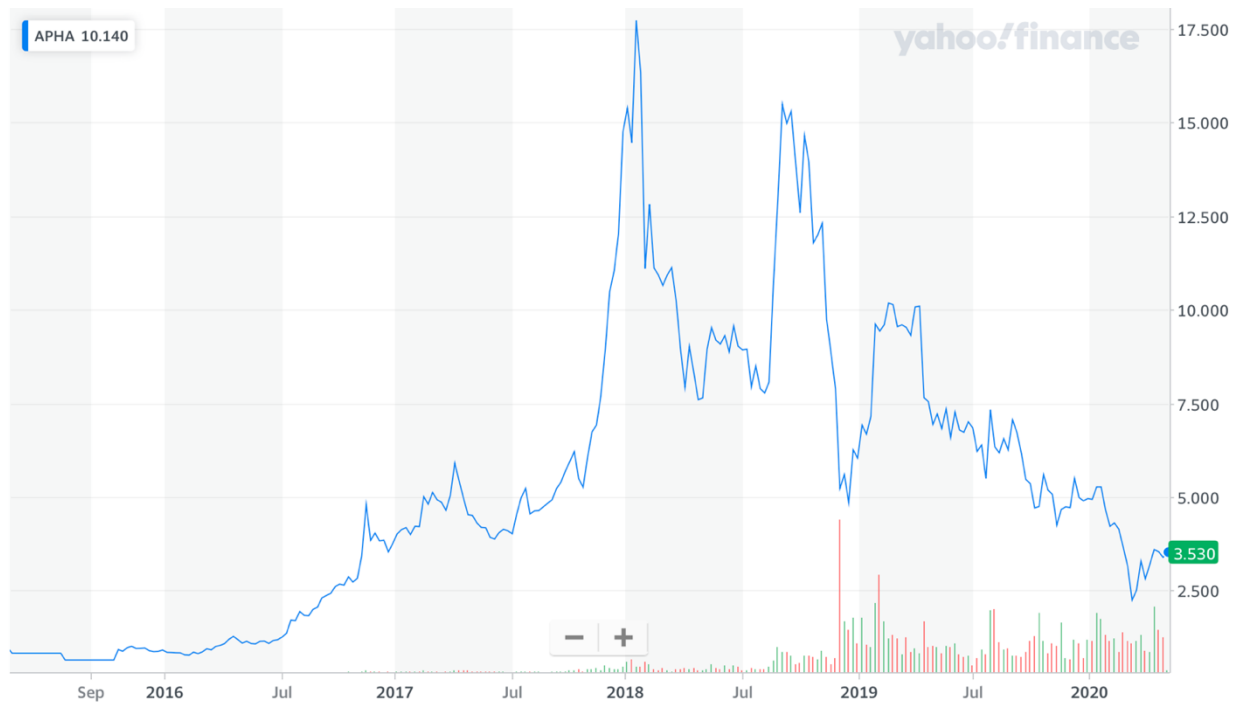
## 2.5. Efficiency Ratios

Table 6: Efficiency ratios

	Aphria (years ended May 31st)				Canopy Growth
	2016	2017	2018	2019	2019
Asset Turnover	1.15	0.28	0.12	0.47	0.21
Sales per Employee	147964,91	136 253,33	123 056,67	382 435,48	77 593,76

## 2.6. Stock Performance

Figure 1: Aphria Stock Performance



([Yahoo Finance](#), n.d., n.p.)

Aphria's stock performance is highly volatile. The continuous decrease since April 2019 started after the company reported lower than expected profits in Q3 in combination with the overproduction concerns in the industry. The recent spike may be related to the high expectations investors have of the upcoming quarterly reports, as the coronavirus is causing an increase in sales of cannabis ([Owram](#), 2020, n.p.).

## 2.7. Additional

In the third quarter of 2020 ended February 28<sup>th</sup>, the company reported a 249.9% increase in cannabis sales from the same quarter in the prior year ([Aphria Inc.](#), 2020g, p. 3). This is attributable to the large increase in recreational product sales.

It is critical to note that even though Aphria began as a medical cannabis producer, the revenue from adult-use products has been growing. The adult-use revenue in Q3 2020 increased by 522.4% compared to the prior year and 53.9% compared to the previous quarter ([Aphria Inc.](#), 2020e, p. 25; [Aphria Inc.](#), 2019c, pp.

16-17). On the other hand, revenue from medical cannabis in Q3 of 2020 reported a 18.6% decrease compared to the prior year and 14.2% decline from the prior quarter (loc.cit.).

It is also important to note that the income statement shows an operating loss of CA\$145 million, despite the increase in sales. Impairment costs of CA\$58 million are included, which may signal more future losses. Additionally, the company reports CA\$670 million of goodwill and CA\$392 million in intangible assets – a reduction of these through impairment may increase the losses and surprise investors.

## **2.8. Financial Analysis Conclusion**

The company's performance is highly volatile as the ratios are changing every year. However, this may be expected from an industry which is so new, and companies are adapting to the changing laws and customer perceptions as they go. Nonetheless, the company has a strong cash position.



## CHAPTER 3: LITERATURE REVIEW

Relevant research about the cannabis industry, the company, and strategic marketing was conducted. The principal sources included:

1. **Audited Annual Reports:** These reports included all the necessary financial information of Aphria: costs per gram, price per gram, and required explanations. The reports were accessed through the Canadian government portal [SEDAR.ca](https://www.sedar.com) and were audited by PwC. It provided a thorough overview about the company and its current situation.
2. **Arcview Report Executive Summary:** This report summarized the findings of a large study about the cannabis market, including extensive details about Canada. This report provided an overview, data, and future predictions about the cannabis industry.
3. **Statistics Canada:** This official government statistics website provided data about cannabis users, demographics, geographical information, usage rate etc.
4. **Principles of Marketing by Kotler & Armstrong:** This book provided information about marketing strategy and the necessary tools, frameworks, and analyses to create a sustainable competitive advantage.

## CHAPTER 4: MARKETING AUDIT

### 4.1. PESTEL

The PESTEL analysis analyses the external environment impacting the company ([Oxford College of Marketing](#), 2016, n.p.). As opposed to PLEESTIC, PESTEL is for local analysis. Since this paper focuses on Canada, the PESTEL framework was used.

*Table 7: PESTEL Analysis*

<b>Political</b>	<ul style="list-style-type: none"><li>● Taxation increases the price of cannabis.</li><li>● Health Canada can restrict or deny production capacities or licenses to cannabis companies.</li><li>● Future governments may change the legal status of cannabis.</li></ul>
<b>Economic</b>	<ul style="list-style-type: none"><li>● The black market remains a strong force with an estimated 80% market share (<a href="#">Korstrom</a>, 2019, n.p.)</li><li>● Since cannabis is not a necessity, cannabis sales may drop during economic downturns.</li><li>● Legal cannabis creates great tax revenue and decreases profits for the illegal market.</li><li>● The industry creates investment opportunities.</li><li>● Economic downturn caused by COVID-19 may decrease sales in the long run if cannabis users will not have enough income to spend on non-essentials such as cannabis.</li></ul>
<b>Social</b>	<ul style="list-style-type: none"><li>● There remains a stigma associated with cannabis use among older individuals.</li><li>● Socially unacceptable to consume it in certain situations.</li><li>● Unknown long-term health impacts.</li><li>● Increased risk of schizophrenia for cannabis users with family history of psychosis (<a href="#">Hall</a>, 2011, p. 511).</li><li>● An informed and educated public about cannabis may promote cannabis and its safe use.</li><li>● Can accompany treatment for cancers, mental health, anxiety, pain relief etc.</li></ul>
<b>Technological</b>	<ul style="list-style-type: none"><li>● Technological innovation can drive costs down as economies of scale are reached.</li></ul>

	<ul style="list-style-type: none"> <li>● New apps could simplify delivery or finding a store.</li> </ul>
<b>Environmental</b>	<ul style="list-style-type: none"> <li>● Indoor greenhouse facilities require large amounts of energy for lighting, ventilation, temperature and humidity control, which accounts for large amounts of carbon emissions.</li> <li>● Outdoor growing requires great areas of land, thus cutting down forest and destabilizing ecosystems.</li> <li>● Pesticides at outdoor facilities cause animal deaths.</li> <li>● Marijuana plants consume around “six gallons of water per day per plant”.</li> </ul> <p style="text-align: right;">(<a href="#">Aldern</a>, 2016, n.p.)</p>
<b>Legal</b>	<ul style="list-style-type: none"> <li>● The Cannabis Act from 2018 restricts aspects like labels, packaging, marketing, distribution, or marketing</li> <li>● Each Canadian territory and province make individual rules about: <ul style="list-style-type: none"> <li>○ Legal minimum age</li> <li>○ Location and amount of stores</li> <li>○ How stores are operated</li> <li>○ How much adults can possess.</li> </ul> </li> </ul> <p style="text-align: right;">(<a href="#">Government of Canada</a>, 2020, n.p.)</p>

One of the most critical factors to consider are the legal factors. Although cannabis was legalized federally, the Canadian market is “13 different provincial and territorial markets, each with its own regulatory scheme” ([Arcview Market Research & BDS Analytics](#), 2019, p.15). Accordingly, companies have to follow federal but also provincial guidelines. For example, Ontario designed a lottery system to fairly issue licenses for physical stores as the number of stores is limited, despite Ontario being the most populous province with many cannabis users ([George-Cosh](#), 2019, n.p.). Ontario is the province in Canada with the highest cannabis demand, yet there are only 16 physical stores (see [Appendix A](#)). The lack of physical stores with immediate access to marijuana is one of the reasons users turn to their illegal suppliers, as it is faster and cheaper ([George-Cosh](#), 2019b, n.p.). Accordingly, such restrictions slow down the ability to form a robust legal market and battle the black market ([Arcview Market Research & BDS Analytics](#), 2019, p.15).

Legal issues arise especially in marketing. For example, there are high regulations about types and colours of packaging or cannabis itself cannot be shown or named in the advertising ([Health Canada](#), 2019, n.p.). Accordingly, brands have to use creative and subtle marketing methods to create their brand image and loyal customers.

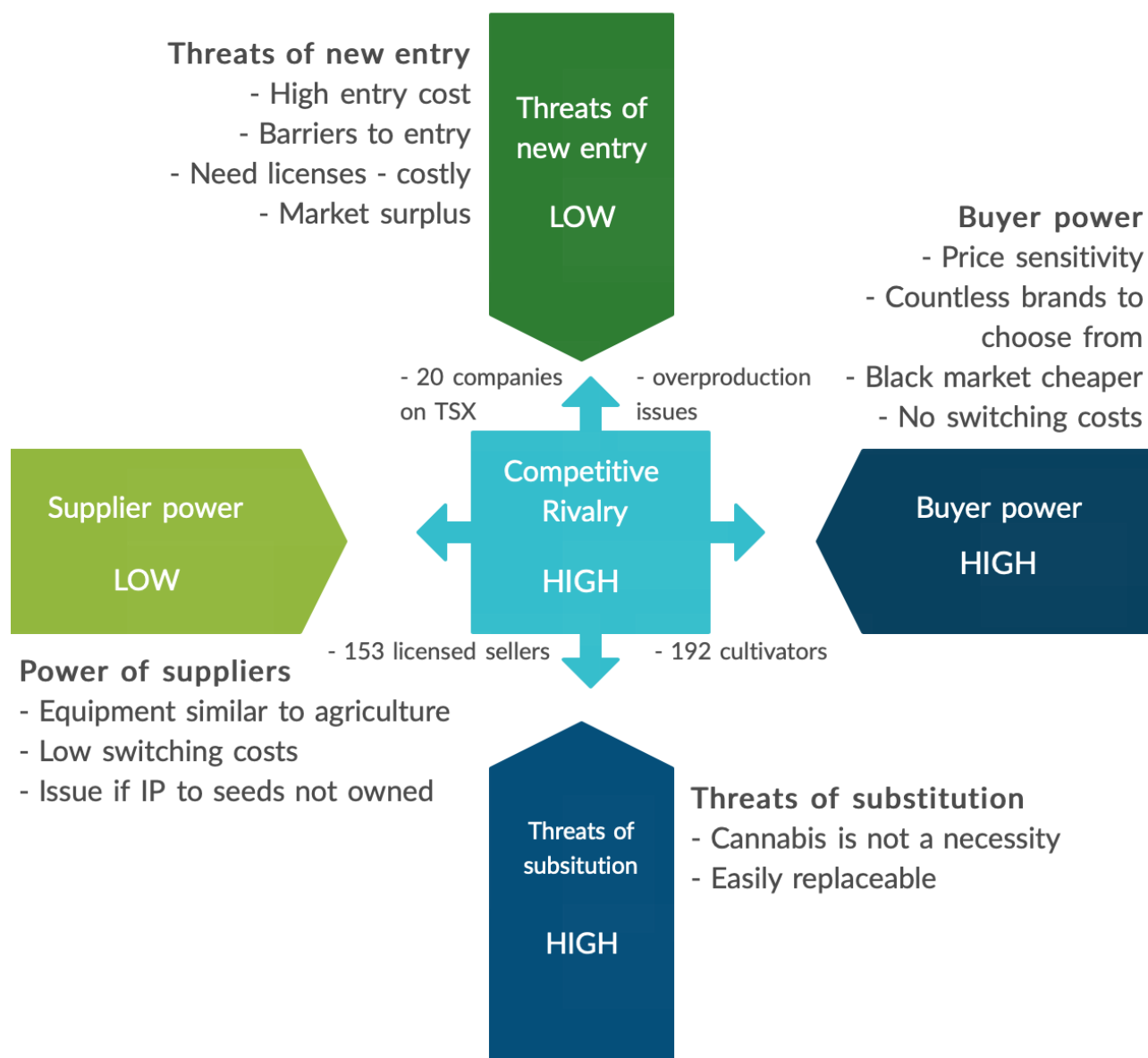
Secondly, the economic factors are vital. Merely one year after the legalization, the demand for legal cannabis is lower than expected. Canadian companies were focused on expansion and high production capacity, but are now facing overproduction issues and are laying off employees ([Peters](#), 2020, n.p.). Since November, 2 600 jobs have been lost in the industry ([Berke](#), 2020, n.p.). Industry leader Canopy Growth “closed two greenhouses and eliminated 500 positions” (loc.cit.). One may say that this is related to the power that the illegal market still holds, with a value estimated between \$5-7 billion ([Esfandiari](#), 2019, n.p.).

## 4.2. Porter's Five Forces Framework

Porter's Five Forces Framework analyses and identifies forces that “shape every industry and help determine its weaknesses and strengths” (Chappelow, 2020, n.p.).

Figure 2: Porter's Five Forces Framework for Aphria

### Porter's Five Forces analysis of the Canadian industry of cannabis production



(Created using [Creately](#))



## Threat of Substitutes

The strongest force is the threat of substitutes. Medical cannabis may be replaced by: Traditional medicine, natural medicine, or no product. Recreational cannabis may be substituted by black market cannabis (cheaper), alcohol, other drugs, or not consuming any drugs.

According to Amlung et al., a study about elasticity showed that “higher prices motivate substitution irrespective of legality” (2019, p. 117). Additionally, the black market controls 80% of the cannabis market and has an average price 56% lower, making it a great threat ([Korstrom](#), 2019, n.p.). Considering quality, however, the legal market is safer, as one does not necessarily know the origin of the products in the illegal market ([Cooper & Adinoff](#), 2019, p. 547). Therefore, the force in the recreational cannabis market is high. The price differences can be seen in [Appendix B](#).

In the medical cannabis market, the threat of substitutes is also high. In addition to many substitutes to medical marijuana, evidence lacks to support the idea that cannabis truly aids with certain medical issues ([Cooper & Adinoff](#), 2019, p. 548). Also, there is uncertainty regarding long- and short-term side effects or consequences to the constant consumption of cannabis (loc.cit). Accordingly, medical users may switch to traditional medicine and avoid marijuana products if new research comes to light, making this force high.

## Bargaining Power of Buyers

This is the second strongest force in the cannabis industry. There are more than 290 licensed marijuana producers in Canada, excluding the powerful black market ([LPC](#), n.d., n.p.). Therefore, users have numerous providers to choose from, especially since one may order online. Also, buyers have a great incentive to switch to the illegal market due to the lower prices and non-existent switching costs.

