

Thinking Outside the Bud

Episode 419 - Kris Walker

<https://www.thinkingoutsidethebud.com/podcast/navigating-the-cannabis-landscape-with-kris-walker-co-founder-at-hoodie>

Bruce Eckfeldt

Welcome, everyone, this is thinking outside the bud. I'm Bruce Eckfeldt. I'm your host. Our guest today is Chris Walker, he is president and co founder at hoodie analytics. We're gonna talk about the world of cannabis and data. And where are we in terms of really kind of thinking bigger picture and leveraging the data that we have the insights that we have around the business, we're doing product sales, everything, I think we're evolving as a cannabis industry. And we're starting to see sort of the benefit in the opportunity of leveraging a lot of this other kind of business process and business analytics that other industries have been using for quite some time. But really, they're just starting to kind of come into cannabis, we're, we're now kind of mature enough and that the markets are big enough.

the operators are sophisticated enough to really start using this and leveraging it for really helping their business and growing the business and getting the right products to the right people the right time. So I'm excited for this conversation, excited to hear Chris's story, what they've been doing, where they are now some of the things they've got going on, and really kind of the take on the overall industry. So with all that, Chris, welcome to the program. Thanks, Bruce.

Kris Walker

I'm thrilled to be here, my friend. Yeah, it's a pleasure.

Bruce Eckfeldt

So before we dive into hoodie, and what you're doing today, give us a little background, kind of curious, professionally, how you got into this space, how you got into cannabis, give us the journey that you've been on.

Kris Walker

So I guess just going way back, I'm effectively in the data analytics and technology space right now with hoodie. And I have been really in that world for the better part of 20 plus years, I got into the CPG space right out of University, working for large brand and, you know, knocking on the doors of grocery stores and selling products and left there to go work for a little company called Nielsen. And I spent actually the lion's share of my career with Nielsen. It culminated, I was running most of Nielsen's business out in Australia and New Zealand. And, you know, so had got to see the world and learn to really be nimble, you know, Australia, New Zealand don't sound like they are necessarily developing markets. But you know, you got to keep in mind that those markets basically have the same needs.

And all the same tasks as large market, like the US are built without the scale, and the people and the resources to do similar things. So it was kind of fun, you know, having the opportunity to really drive product

and learn to do more with less. And so that was really a great experience with Nielsen, came back to us did some global strategy work for them for a little while, before setting up my own firm. And our goal was called Big talk analytics. And big shock is still alive and well today. And the goal is, was really to help emerging channels and brands build out their CPG toolkit. And so you can imagine, six years ago, when we were starting to see legalization, and adult legalization for the first time in markets like Illinois, and Michigan, and we had a healthy and excited group of new leaders that, you know, were looking to build their brands and build their business in cannabis.

But they wanted the toolkits that they were familiar with their old industries, in more developed industries. And so we actually had, it was this nice niche that we're able to offer to really partner with some of these exciting growing organizations that are the largest MSOs in the space, to really help them develop out that capability for cannabis. That was really the first entree into the business side of cannabis. But helping brands and operators make decisions, or make better decisions by leveraging data is kind of what my that's what I'm all about. It's what I'm good at. And ultimately, hoodie is really, you know, the outcome of that kind of principle and that philosophy, which is, we want data to be as comfortable as wearing your favorite hoodie, right, like, so we want it to be part of everyone's everyday decision making process. And that's what we're trying to really bring to the industry say,

Bruce Eckfeldt

Yeah, I'm curious coming from another industry. And, you know, learning a lot about business and how things work and use of data and kind of helping companies use data to make better business decisions. I guess how much of this was directly transferable to cannabis? How much do you think like, oh, yeah, we can do the same thing in cannabis we've done with each other industries, but that maybe didn't work. And then the things that you were just like, Whoa, I did not expect to have to deal with this when we got into this space. So just like how is it different or similar to kind of other industries and what you've done?

Kris Walker

It's a great question. So there's a lot to unpack there. First,

Bruce Eckfeldt

so start anywhere you Yeah. I

Kris Walker

guess just to kind of start off, you know, listen, as far as like, what's the same? The general needs of a business are the same, right? The salesperson needs to understand which of his customers are going to drive the greatest growth for his business, right, or business. You know, a dispensary owner just like grocery store owner needs to figure out which products to put on the shelf. And if I put these products on the shelf, what should I price them at and when should my promotion start? NCP in what kind of marketing tools should I use in order to get the best return on those marketing dollars?

