How to Avoid Becoming Another California Cannabis Casualty

The cannabis industry is like paying for a wedding. When you put “cannabis” in the name, everything costs more.

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When California legalized recreational cannabis in 2018, people all over the country and the world saw the Golden State as a golden opportunity to build a cannabis business. However, things didn’t go as planned for a lot of companies. The market was expected to generate $1 billion in tax revenue in 2018 but came up short — quite short. In 2018, California only took in $345.2 million from legal cannabis.

With high taxes, intense regulatory framework and countywide bans on dispensaries, it is no surprise many cannabis companies didn’t survive. So how can businesses in this industry avoid becoming another California cannabis casualty?

Sufficient funding.

The first necessary step in ensuring you don’t become another California cannabis casualty is having the proper funding to pay the higher price tags you are going to run into.

If you think funding to start a cannabis company is like starting any other business, think again. Yes, you have to pay for buildout, accountants, rent, lawyers, employees, marketing, licensing, etc like other industries. However, the cannabis industry is like paying for a wedding — when you put

cannabis in the name, you end up paying much more.

It can take up to a year to make money so make sure you have enough money to cover everything – employees, electricity, licenses, rent, etc – or you can go belly-up pretty quickly. High taxes, cultivation taxes, excise taxes and sometimes city taxes can destroy a company if they are not prepared monetarily. It's also important to point out cannabis companies cannot write off any expenses, so be prepared for that as well.

Related: Study Warns Sky-High Marijuana Taxes Drive Consumers Back to the Black Market

Understand building restrictions and requirements.

You cannot set up shop just anywhere in the state – two-thirds of California cities and counties have banned marijuana businesses and many landlords won't rent to a cannabis business. It is important to research, network and be honest with landlords and Realtors when searching for a property.

Where you decide to rent or buy needs to zoned by the city for cannabis. This means more money and extensive paperwork, so bringing on a consulting firm or even someone who has experience in this can truly help you get set up and not risk the entire operation.

Related: Many Licensed California Marijuana Growers Face Regulatory Roadblocks Getting Their Harvest to Market

Study the competition and build your brand.

Before even starting to build a cannabis brand, it is important for California cannabis companies to do their

research. See who is out there, whom you like and whom you don’t. Study their market reach to see how your vision compares.

When people rushed to be California’s next big cannabis company, many forgot one of the most important aspects — building a brand. California is very brand focused. Just as with any other product, Californians want to understand and feel connected to the brand they are buying. Building your brand is vital in this industry. It takes time and money, but it is necessary if you are to stay in the game.

Related: 6 Secrets to Getting Media Coverage for Your Cannabis Brand

Banking issues.

For the most part right now, cannabis is a cash industry. In order to keep your company organized financially and be able to pay the bills, it is important to have another method than cash. Luckily, California is working toward providing the state’s cannabis industry with legal banking services but until then, companies have to manage their companies with cash. This means your team is everything. Many people want into the cannabis industry — most with good intentions, some without. It is important to have a team you can trust with thousands — if not millions — of dollars in cash, plants and/or product.

There is plenty of space for more California-based cannabis companies, but this industry isn’t for the faint of heart. It takes a lot of strategic planning, saving (then spending) and forward thinking to make it in this quickly evolving and growing market.

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