Average price per gram:

- Legal market: CA\$10.30
- Black market: CA\$5.75 ([Statistics Canada](#), 2020, n.p.)

As the prices on the black market are more appealing, regular users may favour the black market and force legal suppliers to drive their prices down. Even though there are trade-offs in the black market, such as content and safety, the price

difference is 56%, making the incentive to purchase from the black market extremely high. This is especially true for recreational users, as their concern for safety may be lower than for medical users, who have a prescribed dosage. Nonetheless, buyers have countless cannabis outlets to choose from, making this force high.

### **Competitive Rivalry**

The Canadian cannabis market is highly competitive, as there are:

- 20 cannabis companies listed on the Toronto Stock Exchange
- 153 licensed cannabis sellers
- 195 licensed cannabis processors
- 242 licensed cannabis cultivators ([LPC](#), n.d., n.p.)

Due to the concerns of overproduction and companies like Aurora already reducing the production capacity, one may assume that the market is highly saturated and competitive rivalry is high ([Yahoo Finance](#), 2020, n.p.).

### **Threat of New Entrants**

There are high barriers to entry, since companies need to request licences for processing, cultivation and sale, research and testing, and building new production facilities with a set annual production capacity. These permissions and licences need high capital investments, are costly to maintain, and the requirements for them are very demanding. Also, the market surplus is high, as there are more than 290 licenced cannabis producers, excluding the illegal market ([LPC](#), n.d., n.p.). Additionally, companies are reducing their production capacities as the demand for legal cannabis seems to be lower than previously anticipated ([Levinson-King](#), 2019, n.p.). Therefore, this force is low.

### **Bargaining Power of Suppliers**

The equipment needed to run production facilities is similar to agriculture. Accordingly, there are many suppliers and the switching costs are low. What is vital, however, are the seeds themselves. If a company obtains their seeds from another company as they do not have the intellectual property for the seeds, the bargaining power is high in that case. However, companies like Aphria own the genetics for their seeds.

### 4.3. Marketing Mix

Table 8: Marketing Mix for Aphria

<b>Product</b>	<ul style="list-style-type: none"> <li>● Medical and recreational cannabis:</li> <li>● Dried flowers</li> <li>● Pre-rolls</li> <li>● Capsules (soft gels)</li> <li>● Oils</li> <li>● Vapes</li> <li>● Topicals/creams (planned)</li> <li>● Edibles: gummies, hard candy, chocolates (planned)</li> <li>● Beverages (planned)</li> </ul> <p style="text-align: center;">(for visualized product mix see <a href="#">Appendix H</a>)</p>
<b>Price</b>	<ul style="list-style-type: none"> <li>● Variable prices depending on product</li> <li>● Average price of cannabis per gram: <ul style="list-style-type: none"> <li>○ Medical: CA\$8.16</li> <li>○ Recreational: CA\$5.22</li> </ul> </li> </ul> <p style="text-align: right;">(<a href="#">Aphria</a>, 2020, p. 20)</p>
<b>Place</b>	<ul style="list-style-type: none"> <li>● Own, branded e-stores</li> <li>● Physical retail stores:</li> <li>● Shoppers Drug Mart</li> <li>● Southern Glazer's Wine &amp; Spirits</li> </ul> <p style="text-align: right;">(<a href="#">Press</a>, 2018, n.p., <a href="#">Canada Newswire</a>, 2019, n.p.)</p>
<b>Promotion</b>	<ul style="list-style-type: none"> <li>● Social media (Instagram, Facebook, Twitter)</li> <li>● Branded websites</li> </ul>
<b>People</b>	<p>620 employees</p>
<b>Physical evidence</b>	<ul style="list-style-type: none"> <li>● Presence in retail stores</li> <li>● Award winner of seven awards at 6th Annual Canadian Cannabis Awards for genetic strains, products etc.</li> </ul> <p style="text-align: right;">(<a href="#">Canada Newswire</a>, 2019e, n.p.)</p>
<b>Processes</b>	<ul style="list-style-type: none"> <li>● Focus on innovative greenhouse growing and cultivation</li> <li>● Plant Positivity: education about cannabis in cooperation with Evergreen (<a href="#">Aphria</a>, 2020, p. 13)</li> </ul>



	<ul style="list-style-type: none"> <li>● Online help centres</li> <li>● Call centre</li> </ul>
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Although Aphria has a great distribution network in physical stores of Shoppers Drug Mart and Southern Glazer's, accounting for a presence in 542 stores, they do not have their own, branded stores ([Aphria Inc.](#), 2020b, p. 9).

As Aphria is the best-cost provider, having a price and cost advantage is crucial. In medical cannabis, however, both Canopy Growth and Aurora have a lower average price per gram: [Appendix C](#).

#### 4.4.SWOT Analysis

The SWOT Analysis summarizes and shows findings of the internal and external audit to analyse and evaluate the strategic position of a company ([Oxford College of Marketing](#), 2016, n.p.).

*Figure 3: SWOT Analysis for Aphria*

STRENGTHS	WEAKNESSES
<ol style="list-style-type: none"> <li>1. <b>Best-cost:</b> have a great price to quality value compared to legal competitors.</li> <li>2. <b>High production capacity:</b> Aphria is the third largest Canadian cannabis producer. It has licenses to produce 250 000kg annually.</li> <li>3. <b>Intangible assets:</b> the majority of employees have an agriculture or pharmaceuticals background, making know-how a valuable asset to the company. Also, Aphria has intellectual property to many high quality and awarded genetic strains of cannabis.</li> <li>4. <b>Technological innovation:</b> their production is automated and requires minimal human intervention, thanks to which they have low production costs.</li> </ol>	<ol style="list-style-type: none"> <li>1. <b>Heavy reliance on partnerships:</b> without partners like Shoppers Drug Mart or Southern Glazer's, Aphria would not have physical stores and would rely solely on online sales.</li> <li>2. <b>No branded stores:</b> stores are a great way to showcase products and enhance marketing opportunities, especially with the strict advertising regulations.</li> <li>3. <b>Dependence on technology:</b> as their entire production is dependent on technology, Aphria is sensitive to power outages and need much maintenance to keep the production going.</li> <li>4. <b>Marketing budget:</b> the company is not spending enough money on marketing to build their brands (Ramer, 2020, n.p.).</li> </ol>

OPPORTUNITIES	THREATS
<p>1. <b>Delivery:</b> create own delivery platform on demand to increase delivery speed. Delivery speed and times are a great advantage of the black market.</p> <p>2. <b>New products:</b> add more products to product portfolio.</p> <p>3. <b>Retaining daily consumers:</b> 6.3% of Canadian cannabis users are daily consumers (StatCan, 2019b, n.p.). As those users spend a lot of money on cannabis, creating a cost advantage would turn them away from the cheaper black market (see <a href="#">Appendix D</a>).</p> <p>4. <b>Relaxation/anxiety:</b> 51% of cannabis consumers do so to relax or relieve anxiety (see <a href="#">Appendix E</a>).</p>	<p>1. <b>Black market:</b> the black market may continue to evolve and offer lower prices, retaining buyers and attracting new ones.</p> <p>2. <b>New research:</b> new studies showing possible negative effects of cannabis could stop individuals from consuming it and thus decreasing sales.</p> <p>3. <b>Laws:</b> Canadian laws could change and restrict cannabis again.</p> <p>4. <b>Brand awareness:</b> Aphria does not have distinctive branding and a united brand image across all of their brands. Adult-use brands are all targeting a different segment with different value propositions but are not promoting it sufficiently due to marketing restraints of the Cannabis Act.</p>

(Adapted from Soudkova, 2019, AAU)

Aphria's high quality to price value is a great strength, especially in the recreational market, where price showed to be the most important attribute when purchasing marijuana ([Shi et al.](#), 2019, p. 1).

The greatest threat is the weak brand image, which is caused by the high restrictions placed by the Cannabis Act on marketing cannabis. In essence, any promotion of cannabis products and mentioning them is forbidden, unless it is addressed directly to an individual above legal consumption age ([Health Canada](#), 2019, n.p.). The brand itself, however, can be promoted without referring to cannabis directly (loc.cit). Packaging and labels are also regulated. Accordingly, there are many loopholes which Aphria is not taking advantage of to build the image of their individual brands.

## 4.5. TOWS Matrix

Figure 4: TOWS Matrix

	<b>OPPORTUNITIES</b> 1. Delivery (O1) 2. New products (O2) 3. Retaining daily consumers (O3) 4. Relaxation/anxiety (O4)	<b>THREATS</b> 1. Black market (T1) 2. New research (T2) 3. Laws (T3) 4. Brand Awareness (T4)
<b>STRENGTHS</b> 1. Best-cost (S1)  2. High production capacity (S2)  3. Intangible Assets (S3)  4. Technological innovation (S4)	<p><b>O1&amp;S3:</b> Create a system with existing partnerships like Parcel Pal to create an on-demand delivery service.</p> <p><b>O2&amp;S2:</b> The experience in operational effectiveness could be used in creating new products effectively.</p> <p><b>O3&amp;S3:</b> Create initiative for heavy consumers to become loyal customers with loyalty programs, advantages, discounts etc.</p>	<p><b>T2&amp;S3:</b> Create an alliance with research institutes to fund cannabis research and prevent possible threats from new research, by being aware of it.</p>
<b>WEAKNESSES</b> 1. Heavy reliance on partnerships (W1)  2. No branded stores (W2)  3. Dependence on technology (W3)  4. Marketing budget (W4)	<p><b>W4&amp;O3:</b> A loyalty program will strengthen branding and image.</p> <p><b>W4&amp;O2:</b> Create new products and target new customer segments with strong branding.</p> <p><b>O3&amp;W2:</b> Building more branded stores so that daily consumers do not have to wait for online orders or go far to retail stores may increase brand awareness and retain loyal customers.</p> <p><b>O4&amp;W4:</b> Create program to help individuals with anxiety and relaxation. This could attract new customers and be a CSR opportunity</p>	<p><b>W1&amp;T1:</b> Enhance branding with creating marketing to limit the influence of the black market (customers will want the brand instead of illegality).</p> <p><b>W2&amp;T2:</b> New research could uncover new product opportunities, so Aphria could add new products and brand them to new specific customer segments.</p>

(Adapted from Soudkova, AAU, 2019)

## O1&S3

One of the greatest opportunities for Aphria would be to create an on-demand delivery service with its existing partner, Parcel Pal. One of the reasons customers return to the convenience of the black market is long delivery times and unavailability at times when stores are closed ([Rudolph](#), 2019, p.78). Delivery could also be outsourced to companies like Uber or food delivery services (loc.cit). Therefore, a fast on-demand delivery service could help turn customers away from the illegal market. The importance of convenience can be seen in [Appendix F](#).

## S3&O3

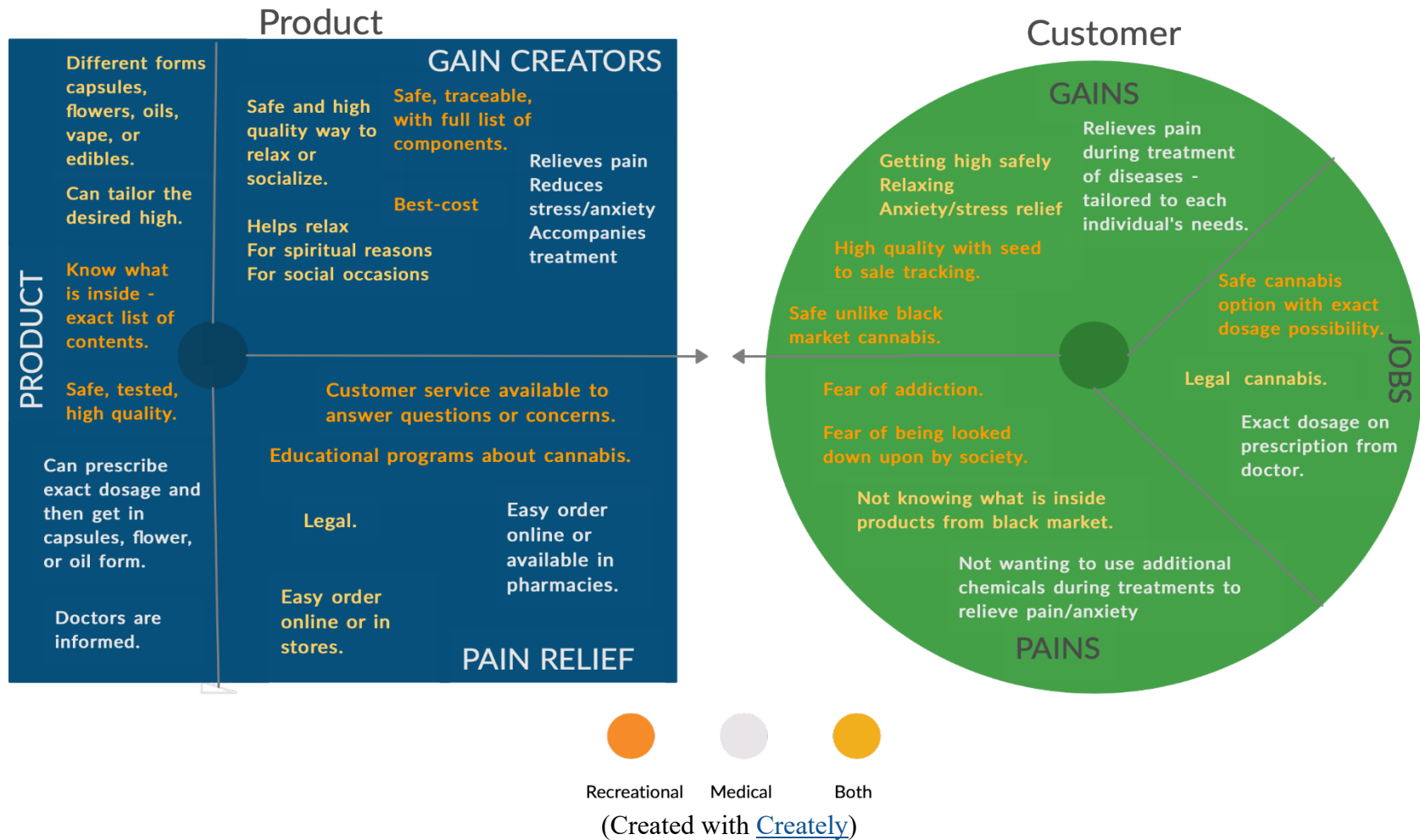
Another essential opportunity could be loyalty programs. Not only is a loyalty program convenient for daily users or undecided customers, but also a method to enhance the branding and advertising that does not intervene with the Cannabis Act. Since acquiring new customers is more difficult and costly than retaining existing customers, especially those coming from the black market, Aphria should use the time when undecided customers keep on exploring their options on the legal cannabis market ([Gourio & Rudanko](#), 2014, p. 1102).

## O3&W2

One of the issues with lack of stores is that customers have to go far to reach a store, creating inconvenience. If they want their cannabis quickly without waiting for an online order to arrive, they may turn to their dealer as those are available almost anytime and can meet the customers to avoid travelling long distances. Not only may more branded stores decrease the influence of the black market, but also retain daily users and increase brand awareness.