Like, all those types of questions are the same, right. And it doesn't really matter which business you're in, you've got products being sold in the process of selling products, and then you've got store owners or retailers that are selling products and get to consumers and, you know, understanding the drivers of those relationships,

so you can hopefully, grow your business and make some money. So that at a higher level, it's, you know, there's a lot of similarities there. Yeah, the piece that is kind of unique, I think, for cannabis is, and I'll come at this from a couple different directions. But, you know, it's an industry where a lot of the initial people and leaders that are in the space, they weren't necessarily your stereotypical CPG brand operators or durable brand operators, right. You know, we've got lots of lawyers in the space that were really good at filling out paperwork to get licenses. Yeah, and you've got people in the space that just really like the plants, right. And that's their passion, right, they might have been doctors or they might have been, you have this real melting pot of leaders and people that have been successful. You know, some have been successful, because they're just evangelists of the plant.

And they've got great networks, but they're grassroots people, right. And then you got the other side that are successful, because they are awesome business operators, and they probably be successful in any industry. And that's been really interesting, but also a challenge to navigate. Because you got tools like hoodie, you know, we provide data analytics ways to make better decisions. And you can imagine having conversations with, you know, the guy on the left, who is just really good at relationships and knocking on doors, and just has that, you know, the gut feel about what to do. You know, it's very different than talking to the, the more prototypical business leader who knows the which buttons to push in the right order in order to get the outcome that I need. Right. And so that's been, I have not seen that divergence of talent in other industries. And don't get me wrong, like both of them are having success, right. It's not like one is the recipe for success, and the other is not Yeah, you know, in this space, you've got examples of raging success and failure with both sides of that equation. And so that's probably been one of the more unique things to deal with. You know, obviously, everyone in the industry is feeling the ups and downs of the capital markets and access to cash. And, you know, I think us like many people, you know, we've got constant accounts receivable issues that we've got to deal with.

And there's obviously been challenges, you know, across the industry with that is just access to capital is tough. And there's probably more of that than I've had in other industries. But the other side is, which I, you know, gets me continually excited about it, because the industry is still reasonably very young in its lifecycle. It's the technology that exists in cannabis is so much more well developed than almost any other industry, right. And so, it's been kind of fun, because we're actually able to start and create something brand new, because of the technology enablement that exists in the space. Because, you know, again, it's not like a liquor store that's been around for 100 years, and they're still, you know, writing receipts on pieces of paper using old fashioned checkout registers. And it's not that way in cannabis, every single dispensary, you know, actions every single day, what's got 98% of dispensaries from the smallest moms and pops to the bigger guys. Their entire inventory is online. And it's real time, right? Yeah. So you can literally find out what every product is on every shelf, the prices and the promotions, almost real time across the entire industry like that's like census level real time access to data that doesn't exist in most other industries. I mean, certainly not where I came from, like CPG.

And yeah, alcohol, like, you know, even today, you want to go find, where can I find the cheapest bottle of poppies? Uh huh. And you know, which isn't cheap, but yeah, but you can't do it. And yeah, yeah. So it's not possible. It's not possible. But in cannabis, like, they're like seven or eight different places, you can go and ask that exact same question for any cannabis product and got to ask cody.com And you can today find out where any product is that you're looking for, like that's within a five mile drive of where you are right now. And

harnessing that real time census level data, you really create some unique opportunities that just don't exist in most other industries. And so that's really been fun to kind of put our arms around and kind of forget about some of the old school ways that companies like Nielsen and IRI and others have been using data for many, many years. Okay. animates provides a new way of leveraging data to make faster and better decisions. That's been really fun to get to be a part of.

Bruce Eckfeldt

Yeah, I guess how are cannabis companies actually using the data, then? I mean, so you have a lot more data, a lot more opportunities for insights. But our company is able to actually convert that into kind of better business decisions, higher sales, better profit, customer retention. I mean, I guess what are they use it for?

Kris Walker

All of the above? Yeah, yeah, it's best implementation, an organization would be building data into all of the critical decisions that it has to make, right? I gave examples of this earlier. But you know, what, as you are choosing which products to put on shelf, you should be looking at data to understand, you know, what to buy, and not only what to buy, but how much should I pay for that product? Because I know what my consumers are going to be willing to pay for it and how much money I would make? And do you really need 12 different varieties of gummies, you know, taking up inventory space, and your liquidity, right. I mean, that's inventory is cash, from the ground floor to which products to bought, but which products should I buy? What should I price them out? How should I manage my promotions? When I run a promotion? Am I getting actually any extra return if I run a 20% off promotion versus a 50%, off promotion, because of that 50% off promotion is not driving enough incremental customers to come into my shop and to buy my product, that I just threw money in the fire. Right?

