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Printed By **mark tucker**

# UK Retailers Take Divergent Paths With CBD Enforcement On Horizon

14 Dec 2020 | **ANALYSIS**

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## Executive Summary

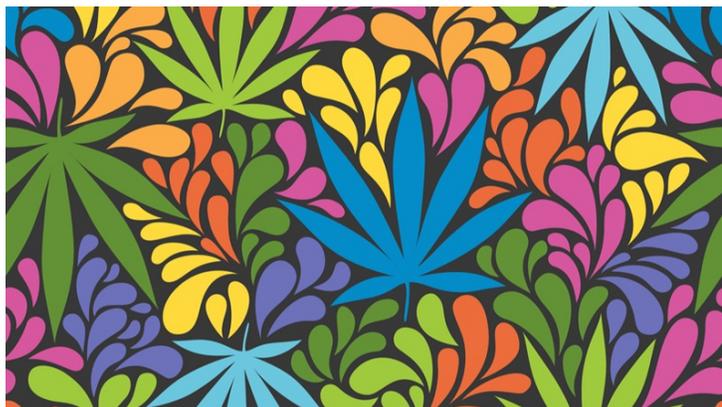
Predicted to be worth at least half a billion dollars by the end of the year, the UK's CBD market shows no sign of slowing down. However, regulatory and consumer confusion is distributing the benefits of this growth unevenly, and holding back mass market retailers from leaning in fully, according to a HBW Insight analysis.

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A fast-changing regulatory landscape, new coronavirus-related consumer trends and an intensely competitive industry have all shaped the UK's CBD retail landscape, which remains strikingly uneven.

According to a HBW Insight analysis – which updates a previous UK CBD retail market snapshot taken in the middle of last year – health food shops, grocery stores and pharmacies, both independent and chain, are all taking wildly different approaches to the trending ingredient.

Independent health food shops, for example, have been hard hit by the masses of cheap CBD products now available online, in high street specialist shops and even in local community grocery shops.

Anecdotal evidence from the National Association of Health Stores indicates a 90% drop in revenue for independents from CBD products since the market has been flooded with not just CBD oils, but also CBD gels, teas, chocolate bars and even bath bombs.

“Most [independent health food stores] behave in a cautious manner, with regard to CBD products now,” one NAHS member told HBW Insight. “In a number of cases, stores are reducing their CBD offering, as the wider availability has grown and quality has reduced, and prices have dropped.”

Health food chain and early adopter Holland & Barrett, on the other hand, has continued to stock a wide variety of CBD products with eight separate brands offering a total of 45 different products online.

Confusion within the UK CBD market has also resulted in some supermarket chains stepping back from this potentially very lucrative mass market retail opportunity, with hardly any of the large chains like Asda, Morrisons, Tesco and Sainsburys stocking CBD food supplements online.

Again, according to anecdotal evidence, supermarkets were at one point poised to enter the CBD market in a

## UK Consumers Embrace CBD

Nearly eight million UK adults – 15% of the total population – purchased CBD products at some point during the opening five months of the year, according to estimates by online CBD sales platform AlphaGreen.

That translates to about £150m (\$200m) in revenue for the thousands of CBD brands that have flooded the UK market, which AlphaGreen predicted would reach total revenues of £450m by the end of the year, up 50% compared to 2019.

But there are still many products of questionable quality and safety being sold to an unsuspecting British public.

Despite there being no authorized health claims for CBD food supplements, and little scientific evidence of the ingredient's health benefits, UK consumers are turning to these products for issues traditionally treated with OTC medicines.

“Contrary to our initial belief that anxiety and stress relief are the most common applications for

big way, but regulatory uncertainty at the beginning of 2019 caused them to reconsider.

“Supermarkets were worried that if products were taken off the shelves, they would lose a fortune,” a

CBD drinks manufacturer told HBW Insight. “Green Monkey CBD even offered guarantees, for example that they would cover the losses if this happened.” (Also see “UK CBD Market Buoyed By FSA Reassurance” - HBW Insight, 12 Feb, 2020.)

## Pharmacists Treading Carefully

Turning to pharmacy, the landscape is also very divided. On the one hand, Walgreens Boots Alliance’s UK Boots Pharmacy chain, like Holland & Barrett, seems to have leaned into CBD in a big way, with 12 brands available online representing a total of 75 products.

Just this month, Love Hemp – which claims to be “one of the most established CBD brands in the UK” – announced that its products will be available in 200 Boots stores across the country, as well as at Boots.com, in time for the Christmas shopping season.