## 4.6. Value Proposition

Figure 5: Value Proposition for Medical and Recreational Users



## 4.7. Business Model Canvas

Figure 6: Business Model Canvas



(Created with [Creately](#))

## 4.8. Activity Systems Map

Figure 7: Activity Systems Map for Aphria



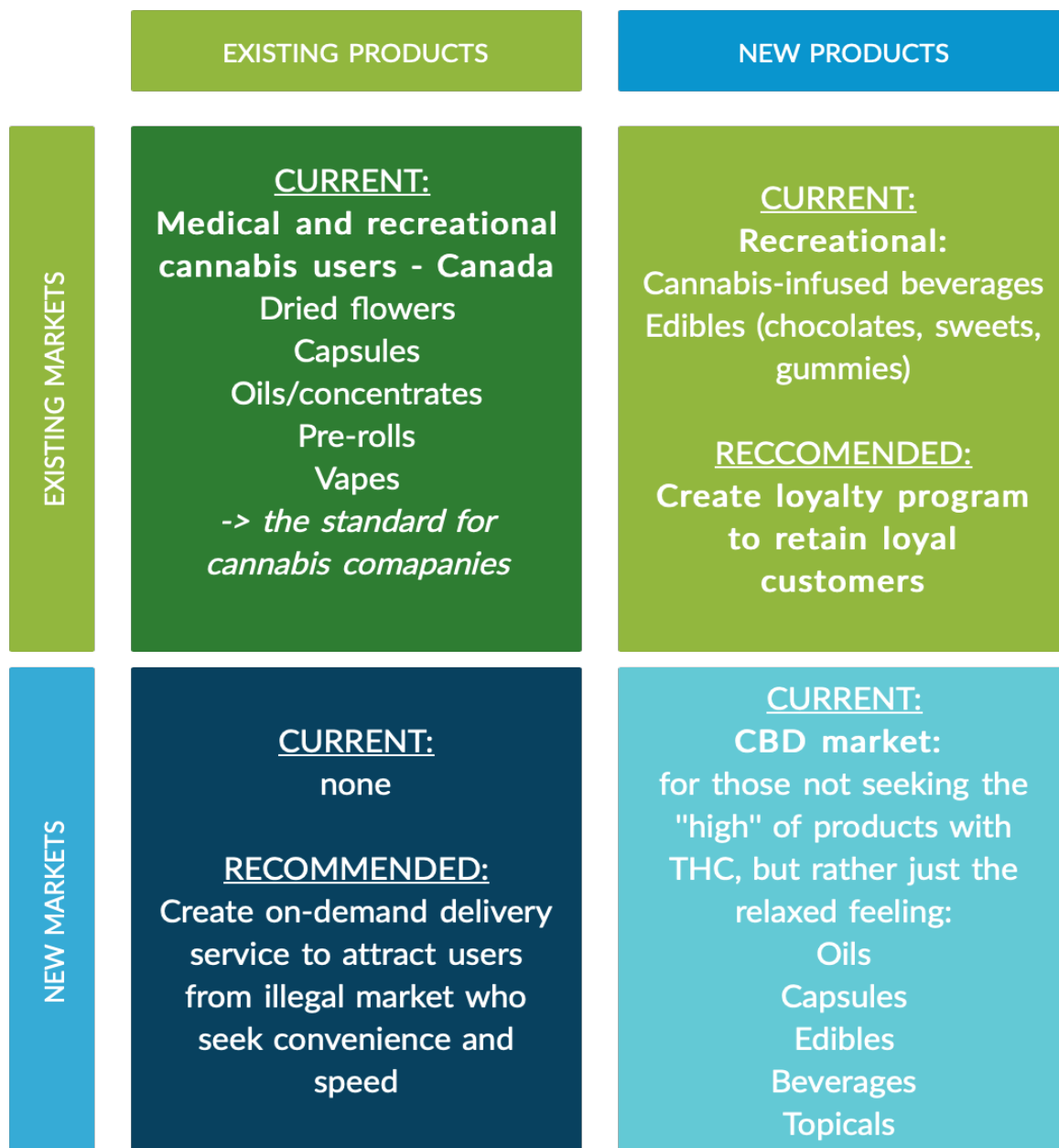
(Created with [Creately](#))



## 4.9. Ansoff's Matrix

Ansoff's matrix is a tool used to evaluate the potential growth and expansion strategies of a company (Keller, 2013, pp. 432-433).

Figure 8: Ansoff's Matrix for Aphria



(Created with [Creately](#))



## CHAPTER 5: ASSUMPTIONS

The researcher makes the following assumptions about the cannabis industry based on the research.

### 5.1. **Illegal Market**

The black market is the greatest competitor of the legal cannabis market, yet there is no concrete data about it. The prices, margins, production costs and revenue can only be estimated, as it is impossible to obtain hard data from illegal producers or their customers.

It is assumed that the black market still holds the majority of the cannabis market share. For example, Statistics Canada estimates that the black market still controls 80% of the overall cannabis market ([Korstrom, 2019, n.p.](#)). This is assumed to be due to the lower prices, immediate availability, and lack of legal stores in the consumer's proximity. For example, one's personal dealer might be more practical than finding a legal store which is further away, has a smaller product range, and is not open at all times.

### 5.2. **Stigma**

Another assumption is that there is a significant negative stigma associated with cannabis among older generations. The substance was legalized in Canada in October of 2018, which is a short time to change the negative perceptions of a society towards a previously illegal drug. A contributing factor may be the lack of longitudinal studies about the effects of cannabis on health. However, one may assume that younger generations do not perceive cannabis as a drug anymore and are more likely to consume it.

Nonetheless, due to this stigma, one may assume that the research about consumption of current and prospect users of cannabis is limited. Participants of research about cannabis may be influenced by the negative connotation of cannabis and may not be truthful in their responses as they would not want to be looked down upon ([Ipsos, 2017, n.p.](#)).

### 5.3. Coronavirus

Due to the global crisis caused by COVID-19, economies worldwide are suffering. The cannabis industry, however, seems to be affected positively as cannabis users are preparing for long quarantines and isolation and are stockpiling their cannabis supplies ([Reuters](#), 2020, n.p.). Therefore, the coming months may represent an increase in sales as users place online orders. In the Q3 2020 Management's Discussion and Analysis (MD&A), Aphria reported a short-term increase in online sales of 18% ([Aphria Inc.](#), 2020e, p. 18). Due to the quarantines, the black market may suffer as individuals will be reluctant to see other people, especially their dealers.

Thanks to the overproduction and large inventory, Canadian cannabis companies may not have product shortages if production was restricted. This is especially the case for Aphria, as their production requires minimal human interference. The company stated that their facilities continue running as they are seen as essential ([Aphria Inc.](#), 2020e, p. 17). Some workers chose to self-quarantine, but the company is supporting their health and is taking any pre-emptive measures to minimize the impacts of the virus.

## CHAPTER 6: STRATEGIC MARKETING PLAN

### 6.1. Corporate Strategy

Corporate strategy can be defined as the company's decisions that determine and show its "objectives, purposes, or goals [...] and plans for achieving those goals" (Foss, 1997, p. 50). These can be expressed through mission and vision statements (ibid., p. 57).

#### Mission

"To be the premier global cannabis company through an unrelenting commitment to our people, the planet, product quality, and innovation." (Aphria Inc., 2020d, n.p.)

One may say that this mission statement is very vague and general. A mission statement should describe what the company is doing, how, for whom, and what value they are creating. Aphria's mission is very generic and could apply to any other cannabis company. Therefore, Aphria should adjust their mission to be more unique and tailored.

#### Vision

"Aphria Inc.'s vision is to be the best performing cannabis company globally, providing investors with access to the most accretive cannabis opportunities around the world." (Aphria Inc., 2020d, n.p.)

Similarly, Aphria's vision statement is very generic and could represent any cannabis company. A vision statement shows where the company is going in the long term, should be unique, and inspiring. Additionally, it should avoid words like 'best' or 'premier', as that carries no meaning and is highly subjective. Accordingly, Aphria should personalize their vision statement.

#### Values

"Our commitment to our people, the planet, product quality and innovation helps us create stronger, healthier communities everywhere we do business." (Aphria Inc., 2020d, n.p.)

## 6.2. Markets and Segments

### 6.2.1. Macro Analysis

The macroenvironment are greater forces affecting the company, such as economic, natural, political, or technological (Kotler & Armstrong, 2012, p. 66). The PESTEL framework was used to analyse the macroenvironment. Please see [Table 7: PESTEL Analysis](#) in Chapter 4.

### 6.2.2. Micro Analysis

The microenvironment shows the aspects close or within the company that determine “ability to serve its customers – the company, suppliers, marketing” (Kotler & Armstrong, 2012, p. 66). An Activity Systems Map was created to analyse the microenvironment in [Figure 6](#) in Chapter 4.

### 6.2.3. Current State of the Market

Leading up to the legalization in 2018, investors were enthusiastic about the Canadian cannabis market and companies were valued high. At the time, the industry leader Canopy Growth reached a high of CA\$72 per share but has now decreased by more than 72% to CA\$13.9 ([Yahoo Finance](#), 2020, n.p.). Even though profits are lower than predicted, the industry is expected to grow continuously as companies mature. Currently, one may say that the main Canadian cannabis producers compete on operational effectiveness (OE), instead of strategy or creating strong branding. This is not only caused by the immaturity of the industry, but also the Cannabis Act, which makes it difficult for brands to build brand awareness ([Health Canada](#), 2019, n.p.). Additionally, it is illegal to encourage cannabis, therefore, reaching new potential customers is difficult ([Austen](#), 2019, n.p.).

Companies are trying to continuously decrease their production costs to provide the cheapest products at the best quality. Nonetheless, OE does not provide them with a sustainable competitive advantage. In the long run, however, it may have an effect on decreasing the power of the black market if the legal prices will be able to compete with it.

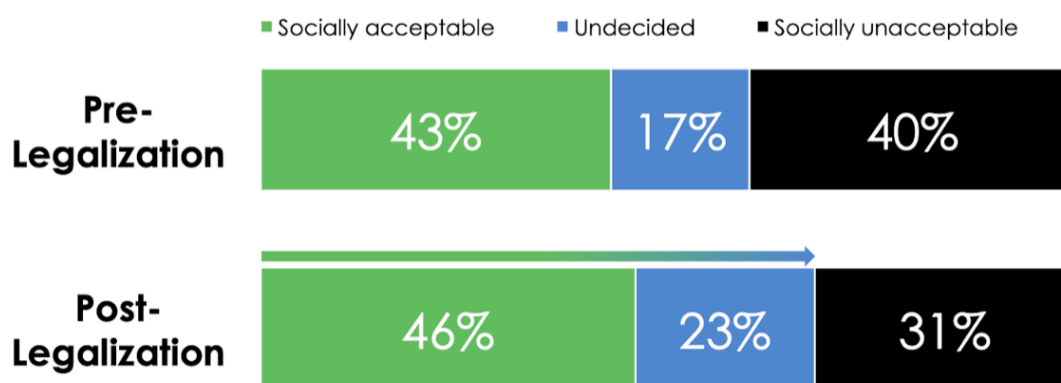
Furthermore, it is important to note the influence of COVID-19. Interestingly, cannabis stores are not closed, and users are stockpiling cannabis, causing temporary

increases in sales. Medical marijuana users were advised to stock up for one month due to quarantines and recreational users fear boredom ([Yahoo Finance](#), 2020b, n.p.). Nonetheless, the supply chain of many producers may be disrupted, especially when the launch of new products such as edibles and beverages was planned (loc.cit.). Accordingly, if the virus continues spreading and deaths continue to increase, demand may drop as individual's incomes may be limited.

#### 6.2.4. Market Trends

Market trends in the cannabis industry are constantly evolving and unpredictable, as consumers are getting used to seeing previously banned products on legal shelves. After the legalization, negative consumer perceptions started to shift slightly, which is visible in the following graph.

*Figure 9: Shifting Consumer Perception About Cannabis*

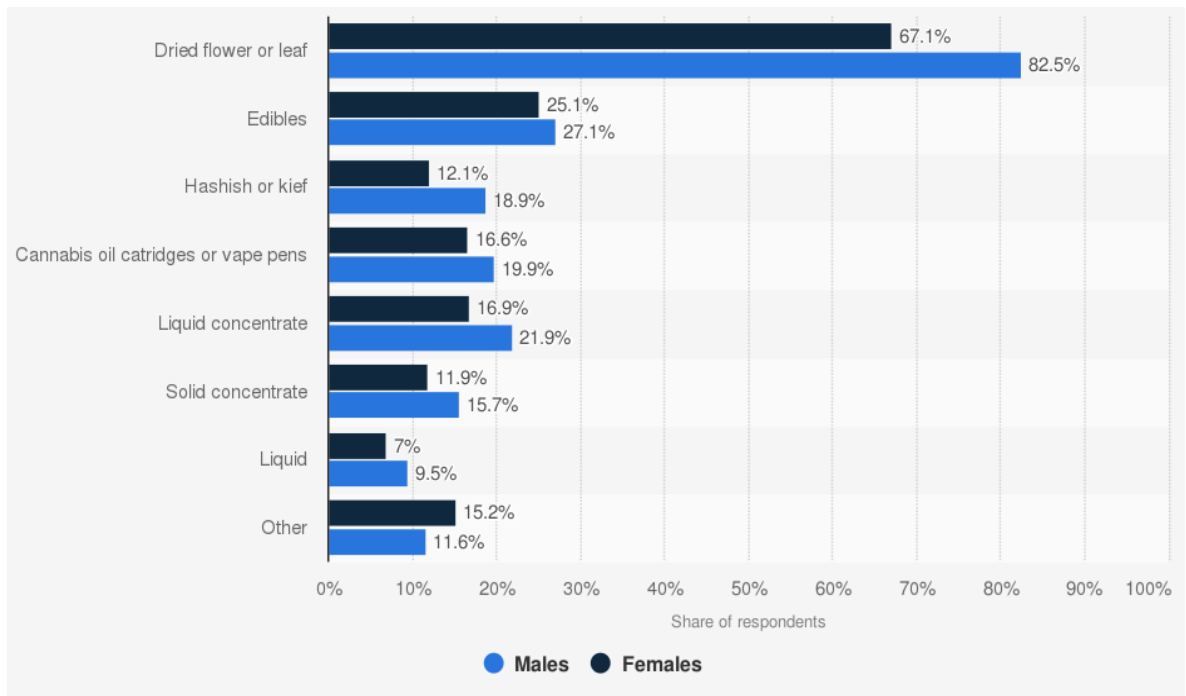


([Cannabis](#), 2019, n.p.)

The number of participants who believe cannabis is now socially acceptable is higher. However, Canada still needs to be educated further about cannabis. One of Aphria's programs, Aphria Educates, helps this issue and educates youth about cannabis (please see [Corporate Social Responsibility](#) for more information).

Another key market trend is the types of products users prefer:

Figure 10: Cannabis Consumption by Product



(StatCan, 2019, n.p.)

Overall, users prefer dried flowers. Edibles are the second most consumed product, showing the importance of companies launching their edible product lines. Aphria planned to launch edibles in Summer 2020 (see [Appendix H](#)), however, their newest company presentation omits the launch date (see [Appendix I](#)). Edibles currently have a market value of CA\$1.6bn (see [Appendix J](#)). As edibles' legalization is recent, companies are rushing to create the best edible products and attract new consumers. Accordingly, Aphria should aim to create a wide range of edibles, especially baked goods and chocolates, due to its high market value and customer preferences (see [Appendix K](#)).

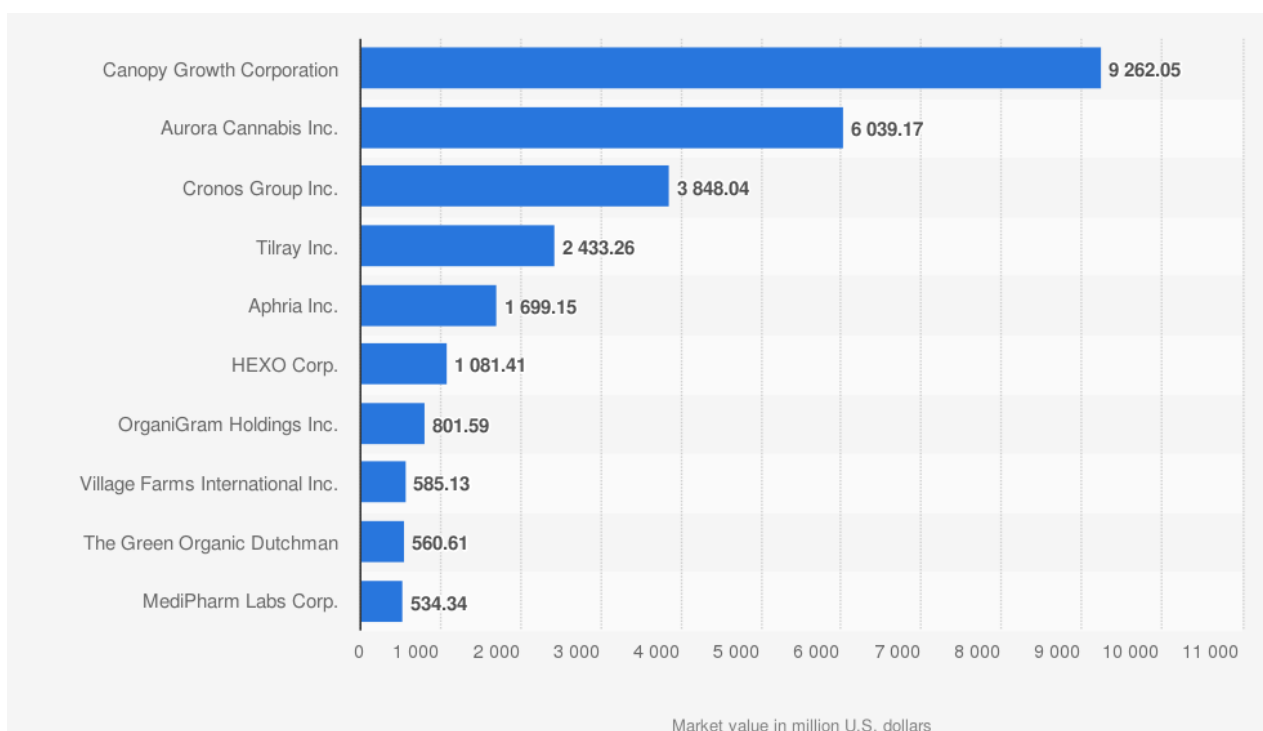
The reason to consume cannabis is also important to note. According to a survey by Deloitte, the primary reason to consume cannabis-infused edibles is to have fun with friends ([Deloitte, 2019, n.p.](#)). The second is to relieve stress, pain, or anxiety (loc.cit). For more information see [Appendix L](#). As stated previously, price and convenience are one of the most significant factors for cannabis users (see [Appendix F](#) and [Appendix E](#)).