And that alone can be gold for a smart operator, right? Because rather than giving away that extra 30% discount, knowing that it's not going to make a difference for my business means that I can now reallocate that cash to other marketing needs, or you know, maybe giving my employees a raise, and reallocating the cash that way, but making decisions at an enterprise level, everything from sales effectiveness, how can I be more efficiently allocate my selling resources to ensure that I'm reaching the most valuable customers. And when I'm talking to those customers, I'm able to share real insights about what's going to happen at that customer if they put my product on the shelf. And not only any product, this specific product that sells really well in other dispensaries just like yours, right and like, so that whole lifecycle is very, you know, it's an opportunity. At a high level, there are operators today that are using data like hoody, you know, across their enterprise and all their critical decisions. You have other operators that might not have, either the sophistication or just the availability of cash and technology know how to do the enterprise integrations, they're still able to leverage it for very specific use cases or lighter use cases, that could still be immensely valuable, but might require much lighter lifts.

And, you know, we've got a product called dispensary analytics, I got that a single dispensary. We got plenty of small dispensaries that are on that. And the only thing it does is it monitors what's happening at the four or five dispensaries that are closest to you. Right, so what you know, like a hyperlocal hyperlocal, right. So the minute that one of those four or five dispensaries raises their price on a specific item that you care about, you get a notification, the minute that, you know, they might, maybe your competitor runs out of really popular new strain. So the minute that happens, you get a notification. And now I can send a notice to all of my customers to say,

hey, guess what I still have? Yeah, right. And so you can do these really, very tactical, but still highly valuable, you know, data driven decisions, even as a small business and small operator. And so, again, that's what we're trying to figure out as a company is like, how to balance our efforts and our energies to meet the needs of that that small business operator.

And there's lots of them in cannabis. Right? Yeah. Most of them with those enterprise MSOs that, you know, really need a more sophisticated solution. When we started as a business, we started really, with partnering with the larger players. And again, building that's where I came from. Right. So we're helping them build out their CPG toolkit. But what we found right now is there's a huge amount of demand for these small medium sized enterprises that still have to make some of the same decisions, but they don't have the resources are not as sophisticated. And so we're spending a lot of time just learning, you know, when the the lower impact decisions could be that we can help better inform. That is not going to take, you know, rocket science to be able to figure out how to use and get money out of

Bruce Eckfeldt

Yeah. In terms of the business model, data model, operational model, like how are you gathering this data? How do you kind of leverage it and how do you like in that case of being able to notify one dispensary that another dispensary is out of a certain product? Like what enables you to do that?

Kris Walker

So I'll answer this question two ways. First of all, we gather data from multiple sources, right? We have, about two thirds of our clients participate in our data collaboration program where we have direct POS integrations with all their platforms, they get a discount from participating in that with us. And so we do get access to data that way. You know, we also do data mining. So we're just like Google, we're going and crawling the web. And we're indexing all of that rich, really ugly, but really granular levels of detail on the menus that exists in you know, in the E commerce platforms, all over the world, right. And we're doing that not just in the US, but everywhere. And so we're crawling data we all we also get, you know, we've got mobile phone shopper data, right. So as customers go in and out and dispensaries, we're capturing foot traffic and demographics and loyalty and all that kind of fun stuff. And then we've got a lot of other just physical attributes around dispensaries and products and like think about other ways to enrich the data that can inform things right. So as an example, I know which dispensaries tend to have a lot of affluent customers.

I know which dispensaries tend to have an older customer base, you know. And so we've got hundreds and hundreds of these attributes for every dispensary that, you know, we can use in our insights and our models to make more predictive decisions to say, Hey, did you know because I know what everyone's selling? Did you know that this type of gummy is selling 50% better in affluent dispensaries then this other type of gummy? So if you have an affluent dispensary, wouldn't it make sense to make sure you have that higher velocity item? Yeah, and so that data is coming in from multiple sources. But the reason we're able to leverage it is we've got a technology platform that we basically pull all of the data in, that it's a machine learning master data management platform.