“As consumers focus on holistic wellness and product authenticity, the demand for CBD is continually increasing,” commented Love Hemp CEO Tony Calamita.

“Launching nationally in-store and online with Boots is a real turning point in the UK for CBD,” he added, “as it’s important to reassure our consumers that they are buying credible products from credible retailers.”

At the other end of the spectrum, McKesson Corporation’s LloydsPharmacy chain only stocks CBD from one brand online, Celtic Wind.

Many independent pharmacies have started offering CBD products, but are generally very cautious, having been warned last year by the National Pharmacist Association that they may be breaking the law due to THC content in many oils.

“Members who are considering selling or supplying cannabis, cannabis-based products for medicinal use, cannabis oil products, or any CBD products or derivatives must ensure that they ascertain before doing so the status of such products, and whether they require a product licence (marketing authorization), or otherwise,” the NPA explained. (Also see “Confusion Reigns In UK CBD Market As Regulatory Vacuum Allowed To Continue” - HBW Insight, 19 Jul, 2019.)

## When Will The Hammer Fall?

With legal clarity as to how CBD food supplements will be regulated in the future, what will become of the UK retail market?

Speaking to TTS Pharma – a company that has been pushing for UK compliance ever since the European Commission added CBD to the EU Novel Foods Register – not much will change without enforcement by the relevant authorities.

According to the FSA, local authorities – specifically local Trading Standards offices, are responsible for the day to day enforcement of food law.

“The FSA issues guidance to provide support and direction, but ultimately it is for local authorities to

CBD, an overwhelming 42% use CBD for pain relief and management, while insomnia is the second most common issue being treated with CBD,” AlphaGreen explained.

## Cannabis And CBD Confusion

Britons have been stocking up on cannabis-related products to cope with the effects of Covid-19, including illegal recreational cannabis, according to

make specific enforcement decisions based on the facts of individual cases and circumstances,” the regulator told HBW Insight.

“Local authorities already have the powers to enforce novel food regulations, including for CBD,” it added. “Our February 2020 guidance on CBD regulation should help to inform their enforcement approach but doesn’t stop them from taking action if it’s appropriate.”

However, TTS CEO Mark Tucker told us that, so far, there’s been little evidence of such local enforcement.

This was confirmed by Trading Standards expert David Lovell – who has been working with TTS on securing statutory protection for its CBD products ahead of March.

“Trading Standards agencies haven’t been warmed up,” he told HBW Insight. “I’ve seen no evidence of the FSA coordinating enforcement at the Local Authority level.”

CBD regulatory expert Greer Deal, on the other hand, told HBW Insight that the FSA was getting ready to crack down on non-compliant suppliers.

“The FSA is now adamant that there will be enforcement from the 1 April next year,” she revealed, suggesting that Trading Standards enforcement personnel are being recruited and trained already for this role as we speak. (Also see “Looking To Enter The UK CBD Market Before 31 March? It Won’t Be Easy” - HBW Insight, 16 Nov, 2020.)

## Who Will Be The Suppliers?

Whatever the situation right now – in all likelihood, the FSA is prioritizing preparations for the UK’s exit from the EU, given the increasingly likely possibility of a “no deal, hard Brexit” – all these experts agree that enforcement is necessary to drive compliance.

Once the market has been cleaned up, confidence will no doubt increase on the part of mass market retail, and we will see a step-change in CBD’s mainstream acceptance.

The real question is, who will be supplying the retailers after March next year?

Will it be the smaller, local players like TTS Pharma and Dragonfly CBD? Or will it be the big multinationals like Nestle, Perrigo and Stada Arzneimittel, who have now made moves into the CBD space?

We will just have to wait and see. But be assured, HBW Insight will be following developments closely.

an article in UK newspaper The Times

Just under half of consumers surveyed plan to keep more CBD products on hand and 39% will increase their use of CBD products, the article reports.

That CBD is bundled up with recreational cannabis by the newspaper’s research shows how little the difference between THC-rich cannabis and other, less psychoactive forms that make up industrial hemp, for example, is understood, or how cannabinoids can be separated out to produce a non-psychoactive ingredients like CBD.

An analysis by AlphaGreen found that only 41% of UK consumers understand the difference between recreational cannabis, medical cannabis and CBD.

“The link of CBD to cannabis and therefore marijuana culture may be considered a major factor in the reluctance of governments in providing more support when it comes to making changes and providing steadfast information for both companies and consumers regarding the plant and its entire supply chain,” AlphaGreen concluded.