Further industry analysis and trends are described in [Table 7: PESTEL Analysis](#) and [Figure 2: Porter’s Five Forces](#).

### 6.2.5. Competitor Analysis

Aphria’s main competitors are Canopy Growth, Aurora, Tilray, and Cronos ([New Frontier Data](#), 2019, n.p.).

*Figure 11: Canadian cannabis market leaders by market value in USD*



([New Frontier Data](#), 2019, n.p.)

A detailed overview of products and brands can be found in [Appendix G](#). Another competitor analysis can be found in [Appendix M: Strategic Group Map](#).

Compared to its competitors, Aphria offers a lower product range and has less brands that cover different segments. Canopy Growth, for example, has 20 different brands each covering a different segment of the recreational and medical market, respectively. With its five brands, Aphria has a significantly smaller market share.

As stated in their annual report, Aphria is aware that its competitors may have more marketing experience ([Aphria](#), 2019b, p. 22). Overall, the companies currently

compete on OE as they differentiate themselves through “the price and quality of cannabis and client services provided” (loc.cit).

### **6.2.6. SWOT Analysis**

Find the full analysis in [Figure 3: SWOT Analysis](#).

## **6.3. Products**

Aphria generates its revenue by selling medical and recreational cannabis products. Please see a detailed product description in [Table 8: Marketing Mix](#) and [Appendix I: Aphria Product Mix](#).

## **6.4. Marketing Objectives**

In an industry where marketing is highly restricted, it is difficult to set specific objectives due to the evolving laws. Nonetheless, Aphria aims to strengthen their branding as they state in their [2019 annual report](#):

“The Company is investing capital and resources to establish a leading position in the adult-use market in Canada. These investments are focused on brand development, product innovation, marketing, sales, education, and research to enable the Company to capture, retain and grow a significant share of the Canadian market as it continues to develop” (p. 14).

One may say that this goal is very vague and Aphria does not have a specific plan of action.

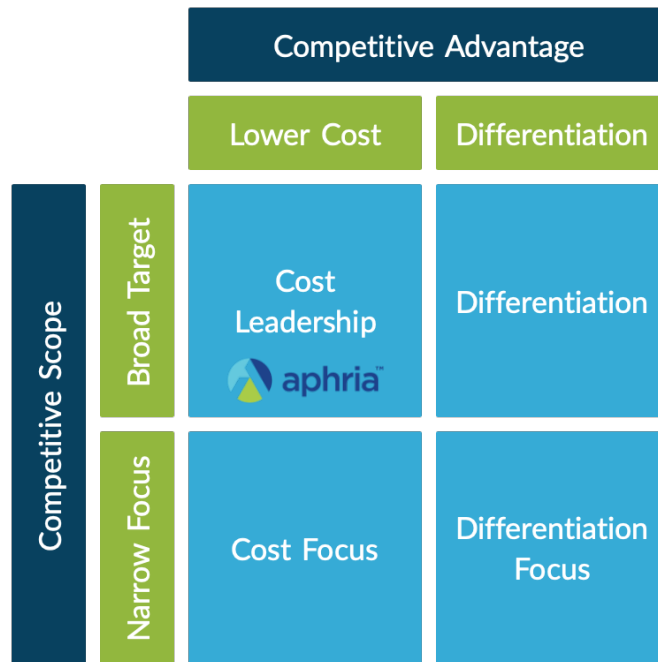
## **6.5. Marketing Strategies**

### **6.5.1. Porter's Competitive Advantage Grid**

A competitive strategy needs to “establish a profitable and sustainable position against the forces that determine industry competition” ([Porter](#), 1985, p. 1). According to Porter, there are three generic strategies to achieve competitive advantage: cost leadership, differentiation, and focus (ibid., p. 12).



Figure 12: Porter's Competitive Advantage Grid



(Created with [Creately](#))

Based on the analyses, it is assumed that Aphria follows a cost leadership strategy. The company has one of the lowest production costs due to its automated cultivation facilities. However, this advantage is not sustainable as competitors are already decreasing their costs (see [Appendix C](#)). Therefore, Aphria may lose its competitive advantage soon as the production curve shifts outward and it will be harder to compete on cost. Additionally, Aphria has a cost advantage only in the legal market, since the illegal market provides cannabis at much lower prices (see [Appendix B](#)).

### 6.5.2. Ansoff's Matrix

Please see [Figure 8: Ansoff's Matrix](#).

### 6.5.3. Segmentation

Segmentation is the practice of dividing a large market into smaller parts to reach customers more efficiently with specific products and services that “match their unique needs” (Kotler & Armstrong, 2012, p. 190). The market can be segmented

geographically, demographically, behaviourally, or by gender, for instance (loc.cit). Segmentation is crucial since one product cannot suit ‘everyone’ but has to be specified to the needs of the target group. Segmentation also increases the customer’s WTP, as more value is created.

Aphria segments the market well to reach customers effectively as the products are tailored to the segment’s needs and wants. Naturally, Aphria’s main segments are recreational and medical users. Additionally, Aphria segments their market geographically: 10 Canadian provinces. Another segment is user experience – highly experienced user to novices. Lastly, the products may be segmented into different motivations to consume: getting high, relaxation and anxiety aid, pain relief, or having fun with friends (see [Appendix E](#)).

#### **6.5.4. Targeting**

After dividing the market into segments, a company must decide which segments it will target and with which products or services (Kotler & Armstrong, 2012, p. 201). Targeting is crucial since companies cannot target all segments – they have to evaluate the sales potential of each segment and decide which and in which order it will target them (Belch & Belch, 2017, pp. 57-58).

Aphria targets segments with their different brands. For example, the brand Broken Coast is premium cannabis made for experienced users demanding high quality. Solei, on the other hand, is for novice or inexperienced users, offering weaker strains. The Aphria brand is solely for medical patients. Further targeting information can be found in [Appendix N](#).

#### **6.5.5. Differentiation**

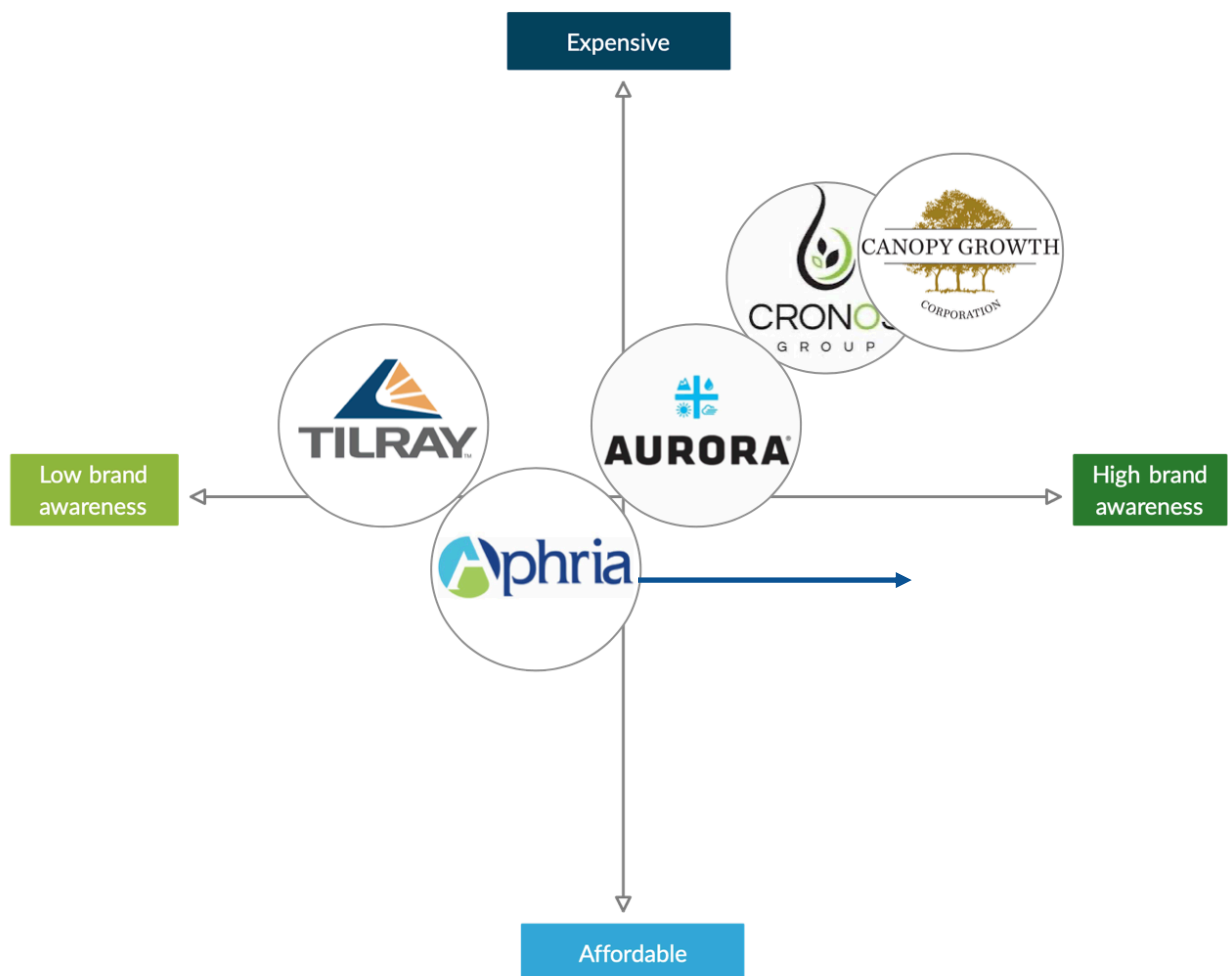
A differentiation strategy is how the company aims to differentiate and uniquely position itself from the competition to meet customer’s needs ([Porter](#), 1985, p. 14.). Differentiation can be a great source of competitive advantage as it provides the customer with a deeper value (Belch & Belch, 2017, p. 47).

According to the researcher’s analysis, Aphria does not have a unique and specific differentiation strategy. Therefore, Aphria is solely competing on OE.

### 6.5.6. Positioning

Positioning is the brand identity and brand image a company establishes in the minds of the consumer (Keller, 2013, p. 68). Unique points-of-difference create a competitive advantage in a given market segment and “the reason why consumers should buy the brand” (loc.cit). The following perceptual positioning map of the Canadian cannabis companies reflect their brand’s positioning in terms of brand awareness and price.

Figure 13: Perceptual Positioning Map



(Created with [Creately](#))

Brand awareness was chosen as a criterion as it is a vital part of the brand’s positioning. As brand awareness is difficult to measure, the number of social media

followers of the company's individual cannabis brands were used as a reference. Price was chosen as the other criteria as it is one of the main sources of competitive advantage, especially compared to the illegal market. As more medical users will approach the now legal recreational market due to lower prices and convenience, the two markets may begin blending together. Accordingly, this perceptual map represents both the medical and recreational markets.

As one can see, Aphria is positioned very poorly in brand awareness, but favourably on price. Nonetheless, this does not create a sustainable competitive advantage as the competitors will decrease their production costs over time and offer competitive pricing.

## 6.6. Gap Analysis

A gap analysis shows how a company may achieve a goal by taking specific steps and illustrates the gap between the company's current state and their desired state ([Kenton, 2020, n.p.](#)).

*Figure 14: Gap Analysis*

CURRENT STATE	STRATEGIC ACTION	FUTURE STATE
Inconvenience for customers who want cannabis right away and have to wait for online order or travel far to a store.	Create an in-app on-demand delivery service with strategic partners, Parcel Pal and UnoApp. Customers may order directly through the app and track the delivery.	First cannabis company to have on-demand delivery service. Customers who would otherwise seek the black market due to convenience may use Aphria's immediate service.
Low brand awareness, lack of differentiation.	Overcome marketing regulations barrier by using loopholes. Work on social media strategy and be more active and engaging with followers.	Create strong brands that customers will not want to switch away from.
Consumers continue purchasing from the black market.	Attract existing and undecided users through a loyalty programs that will give them access to a point system and better prices.	Undecided and black-market users may favour the convenience and prices of the app and loyalty program. The customers will remain loyal and create value for the company in the long run.
Consumers are undecided and are experimenting with different brands.	Merge the program with the app to enforce branding and stress the convenience of the on-demand delivery service.	

The following recommendations were placed on a grid to show the importance of change and the level of change in operations this recommendation would require.

Figure 15: Strategic Fit for Recommendations from GAP analysis

		LEVEL OF CHANGE IN CURRENT OPERATIONS	
		HIGH	LOW
IMPORTANCE OF CHANGE	HIGH	<p>Improve marketing by overcoming restrictions creatively</p>	<p>In-app on-demand delivery service (Important to do quickly to be the first one on the market to do it – that is why high importance)</p>
	LOW	-	<p>Create loyalty program (included in the app)</p>

(Created with [Creately](#))

## 6.7. Product Strategies

### 6.7.1. Product Management

Aphria’s products are the result of the activities that can be reviewed in [Figure 7: Activity Systems Map](#) for Aphria.

### 6.7.2. Product Life Cycle






The product life cycle (PLC) is the development of a “product’s sales and profits over its lifetime” and describes the five stages a product goes through: product development, introduction, growth, maturity, and decline (Kotler & Armstrong, 2012, p. 273).

Since Aphria offers multiple products and they differ in the medical and recreational markets, creating a PLC map for all of the products seemed inadequate. Nonetheless, one may say that Aphria’s cannabis products are in the growth stage. Early users are now repurchasing and attracting new consumers through word-of-mouth and sales are slowly increasing (Boone et al., 2019, pp. 313-314). However, the legal cannabis industry is fairly young and companies with a similar maturity level all have products in the growth stage.

### 6.7.3. Product Portfolio

The following figure shows the current product portfolio of Aphria. All of these products are available with different THC to CBD ratios, come from different genetic strains, and are either Indica, Sativa, or hybrid.

Figure 16: Aphria Product Portfolio

					
Dried cannabis	✓	✓	✓	✓	✓
Vapes	✓		✓	✓	✓
Capsules	✓	✓		✓	
Pre-rolls			✓	✓	
Oils	✓	✓	✓		
Oral sprays	✓		✓	✓	

(Created with [Creately](#))

For additional information about Aphria’s product portfolio and their planned product launches see [Appendix I](#) and [Figure 8: Ansoff’s Matrix](#).

#### 6.7.4. New Product Development

New product development (NPD) is the practice of innovating and launching new products to the market ([Queensland Business](#), 2916, n.p.). NPD is vital in matching the changing consumer preferences and maintaining a competitive position (loc.cit.).

Aphria's innovation-focus may not be visible in new product categories such as edibles, as it fell behind its competitors who were faster to introduce them in their product portfolios. This is reflected in Aphria's spending on research and development (R&D). In Q3 of 2020, the company spent 1.3% of cannabis revenue on R&D of new products ([Aphria Inc.](#), 2020e, p. 33). That is a very low expense, especially compared to Canopy Growth, which spent 16.8% of cannabis revenue on R&D in Q3 2020 ([Canopy Growth](#), 2020b, p. 7). Canopy Growth or Aurora already have edibles and beverages in the market, whereas Aphria does not (see [Appendix I](#) for Aphria's product portfolio).