And it basically allows us to rapidly organize and categorize all that really ugly, disparate data very, very efficiently. So think about gathering all that data from all those sources, pushing it into our platform, the platform organizes the data ensures that, you know, strawberry was misspelled over here, it's still gonna be

translated to strawberry over here. And so we link up all that data. And we've got a catalog, and we got 20 people on a catalog team, they're rapidly training that machine, so it gets smarter and smarter and smarter. But that's how we're able to be so efficient and effective, despite the massive amounts of data is the tech that we brought to the table. And, you know, that's technology that was built actually outside of cannabis that was used for Canon and Hasbro, and Disney and some really large companies that were deploying in cannabis. And that's really been the difference maker that's allowing us to really have the most comprehensive and rapid access to data in the market today. And

Bruce Eckfeldt

I guess, how does this sort of situation we have in cannabis with the state by state markets, and, you know, obviously, licensed structures and stuff, but even got product ranges and mixes and stuff, you know, vary based on kind of the regulatory and what's authorized in that state and medical conditions and all this, like, how do you treat or how does the state by state nature of cannabis affect the business model, the data model, how you operate,

Kris Walker

it does affect it, because obviously, the customer dynamics are very, very different because of that in any given market, right. So as you're making, as we're pushing out insights to say, hey, these products tend to sell better than these products at these types of dispensaries or to these types of customers, it's difficult to make that a broad statement like across the country, because the dynamics and a local market are very, very different. Right. And so, you know, in, in Pennsylvania, you know, as an example, you know, obviously, they don't offer several categories. And so, you know, the customers in that market, you know, have never had access to certain things. And so, they have learned to adapt to cannabis within a certain, you know, limited assortment environment. And so their trends are different, the patterns are different. So you have to be careful because of that. So at the same time, like organizationally, I mean, we do report like national sales and brands and national sales of products, even though the nuance of what might be defined as 100 milligram wild gummy in this market might be slightly different than it is in this other market. We still do provide the ability to collapse and aggregate them because a lot of our clients do want to still look at things in aggregate. But the state just becomes another attributes that we're able to layer into the product so you can roll everything up and slice and dice in many different ways.

Yeah, but it's very local, you know this right? And that's when the benefits of Hoody is we do everything down to the dispensary level. That's where we start. So we will create projections for we believe this brand sold this many products at that specific dispensary on this week, like that's the level of granularity that we get to. But what that allows us to then do is to roll everything up into two clusters of stores and clusters stored could become the city of Chicago, or Ann Arbor, Michigan, right and but a cluster stores could also be affluent dispensaries in Ann Arbor, Michigan affluent dispensaries in Detroit, right, or younger dispensaries in Detroit, or Cresco dispensaries in Detroit, right. So we can roll them up into all these different clusters. And that allows us to really understand more localized nature of the plant.

And I did an analysis for a speaking engagement I had in Michigan and looked at the top five flower brands across all the different metro areas in Michigan. And they were all different, like it was bonkers, crazy how different they were, you know, and a lot of it, obviously, it's driven because these are the dispensaries that are here. This is the relationship they have with the community, this is what they are pushing. Right. So it's driven

by that. But it still means that like if you're trying to tap into that market in that community, like you're looking at a different competitive set, and yeah, Ann Arbor versus Detroit versus, I don't know, Michigan cities, but

Bruce Eckfeldt

I can't think of one for you, sir.

Kris Walker

You get to drink. It's a localized industry. And so you know, making decisions. Here, I'll give another example. I had a client that is looking to put a couple of new dispensaries into Illinois. And so they got 4050 dispensaries, I think, nationally, they're looking put a couple new dispensaries in Illinois. And so I was like, Well, hey, how you plan on figuring out which products to put on the shelf, and they're like, Oh, well, we're going to use this data that we have over here, which tells me the top products that are sold in the state. And we're going to use that to basically create our list of which products to put on shelf, and these new dispensaries that we're opening up. And I was like, Where are you putting those dispensaries.

And so they gave me the addresses, and I looked it up. And these two happened to be in fairly lower income areas of the Chicago metro area, you know, with fairly highly ethnic, you know, areas, and they were not really reflective of the average Illinois consumer, they were edge cases. And, you know, so you can imagine, like, if they were taking that average, those average best sellers and sticking in that dispensary, they're really rolling the dice. So that's gonna work out for them, because those are not the average consumers that are going to be coming into their dispensaries. So it was important for them to start really looking at the hoodie data to say, hey, so let's look at the best performers just amongst customers that are like mine. Right? And that you can hold different list of top selling brands.

Bruce Eckfeldt

Interesting. What does the competitive landscape look like right now? I mean, are there other people that are trying to provide this kind of data and these kinds of solutions? Are you kind of unique right now? I guess, how are you positioning ourselves in the market? There are,

Kris Walker

I mean, there's a couple of legacy companies that have been in this space much longer than us. Were two years young. There's BDS Analytics. And headsets really are the two kinds of legacy players that, you know, they really pioneered the industry in cannabis, I will say, both of them are largely deploying, you know, a similar type of model to that of like a Nielsen and IRI, in a less technology forward, you know, industry, right and that IRI mele started deploying in less technology for industries. And so I think where we really able to make a big point of difference was being able to kind of come in and embrace the technology enabled industry from the start and really trying to look at things in a unique way, instead of just taking something that worked in another industry and redeployed here.