Aphria's company presentation released in January 2020 stated that edibles and beverages will be launched throughout the year ([Aphria Inc.](#), 2020b, p. 7). However, the updated version from April states that all new products are 'in development', without stating a specific launch date ([Aphria Inc.](#), 2020f, p. 7). In the MD&A the company claims that all facilities are running, therefore, this slowdown should not be caused by COVID-19 ([Aphria Inc.](#), 2020e, pp. 17-18). The company's slow NPD causes them to lose new potential customers who are still undecided about the brands.

However, Aphria developed new products in its existing product categories. For example, in 2019 Aphria's brand Solei won "innovation of the year" at the Canadian Cannabis Awards with its CBN Renew Oil, which is the only CBN oil on the market ([Canadian Cannabis Awards](#), 2019, n.p.; [Aphria Inc.](#), 2020e, p. 15). Additionally, Aphria constantly introduces new strains of cannabis with different effects.

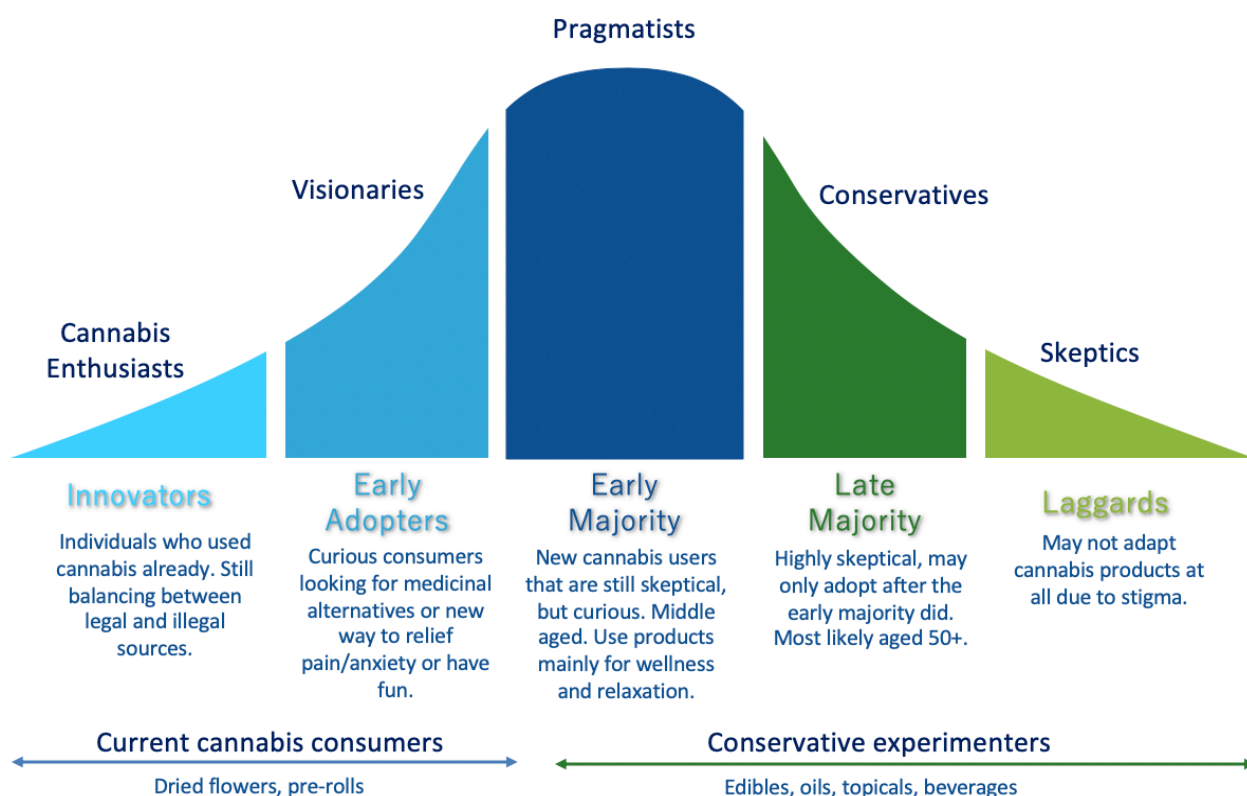
#### 6.7.5. Product Adoption Process

Product adoption is the mental process consumers go through from first learning about a product to purchasing it ([Ferrel & Pride](#), 2004, p. 300). It consists of



five stages: Awareness, Interest, Evaluation, Trial, and Adoption (loc.cit). The production adoption process for the Canadian cannabis market is represented in the following adoption curve. The curve represents which type of consumer is likely to adopt which kind of product and when.

Figure 17: Product Adoption Curve



(Created using PowerPoint; [Ferrel & Pride](#), 2004, p. 300; [Davies](#), 2019, n.p. )

### 6.7.6. Targeting Decision Makers

As cannabis is meant for individual consumption, the decision makers are the consumers themselves. In the medical market, users are targeted through doctors, which may suggest using an alternative form for pain relief, for example. The brands may have informational packages in the hospitals, or the doctor may recommend a brand. Otherwise, the patient may do research and reach brands via their websites or social media channels.

For targeting recreational users, a vital information source are websites and social media channels – users are not exposed to large promotional billboards or digital advertising due to the marketing restrictions. Therefore, consumers may search

for a specific product, find where they can purchase it, and depending on the options choose a suitable brand. According to Deloitte, insight-driven cannabis companies which will work with cannabis consumer data to analyse and predict consumer trends “will be able to make faster, smarter business decisions” (Deloitte, 2019, p. 31). The resulting personalized approach may offer “direct-to-consumer recommendations” which may result in stronger brand loyalty and will be a way to fight the illegal market (ibid., p. 28).

## 6.8. Price Strategies

Deciding a company’s pricing strategy is one of the most important aspects of the marketing mix. The main pricing strategies include:

1. **Cost-plus pricing:** costs + mark-up
2. **Competitive pricing:** the price is based on the competition’s price
3. **Value-based pricing:** the price is based on what the consumer believes the product/service is worth
4. **Price skimming:** starting at a high price but decreasing it as the market grows
5. **Penetration pricing:** starting with low pricing “to enter a competitive market and raising it later”

(BDC, n.d., n.p.)

Based on the research, one may claim that Aphria is using cost-plus pricing as they offer one of the lowest prices due to their OE. Also, Aphria is using variable pricing depending on the product and the brand.

## 6.9. Place Strategies

### 6.9.1. Distribution Strategies

Aphria does not have their own branded stores but has strategic partnerships with retail stores. In total, Aphria’s products are present in 542 retail stores across Canada (Aphria Inc., 2020b, p. 9). Additionally, customers may order products online through the individual brand’s websites in their given province. For additional information about physical stores see Appendix O.

## 6.9.2. Relationship Marketing

Relationship marketing (RM) is “attracting, maintaining, and [...] enhancing customer relationships” ([Parvatiyar & Seth](#), 1999, p. 3). RM, therefore, aims to create loyal customers (loc.cit). Creating loyal customers is difficult in the Canadian cannabis industry due to the marketing restrictions, the saturated market, and black market.

Aphria is trying to build relationships through their websites and social media. However, one may say it is limited. Their recreational brands, for example, do not offer non-stop customer care through helplines, FAQs, available phone numbers to call, or chats on social media. If customers have questions or issues, they cannot get an immediate answer as the only way to reach anyone is to email and wait for a response. Additionally, since the company does not have branded stores and only works through retailers, the employees may not be able to provide all necessary information to customer’s questions. Nonetheless, users can subscribe to their newsletter. Also, Solei has a section on their website with cooking recipes and how to include their oils.

Contrary to the recreational brands, the customer care for medical users is much more developed and helpful. After registration, customers have access to non-stop helplines, online chats, call centres, and FAQs. Aphria and Broken Coast’s website offers detailed information about any questions customers may have.

Additionally, Aphria aims to help consumers with financial difficulties and offers “compassionate pricing” for patients with an annual gross income of less than CA\$30 000 ([Aphria Inc.](#), 2020e, p. 15). This program may attract new and loyal customers.

For additional initiatives, please see [6.19. Corporate Social Responsibility](#).

## 6.10. Marketing Communications Strategies

Due to the restrictions in marketing and branding, cannabis companies are unable to build strong brands with traditional marketing ([Deloitte](#), 2019, p. 31). For further details please see [6.9.2. Relationship marketing](#) and [Table 8: Marketing Mix for Aphria](#)

### 6.11. Direct and Interactive Marketing Strategies

Direct marketing relies on channels that reach the potential customer directly and “eliminates the middleman such as advertising media” ([Kenton](#), 2020b, n.p.). Interactive marketing engages with the user and relies on their input, such as social media, websites, video games, or apps (Keller, 2013, p. 239).

Aphria uses these marketing strategies through its newsletter which notifies subscribers about their products or deals. The websites also serve as direct channels since customers may order products directly from it. Additionally, the brand’s social media accounts on Instagram and Facebook provide customers with information. However, the accounts do not have as many followers (range from ~830 to ~5 200) compared to the competitor’s brands such as Canopy Growth’s [Tokyo Smoke](#) (~40.2 thousand). The social media strategy should be more engaging and post more frequently to attract new potential customers.

### 6.12. Sales Strategies

A sales strategy organises a business’ sales efforts, shows whom the company will target and how to create value for those customers (Barret, 2019, n.p.). Aphria targets different consumer segments with products in the accompanying price range (see [Appendix N](#)).

### 6.13. International Marketing

An essential part of Aphria’s strategy is international expansion, for which it raised \$100 million from an institutional investor in January ([Yahoo Finance](#), 2020, n.p.). The main goal is the German medical market, where the company already operates and distributes cannabis in partnership with CC Pharma. The German medical market is larger than the Canadian recreational and medical markets combined ([Lau](#), 2020, n.p.). A vital part of the marketing is the partnership with a Berlin-based hospital, which educates doctors about the uses of cannabis products ([Canada Newswire](#), 2019c, n.p.).

Although the cannabis market in the United States is growing, Aphria is not focusing on entering the market as local companies are already established. Aphria claims that it may expand into the United States once cannabis is legalized federally,

as operating in separate states represents poor capital allocation ([Aphria Inc.](#), 2019, p. 23).

Lastly, Aphria aims to expand with medical cannabis in Latin America (LATAM) – Uruguay, Argentina, Brazil, and Colombia ([Aphria Inc.](#), 2020f, p. 12). The company also has operations such as research or growing facilities in Lesotho, Malta, Denmark, Italy, and Australia ([Aphria Inc.](#), 2019b, pp. 23-27).

#### **6.14. Implementation**

The effectiveness of Aphria’s strategy can be reviewed in [CHAPTER 2: FINANCIAL REVIEW](#) The company’s vision is to maintain OE continuously to offer the best prices.

#### **6.15. Internal Marketing**

A positive company culture is important not only in creating a positive and productive work environment, but also helps “foster an organization’s identity” (Keller, 2013, p. 310). Aphria has not released any publicly available information about their internal marketing.

There are some indications about their company culture, nonetheless. In an online job posting, they allude to their slogan: “We have a good thing growing – grow with us” ([Aphria Inc.](#), n.d., n.p.). However, in company review websites, Aphria does not reflect a positive image. According to the reviews, it seems that management positions are treated positively ([Indeed](#), n.d., n.p.). Positions like greenhouse workers, on the other hand, seem to be treated disrespectfully and complain about the negative company culture (loc.cit). Therefore, Aphria may want to identify their desired company culture and make it publicly available to improve their image.

#### **6.16. Marketing Organization Structure**

Due to the different brands and management structures, the researcher was unable to find a detailed marketing organizational structure. The only information about the marketing department is the name of the CMO: Megan McCrae ([Bloomberg](#), n.d., n.p.).

## 6.17. Branding Strategy

Aphria has a “segmented approach in its consumer branding” as all brands target a different kind of user ([Lau, 2020, n.p.](#)).

- Broken Coast: connoisseurs seeking premium cannabis
- Solei: mainstream novice users seeking relaxation and wellness
- Riff: urban culture communities
- GoodSupply: daily users looking for great quality at a low price
- Aphria: patients seeking high quality medical cannabis products

(See [Appendix N](#))

Each brand offers products that correspond with the targeted segment (Please see [Figure 16: Aphria Product Portfolio](#)).

The branding of Aphria as a whole is represented by their slogan “We Have A Good Thing Growing” ([Leafly, n.d., n.p.](#)).

## 6.18. Monitoring and Control

Information regarding Aphria’s procedures on how it monitors, and controls processes is unavailable. Nonetheless, to ensure the highest quality cannabis, the company tracks and monitors cannabis through their “Seed-to-Sale Certified Quality Promise” ([Aphria Inc., 2019d, n.p.](#)). The program includes 509 steps of controlling the quality and making sure the cannabis is in its intended shape. To see the illustrated process, please see [Appendix P](#).

## 6.19. Corporate Social Responsibility

Corporate Social Responsibility (CSR) is the belief that companies “have a social and ethical responsibility” ([Adda et al., 2016, p. 26](#)). CSR aims to create value for stakeholders and “give back” to the environment the firm operates in (*loc.cit*).

To combat the stigma and misinformation around cannabis, Aphria launched programs such as Aphria Educates and Plant Positivity. Aphria Educates aims to educate youth and adults about the safe use of cannabis and the different products on the market ([Canada Newswire, 2019d, n.p.](#)). In association with Drugs Free Canada,

the company is hosting events and educational sessions to build their reputation as a responsible cannabis company (loc.cit).

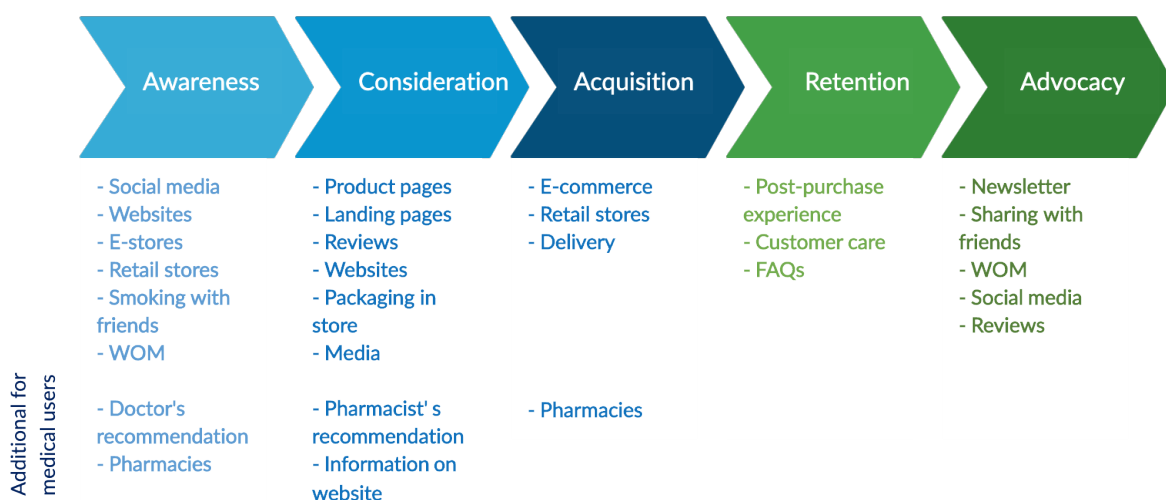
Another CSR program is Plant Positivity, a social impact platform, through which Aphria aims to create a community around the positive impact of plants. In partnership with Evergreen, the project increases awareness about the connection between well-being and plants and “is dedicated to making cities flourish to create the Plant Positivity Gardens” (Aphria Inc., 2020, p. 13).

In 2019, a 3-year old girl in Northern Ireland suffered from severe epilepsy and was administered cannabis oil to help with seizures (Aphria Inc., 2020b, p. 18). After the NHS was unable to provide the oil, Aphria offered to create a custom-made cannabis oil for her and ensure uninterrupted treatment for free (Blanchard, 2019, n.p.). This may be considered part of CSR or public relations, nonetheless, it raised awareness about Aphria overseas. Overall, one may say that Aphria’s CSR activities support their values.

## 6.20. Consumer Journey Map

A consumer journey map (CJM) is a diagram showing the steps and touchpoints a customer goes through when engaging with a company (Richardson, 2010, p. 1). The following graphic represents the CJM of Aphria.

Figure 18: Consumer Journey Map



(Created using [Creately](#))

## **6.21. Recommendations and Conclusions**

Recommendations for the company's strategic steps and conclusion can be found in [IMPLICATIONS, CRITIQUE, AND JUSTIFICATION](#) and [CONCLUSION](#), respectively.



## CHAPTER 7: EVALUATION OF CURRENT SMAP

### 7.1. Current Strategic Marketing Plan

The following evaluation of Aphria’s strategic marketing planning is based on the analysis and research presented in this paper.

*Table 9: SMAP Evaluation*

ADVANTAGES	DISADVANTAGES
<b>Operational effectiveness (OE)</b>	
Aphria’s OE drives the costs down and is therefore able to be a best-cost provider.	OE does not lead to a sustainable competitive advantage. Aphria may lose their price advantage and it will not have any core competencies to compete on.
<b>Marketing Strategy</b>	
Establishing the target segments for each brand.	Lack of branding resulting in insufficient differentiation and brand awareness compared to competitors.
<b>New Product Development</b>	
The company is developing new products in existing product categories.	The NPD process is slower than of competitors, resulting in delayed product launches and no products to satisfy the consumer demand (e.g. edibles).
<b>Corporate Social Responsibility</b>	
CSR programs support Aphria’s values and create the image of a conscious and responsible cannabis company.	Programs relate more to the medical users. There are no initiatives for recreational users about the black market, for example.
<b>Quality and Safety</b>	
Seed to sale tracking and premium genetics to cannabis strains attract experienced adult users and concerned medical users.	Due to strict government regulations, every cannabis supplier has to meet a certain standard. Accordingly, quality or safety does not contribute to a competitive advantage as everyone provides it.

Distribution Channels	
Aphria covers most of Canada through its retail partners, Shoppers Drug Mart and Southern Glazer's.	The company is highly dependent on the retail partners as it does not have its own, branded brick and mortar stores.
Online orders are a solution for users who do not want their cannabis immediately and are not close to a retail store.	Online orders are distributed through third-party services. Accordingly, Aphria does not have control over the package once it is sent.
Financial Performance	
Strong cash position – can afford to invest into new strategy opportunities.	-

The central advantage of Aphria is its strong financial position. Compared to the competitors, Aphria can easily afford to invest into new growth and strategic fit opportunities.

Another advantage is the retail distribution channels, since they cover a great portion of Canada. However, that is also a great disadvantage, as they rely on partnerships and do not have their own physical stores.

The greatest disadvantage is the weak marketing strategy and differentiation. This is followed by slow NPD. Both of these disadvantages lead to Aphria missing out on new and undecided users who are exploring the legal market before settling and becoming loyal consumers.

## 7.2. Thesis Corroboration

This research paper is supported with secondary sources. The necessary financial information was collected from Yahoo! Finance and the company's annual reports. Corroboration evidence and industry trends were gathered from business journals, market research reports, such as Arcview or Deloitte, the companies' websites, Statista, but also news sources such as Business Insider, Bloomberg, or relevant cannabis websites. Expert evidence about SMAP includes theories such as those of Michael Porter, or Igor Ansoff, and from strategic marketing planning books.

## **CHAPTER 8: IMPLICATIONS, CRITIQUE, AND JUSTIFICATION**

### **8.1. Discussion**

Based on the research conducted in this paper, one can create a clearer picture about Aphria and the cannabis industry. First of all, the cannabis industry seems to be oversaturated as the supply exceeds the demand and industry leaders have to lower their production output. This may be caused by companies trying to reach economies of scale to lower their price as much as possible. Marketing is highly restricted, making it difficult for companies to build their brands and position themselves on the market, resulting in competition based on price. Accordingly, companies like Aphria do not have a sustainable competitive advantage, as their only valuable resource is OE. OE, however, is easily imitable and companies will solely compete on cost.

The marketing restrictions imposed by the Cannabis Act have a great effect on the industry. It is difficult for brands to stand out and position themselves in the mind of the consumer and gain a competitive advantage through branding. The advertising, packaging, or labelling is dictated by the regulations and companies have little freedom to build a powerful brand. Nonetheless, there are several loopholes the companies should be motivated to find and use. Since companies are afraid of the strict repercussions of breaking the Cannabis Act, it is only the small companies who dare to break the law and use marketing tools like influencers, or brand ambassadors. The large companies need to maintain a certain image, so they cannot be caught breaking these advertising regulations, even if they may work in the short-term.

The significance of this paper's findings may be valuable, as the industry is so new and the first one to deal with commercializing a previously illegal substance. This paper offered new strategic ideas that Aphria would benefit from.

Regarding the company's future direction, one may say that Aphria has a successful near future. In the long-term, however, it may be swallowed by large competitors like Canopy Growth and Aurora, who are better at adapting to customer needs and are ahead in the recreational market. As the medical cannabis market is expected to decrease due to the rising recreational market, Aphria may have troubles as it is more focused on the medical market.

The implications of COVID-19 are unclear for any industry but may not be as severe for the cannabis industry, surprisingly. Due to the stockpiling of cannabis caused by the fear of boredom during quarantine and social distancing rules, the sales of cannabis witnessed a short-term increase. It is uncertain, however, what effect the upcoming economic downturn will have on the Canadian cannabis industry.

Nonetheless, if users would have less money to spend, yet would want to continue consuming cannabis, they may turn to the black market. Due to the convenience and cheaper prices of the black market, one may say that it will take a long time before the legal market completely eradicates the black market.

The above analysis and conclusions resulted in the following recommendations.

## 8.2. Recommendations

Figure 19: Recommendations Table for Aphria

Recommendation	Justification	Objective	Tactic	Tool	Schedule	Metric
<p><b>Improve marketing – differentiate and position brands.</b></p> <p><b>(HIGH)</b></p>	<p>Aphria does not have a sustainable competitive advantage as they compete solely on OE and not differentiating themselves.</p>	<p>Aphria needs to create strong brands to differentiate itself from the competition and attract new and undecided users.</p>	<p>Increase marketing budget, find loopholes to advertise, be more active on social media and engage with followers.</p>	<ul style="list-style-type: none"> <li>• Perceptual map</li> <li>• SWOT</li> <li>• Strategic group map</li> <li>• CJM</li> </ul>	<p>Begin immediately</p>	<ul style="list-style-type: none"> <li>• Social media engagement</li> <li>• Brand awareness</li> <li>• Brand image</li> </ul>
<p><b>Create in-app on-demand delivery: should include all news, education material, loyalty program etc. about Aphria.</b></p> <p><b>(HIGH)</b></p>	<p>Convenience is vital in the consumer’s mind and no competitors offer on-demand delivery or an app that includes everything in one place.</p>	<p>Attract frequent users who seek the black market due to the convenience. Loyalty program would offer better prices. Existing customers benefit from all information in one place.</p>	<p>Use partnership with UNOapp and Parcel Pal to create an effective app and to deliver orders as soon as possible.</p>	<ul style="list-style-type: none"> <li>• PESTEL</li> <li>• SWOT &amp; TOWS</li> <li>• Marketing mix</li> <li>• BMC</li> <li>• GAP</li> </ul>	<p>Begin after marketing is on the right track.</p>	<ul style="list-style-type: none"> <li>• Sales</li> <li>• Loyalty program sign ups</li> </ul>

Speed up new product development (HIGH)	Competitors are quicker at launching products to satisfy the consumer demand – Aphria falls behind.	Be the first to launch the demanded products to attract potential customers.	Increase spending in R&D and market research.	<ul style="list-style-type: none"> <li>• NPD</li> <li>• Perceptual map</li> <li>• Product portfolio</li> </ul>	Begin immediately	<ul style="list-style-type: none"> <li>• Sales</li> <li>• Sales of new products</li> </ul>
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### Improve Marketing – differentiate and position brands

It is vital for Aphria’s brands to differentiate themselves and create unique brand images to stand out. As there are countless cannabis suppliers, including the black market, brands need to differentiate to attract new and loyal customers.

It is recommended for Aphria to:

- Increase marketing spending
- Find loopholes in the Cannabis Act and use them for advertising
- Improve social media management to post more frequently, gain more followers, and boost engagement

**Justification:** Being the best-cost provider does not differentiate Aphria from its competitors and does not create a sustainable competitive advantage.

**Implications:** Aphria will differentiate itself, establish brand identities for their brands, and increase brand awareness which will lead to customer loyalty, attracting new customers, and increasing sales.

**Limitations:** The Cannabis Act makes it difficult to differentiate.

### **Create in-app on-demand delivery**

As convenience is the main consumer demand that is not being met, Aphria should use their strategic partnerships to create an app that will increase convenience. Thanks to their partnership with UNOapp, Aphria can create an in-app marketing solution and then have the exclusive rights for it. This opportunity can be combined with delivery. The app would include all of Aphria's brands, products, news, educational material, and delivery tracking. The user would have access to any service or product that Aphria offers all in one place. The delivery logistics would be solved with strategic partner, Parcel Pal, to ensure a quick and seamless delivery process. Additionally, the app would include a loyalty program, with which the customer may collect points and take advantage of discounts and better prices.

Accordingly, this recommendation would not only create loyal customers, but also attract customers from the black market who would otherwise contact their local dealer since legal stores are too far away and current delivery takes too long. Also, it would be easier for existing customers to track their orders and have all the relevant information. The app would also include a live chat for any questions the customers may have.

**Justification:** Aphria would be the first cannabis company to create an app that includes everything, even delivery.

**Implications:** Aphria would attract new customers who seek convenience, increase brand awareness, and retain customers.

**Limitations:** The app would have to abide by all Cannabis Act regulations and may take a long time to develop.

### **Speed up NPD**

Since Aphria is falling behind on launching products such as edibles, which are highly demanded and represent a high market value, their NPD process needs to be prioritized more. Currently, Aphria is missing out on undecided and new consumers who are looking for products like edibles or beverages, as the competitors already offer them. Therefore, it is advised for Aphria to:

- Increase R&D spending to find and produce new products quicker and better than competitors.
- Ensure that market research shows the customer demands of the targeted segments in time to create new products before competitors.

**Justification:** Aphria is losing competitiveness with delayed product launches. Competitors who already launched demanded products are attracting new customers.

**Implications:** Aphria would remain competitive, attract new customers, and increase profit through reaching new markets.

**Limitations:** It may be costly and require significant changes in the internal structures and R&D department.



## **CHAPTER 9: CONCLUSION**

### **9.1. Summary of Main Points**

The main results from the research and analysis are:

- Due to the marketing limitations imposed by the Cannabis Act, companies struggle to establish strong brands and compete mostly on cost.
- Recreational consumers prefer convenience and price over anything. Since the black market offers non-stop purchase possibilities at a lower cost, its power is not decreasing yet.
- Thanks to their innovative and automated production facilities, Aphria's competitive advantage is built on OE. Nonetheless, competitors are constantly reducing production costs, making Aphria's competitive advantage vulnerable.
- Aphria needs to increase the speed of NPD. Edibles represent a great source of revenue, but Aphria delayed the launch of edible products. Meanwhile competitors such as Canopy Growth or Aurora already did and are attracting new customers.
- Aphria does not have a unique differentiation strategy due to the marketing restrictions and has a low social media presence. To achieve sustainable competitive advantage, however, Aphria will differentiate itself and stand out as a brand.
- To gain a competitive edge, Aphria should create an on-demand delivery system to increase convenience and attract users from the black market. This would be in an app, which would include all educational material, tracking information, and a loyalty program.

### **9.2. Research Limitations**

The fact that the financial information is not divided by country and shows the companies' global operations, it was impossible to depict the financial performance solely in Canada. Accordingly, the financials include Aphria's operations in Germany, for example, which is a great source of revenue.

### 9.3. Future Research

This paper focuses solely on Canada, however, Aphria has great plans to grow in the international market. Accordingly, future research should include the company's international operations. Possible questions to be asked may include:

- Which countries should Aphria expand to?
- Is Aphria's aim to grow in the German market reasonable?
- Should Aphria launch new brands to target new market segments?
- Should Aphria expand into hemp?

### 9.4. Concluding Statements

To create a sustainable competitive advantage on the Canadian cannabis market, Aphria has to differentiate itself as a brand and shift its focus to downstream. The company has to attract users who are undecided about which brands they will try and use and turn them into loyal customers. Aphria needs to maintain OE to stay competitive, however, it is not enough to create a sustainable competitive advantage. Suggestions about creating a competitive advantage through new initiatives to aid strategy can be found in [8.2. Recommendations](#)

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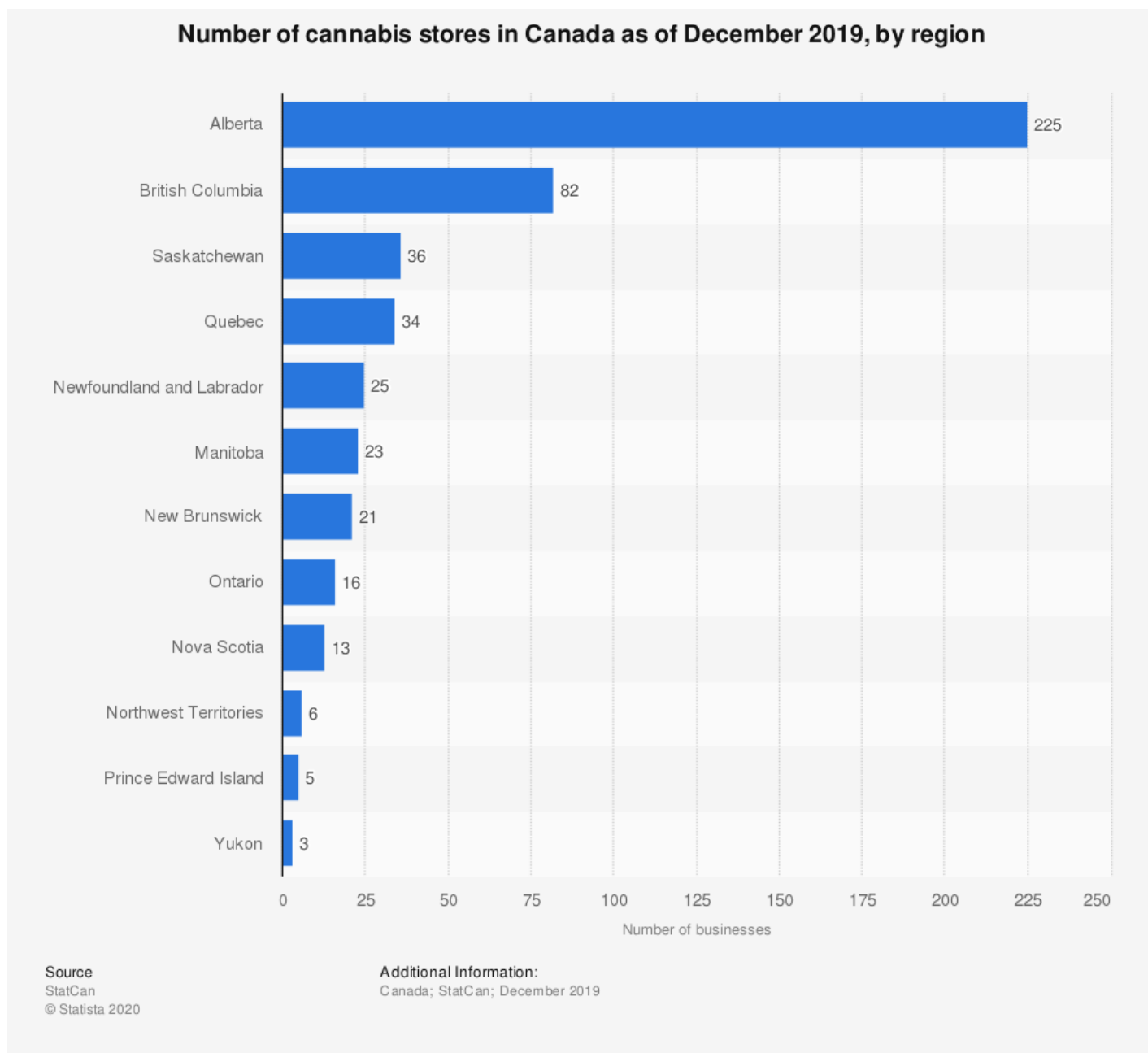
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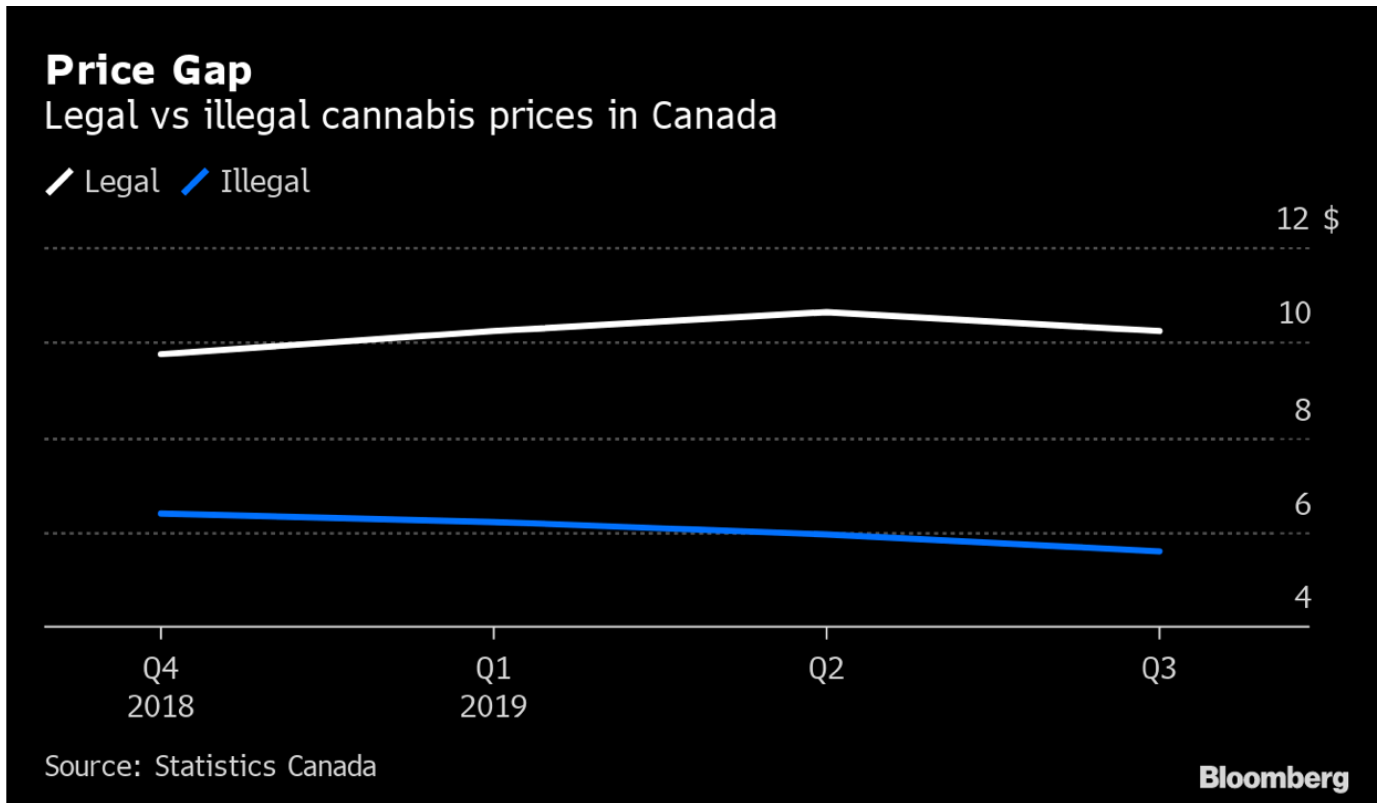
## APPENDICES