And so that's where I think we've been able to make a difference. And that's why I like coming to the table now. You know, we can go very granular, very deep, you know, our models are incredibly robust because of the technology that we have. And it does just, it allows, because we have that granularity of data, it becomes easier for an operator to integrate it within their ecosystem, right? So because if you think about like, you know, you're a brand, you're selling to the 720 dispensaries across Michigan, right, that's what your goal is. And if

you're just looking at total, Michigan, Michigan in totality, like in which top products are there, or what's the total sales are up 10% But the reality of it is every one of those 720 dispensaries has different trends, different patterns, some are big, some are small, some are, some are affluent, some are not affluent, right, and being able to start really targeting dispensaries, if you're a brand based off the attributes that are going to be the most compelling for your product. It's a game changer for them.

And they can tie that into their CRM systems because they've got, you know, these one to one relationships for dispensaries, you know, and they can integrate their wholesale data we integrate with lots of the wholesale data directly so sure, they can literally go into dispensary and say hey, this is how much I sold. Yeah, three weeks ago. He's saying that you're about to run out of stock of all these items. Here. My recommendation is that we get to read up on these other ones.

And by the way, this product here is killing it. A dispensary is just, you know, if you bring this in, we're guessing it's going to give you a 5% bump for your gummy category. Why don't we give that a go? Right? And all of that can be facilitated that one to one level for the first time? Yeah,

Bruce Eckfeldt

I guess what's on your plan for 2024, any kind of big moves, new features, things that you open to open up in terms of markets,

Kris Walker

the biggest thing for 2024 one is, we're just kind of thinking, the final terms of our series, a financing. And so we do have a big awareness and, you know, marketing and sales push in 2024. Because, again, we've been on the radar for a while, but we did a big relaunch in July of our product. And we launched several new offers. And so we're in the process right now of making sure that everyone's aware of the new hoodie, you know, rather than where we started two years ago, and so there's a big marketing push around that. But the other piece that we're excited about is, you know, we are doing a lot in the data categorization and organization. You know, we've got a tool called a PIM, product information management system. And basically, because the cannabis industry doesn't have barcodes, right, like a normal industry does, he just had a lot, everyone has massive issues with coding and cleaning the data and knowing Oh, is this product the same as this other one? I don't know. But we really believe there's an opportunity to pull together an industry, some industry standards around the attribution and the identification of an individual item.

Again, we've been talking, yeah, working with folks like metric and a lot of the other tech players in the space to try to drive a lot more standardization. And we think that there's an opportunity to really do that. And not to be in a completely agnostic way where we could, you know, we're not no one's tied to the hoodie terminology. But if we can act as that Rosetta Stone to translate, you know, this technology firm, you know, duchy says this is the ID.

Jane says this is ID, leaf logics has this ID leaf Link has this ID, and leave trade as this ID. And if we can be the Rosetta Stone to master and manage all that we really think it's going to make for a much smarter and more fluid industry where, where the data and the tech just work together without having all these, you know, 1000s of companies having to do the heavy lifting themselves of cleaning up that data.

Bruce Eckfeldt

Yeah, it's excellent. Chris, isn't that a pleasure? If people want to find out more about you more about the work that you're doing? What's the best way to get that information, by all

Kris Walker

means hit or hit us up at our website, hoodie, analytics.com. And you can fill out a form there and on LinkedIn, LinkedIn is another good way to find me, you know, and just Chris at KR is at Moody analytics.com. But easiest way to go to the website and just contact us there and most of that stuff lands in my inbox.

Bruce Eckfeldt

Excellent. I'll make sure that the information is on the show notes. Thanks, Chris. It's been a pleasure. Thank you for taking the time today.

Kris Walker

Likewise, Bruce, appreciate you having me man.

About Eckfeldt & Associates

Eckfeldt & Associates is a strategic coaching and advisory firm based in New York City and servicing growth companies around the world. Founded and led by Inc. 500 CEO Bruce Eckfeldt, E&A helps founders, CEOs, and leadership teams develop highly differentiated business strategies and create high-performance leadership teams who can execute with focus and rigor. Leveraging the Scaling Up, 3HAG, and Predictive Index toolsets, the firm has worked with a wide range of dynamic industries including technology, professional services, real estate, healthcare, pharmaceutical, and cannabis/hemp.

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