### Appendix A: Number of cannabis stores in Canada



([StatCan](#), 2020, n.p.)

Appendix B: Legal vs Illegal cannabis prices in Canada



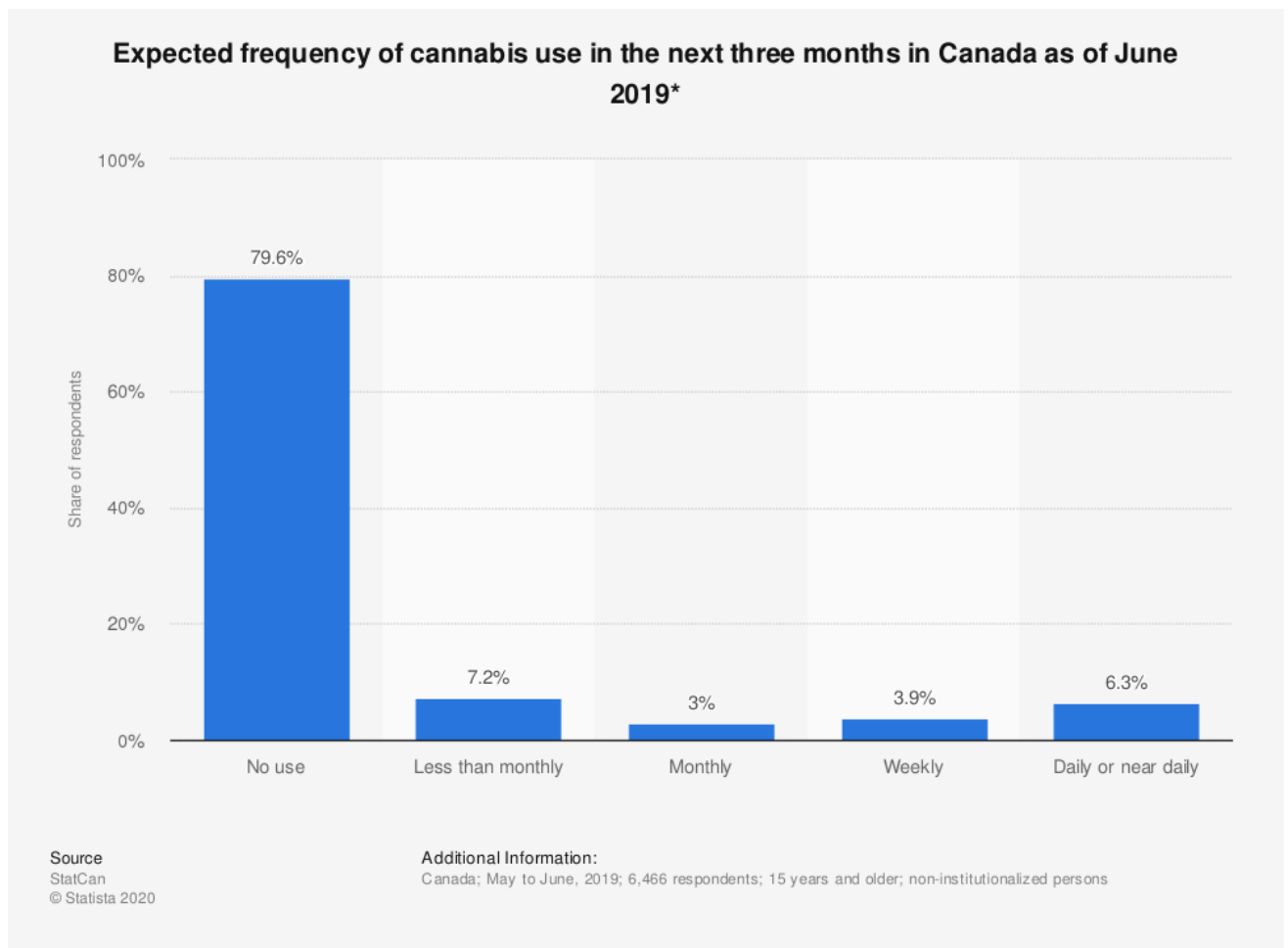
([Bloomberg](#), 2019, n.p.)

Appendix C: Average price per gram and cost to produce of Aphria's main competitors

	Average price		Cash cost to produce	
	Medical	Recreational	Q2 2020	% change previous quarter
<b>Aphria</b>	CA\$8.16	CA\$5.22	CA\$1.10	(23.07%)
<b>Canopy Growth</b>	CA\$7.16	CA\$5.79	-	-
<b>Aurora Cannabis</b>	CA\$6.11	CA\$6.11	CA\$0.88	4%

([Aphria](#), 2020, p. 20; Canopy Growth, 2020; p. 12, [Aurora Cannabis](#), 2020, p. 4)

## Appendix D: Frequency of cannabis use Canada

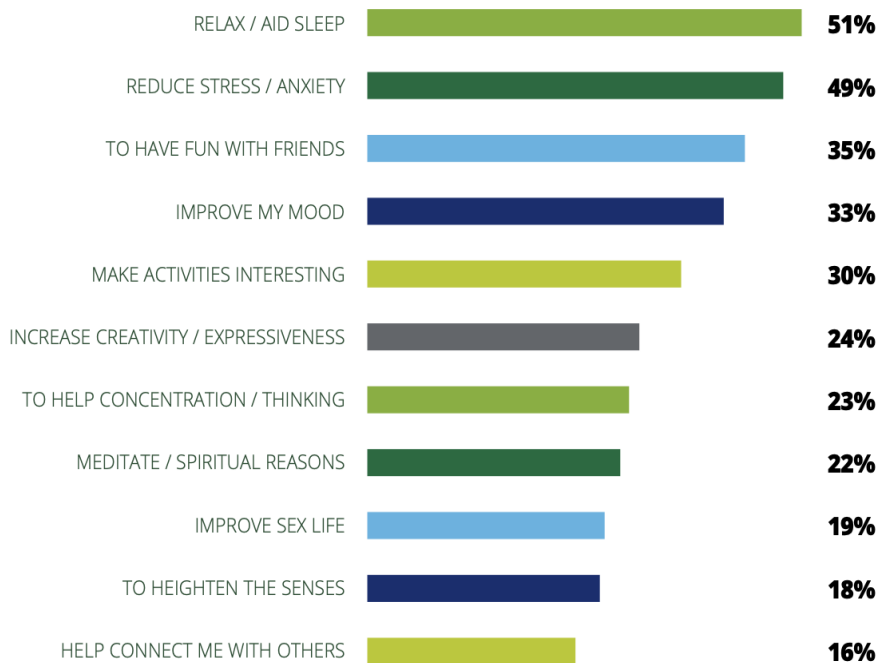


([StatCan](#), 2019, n.p.)



## Appendix E: Motivation to Consume Cannabis in Canada

### Motivation to Consume

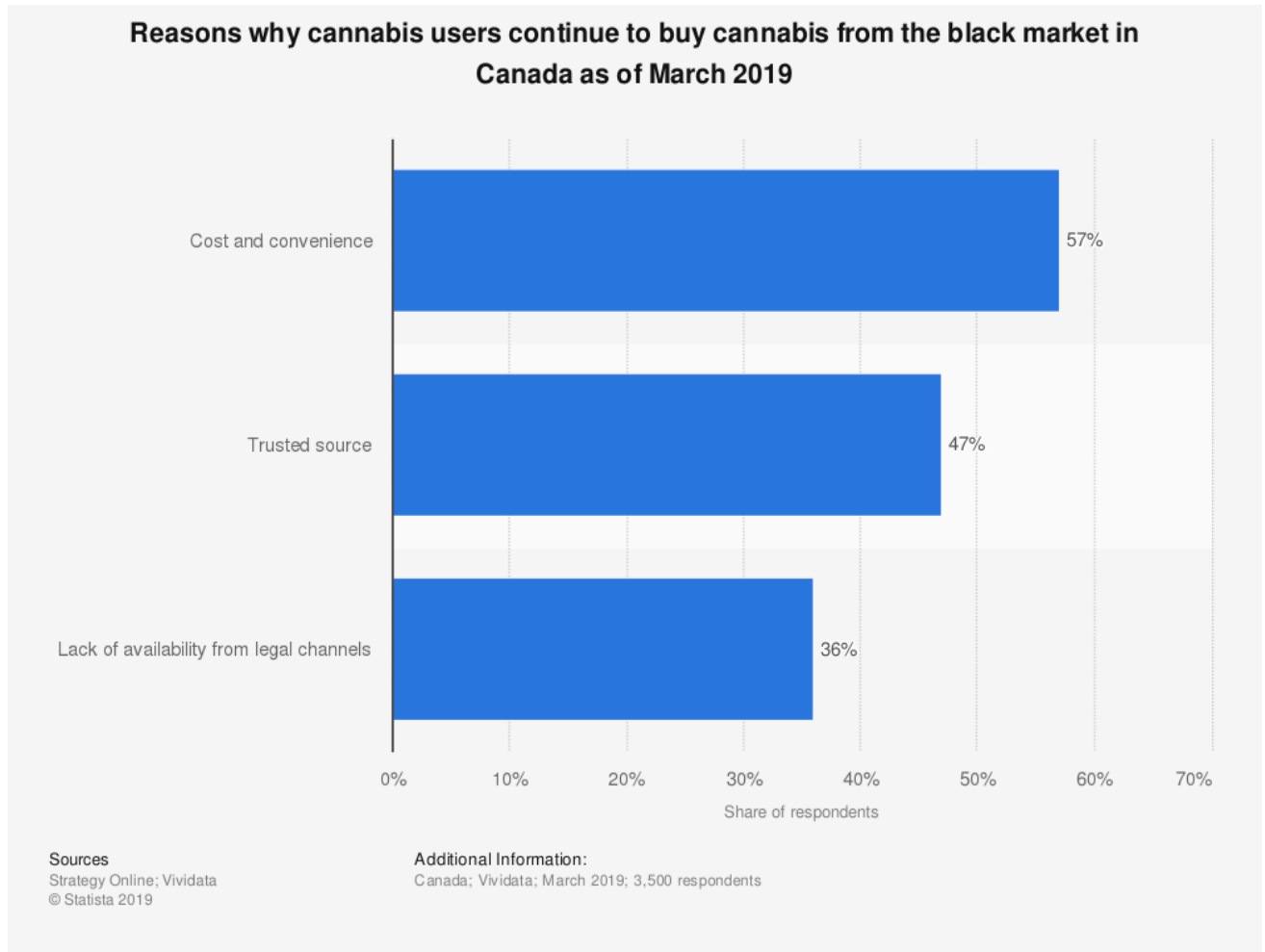


### Consumption with Alcohol



([Deloitte](#), 2018, p. 7)

Appendix F: Reasons Cannabis Users Continue Purchasing from the Black Market in Canada












([Strategy Online](#), 2019, n.p.)

### Appendix G: Competitor Product Matrix

	Medical Cannabis	Recreational Cannabis	Number of brands	Vapes	CBD products	Cannabis infused beverages	Hemp	Edibles	Medical aids	Dried flower, oil, capsules
Aphria	✓	✓	6	✓	only in Germany	Fall 2020		Summer 2020	Pain relief patches	✓
Canopy Growth	✓	✓	20	✓	✓	✓	✓	✓		✓
Aurora Cannabis	✓	✓	10	✓	✓	✓	✓	✓	Muscle reliefs (MMA)	✓
Cronos	✓	✓	5	✓	only in United States	✓	✓		Beauty products	✓
Tilray	✓	✓	16	✓	✓	✓	✓	✓	Muscle wraps	✓


(Created using [Creately](#))

## Appendix H: Previous Aphria Product Mix from January 2020

		 FLOWER	 PRE-ROLLS	 SHATTER WAX ROSIN	 VAPES	 TINCTURES FAST ACTING ENHANCERS EDIBLE OIL	 CAPSULES	 TOPICALS	 GUMMIES HARD CANDY CHOCOLATES	 BEVERAGE
<b>Adult Use</b>	<i>Robust portfolio of differentiated brands supports variety of product categories &amp; formulations without cannibalization.</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Medical</b>	<i>Portfolio shifts from flower to non-inhalable alternatives in dose controlled formats.</i>	✓	✓		✓	✓	✓	✓		
<b>Wellness</b>	<i>CBD-focused portfolio, clinical trials in place to support claims focused around largest opportunities. Global scope.</i>					✓	✓	✓	✓	✓
✓	In-Market	✓	Summer 2020	✓	Fall 2020	✓	Winter 2020	✓	Fall/Winter 2020/2021	

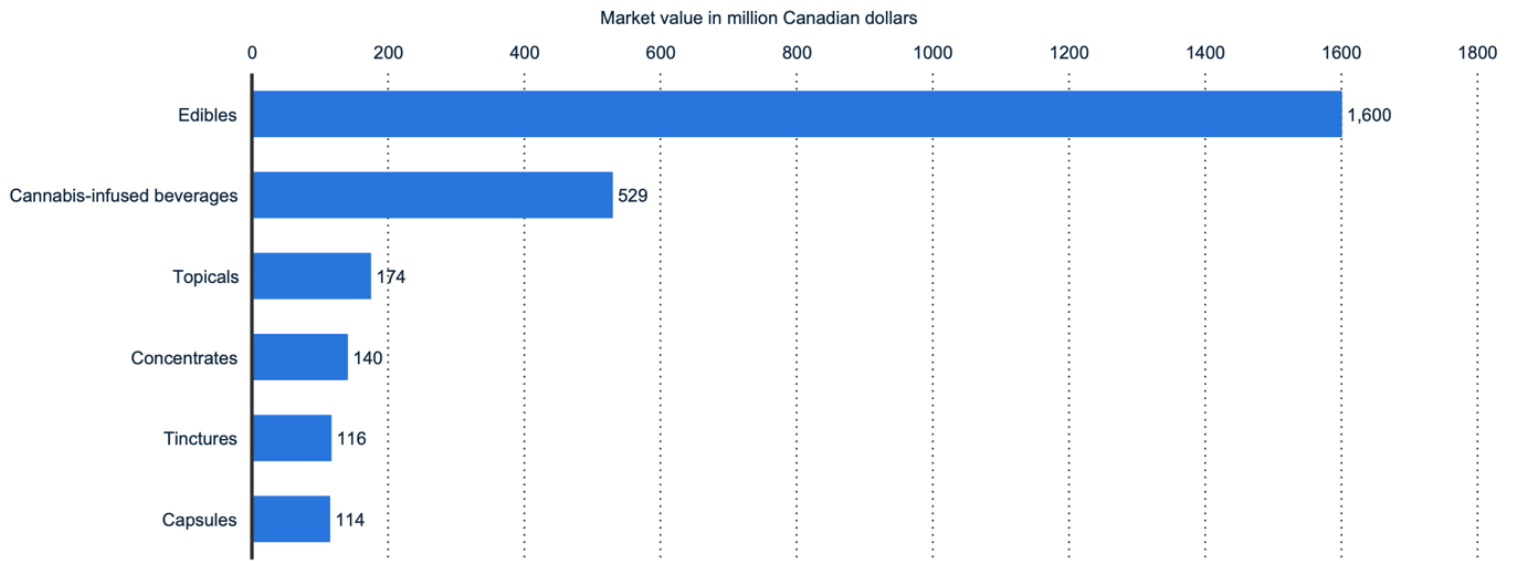
(Aphria Inc., 2020, p. 7)

## Appendix I: Aphria Product Mix

		 FLOWER	 PRE-ROLLS	 CONCENTRATES	 VAPES	 TINCTURES FAST ACTING ENHANCERS EDIBLE OIL	 CAPSULES	 TOPICALS	 GUMMIES HARD CANDY CHOCOLATES	 BEVERAGE
<b>Adult Use</b>	<i>Robust portfolio of differentiated brands supports variety of product categories &amp; formulations without cannibalization.</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Medical</b>	<i>Portfolio shifts from flower to non-inhalable alternatives in dose controlled formats.</i>	✓	✓		✓	✓	✓	✓		
<b>Wellness</b>	<i>CBD-focused portfolio, clinical trials in place to support claims focused around largest opportunities.</i>					✓	✓	✓	✓	✓
✓	In-Market	✓	Fiscal H1 2021	✓	In Development					

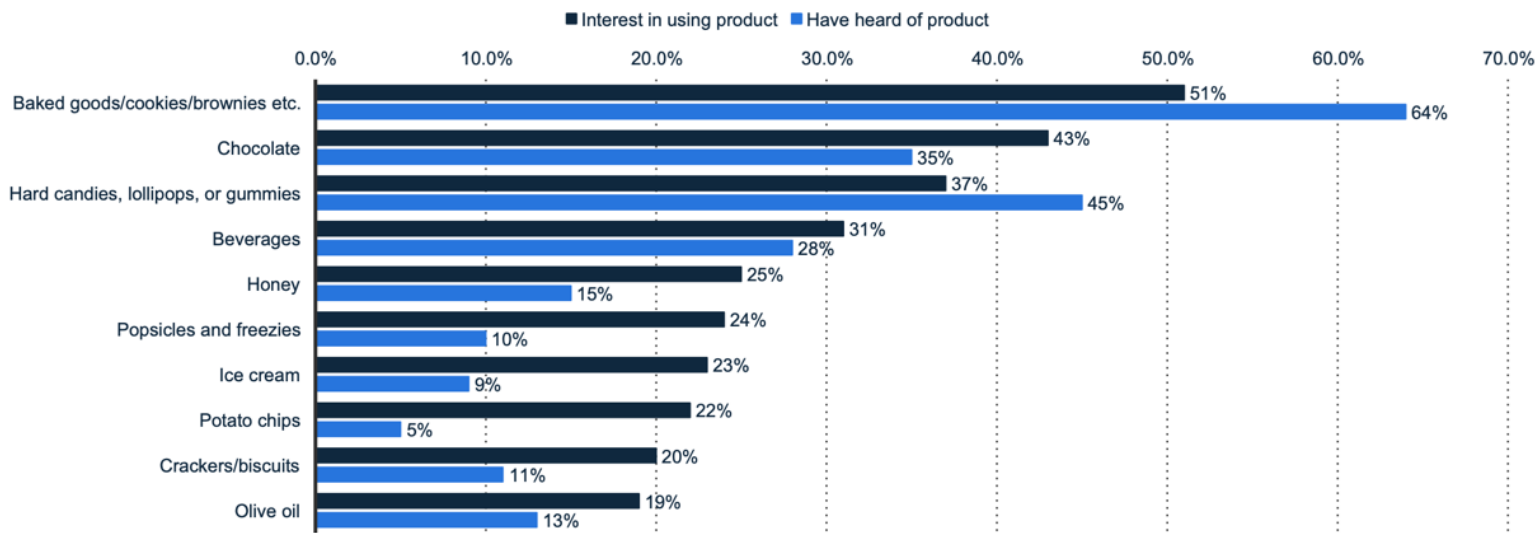
(Aphria Inc., 2020d, p. 7)

Appendix J: Market value of cannabis products in CAD



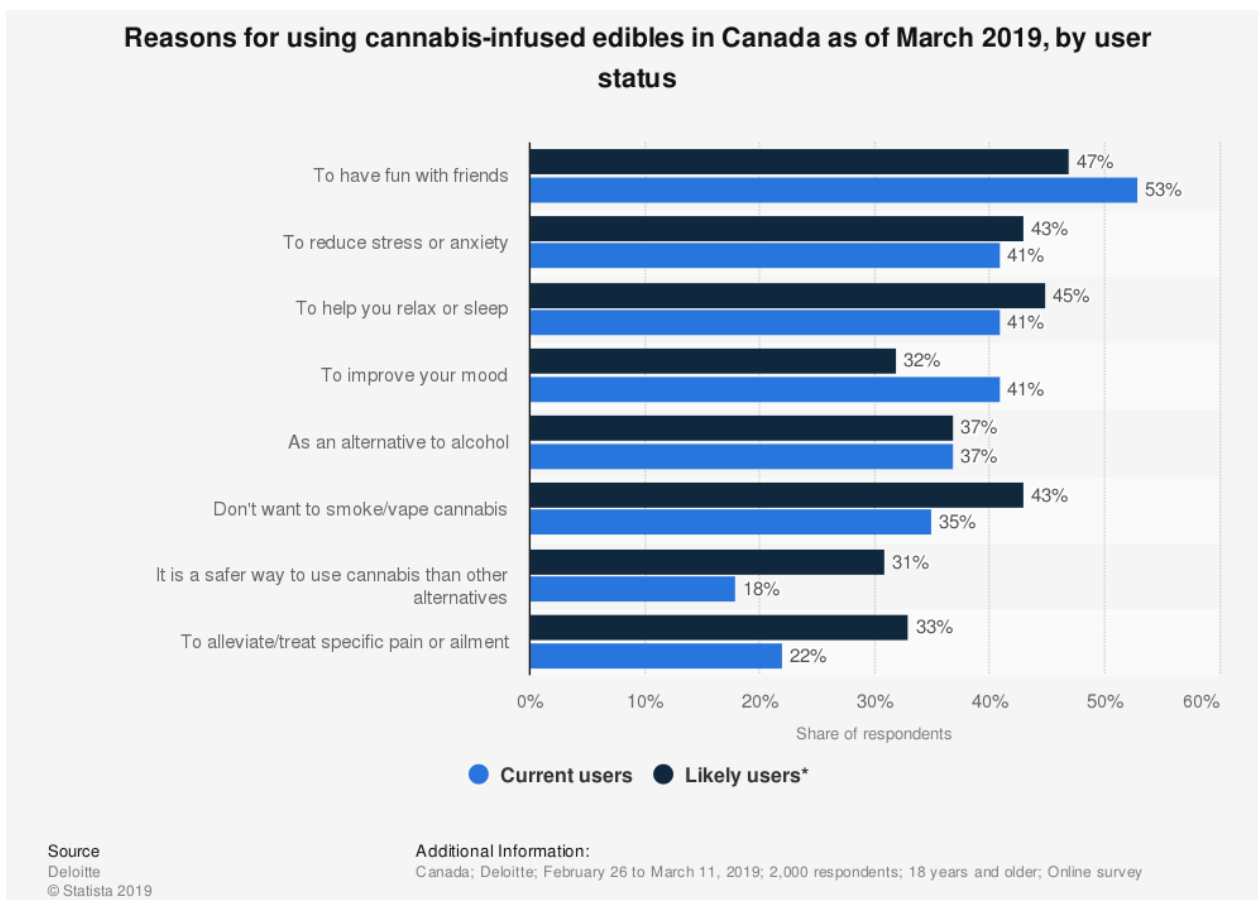
([CBC News](#), 2019, n.p.)

### Appendix K: Preferences in alternative cannabis products



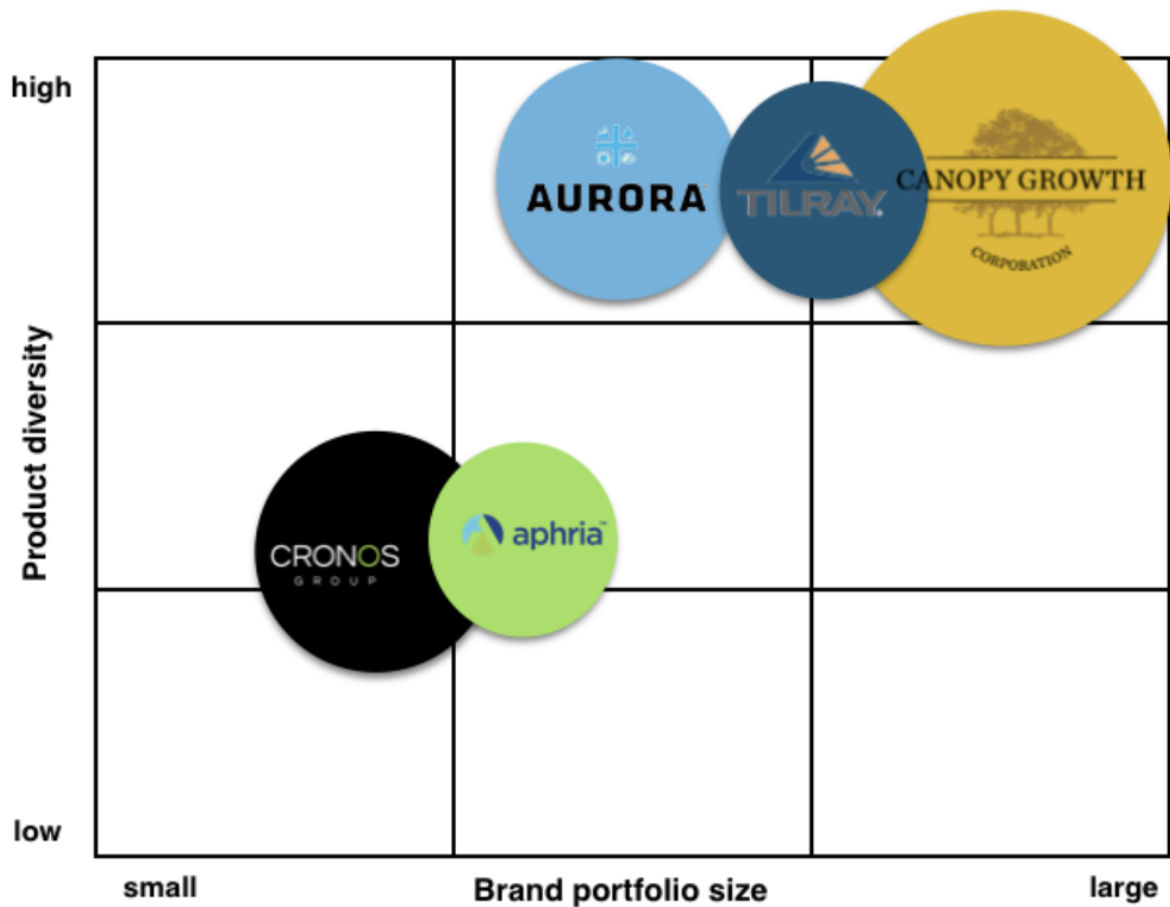
([Deloitte](#), 2018, p. 18)

Appendix L: Reasons to consume cannabis-infused edibles



(Deloitte, 2019, n.p.)

Appendix M: Strategic Group Map – Aphria Competitors



(Soudkova, AAU, 2019)

The strategic group map reflects the brand portfolio size and product diversity of the four main competitors of Aphria, which is based on the current market cap. The circle size is based on market cap instead of revenue, as the industry's profits are fluctuating but do not reflect the overall profitability in the long term.

This map shows that Aphria does not cover as many products, has less brands, and has a smaller market cap than its competitors. Since the company's individual brands target different market segments, the more brands a company has, the more and diverse users they cover. Aphria entered the recreational market later than its competitors and is thus falling behind in launching new products ([Canada Newswire](#), 2019b, n.p). Canopy Growth has the largest brand portfolio and covers diverse market segments. Their brand Van der Pop, for example, only targets women ([Canopy Growth](#), 2020, n.p.). See [Appendix G](#) and [Appendix I](#) for more detailed overviews.



Appendix N: Aphria segmentation and targeting of brands

**Mainstream (\$\$) – Relaxers / Novices**



**Mainstream (\$\$) – Urban Culture**



**Value (\$) – Enthusiasts**



**Premium (\$\$\$) – Connoisseur**



(Aphria Inc., 2020d, p. 5)

Appendix O: Retail rollout of Aphria’s products in stores

## Retail Rollout

- ✓ **National distribution on all recreational brands**
- ✓ **SKUs available for all types of consumers: New users, occasional users, and heavier illicit consumers**
- ✓ **Adding a new Quebec regional brand**
- ✓ **Achieved 13.9% market share in Ontario**
- ✓ **Currently 500+ stores in Canada and expected to grow to 3000+**
- ✓ **New license procedure in Ontario goes active in April which will significantly increase store count**

Province / Territory	Population (thousands)	Sales / Capita (CAD\$)	Current Retail Stores <sup>(1)</sup>	Announced Retail Stores	Retail Model for Physical and Online Distribution
Newfoundland and Labrador	529	58	26	26	Physical - Private Online - Public
Prince Edward Island	151	101	4	4	Public
Nova Scotia	951	69	13	13	Public
New Brunswick	767	49	21	21	Public
Quebec	8,298	23	23	43	Public
Ontario	14,071	15	24	75	Physical - Private Online - Public
Manitoba	1,335	42	23	40	Private
Saskatchewan	1,151	33	35	51	Private
Alberta	4,244	46	278	319	Physical - Private Online - Public
British Columbia	4,922	10	85	151	Physical - Public & Private Online - Public
Yukon	40	106	4	4	Physical - Public & Private Online - Public
Northwest Territories	45	61	6	6	Public
Nunavut	38	-	-	-	-
<b>Canada</b>	<b>36,540</b>	<b>25</b>	<b>542</b>	<b>753</b>	

(Aphria Inc., 2020b, p. 9)

Appendix P: Seed-to-Sale Tracking



([Aphria](#), 2019, n.p.)