

2021 U.S. EDITION

How to Open a
**CANNABIS
DISPENSARY**

A Comprehensive Guide By Cova



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INTRODUCTION

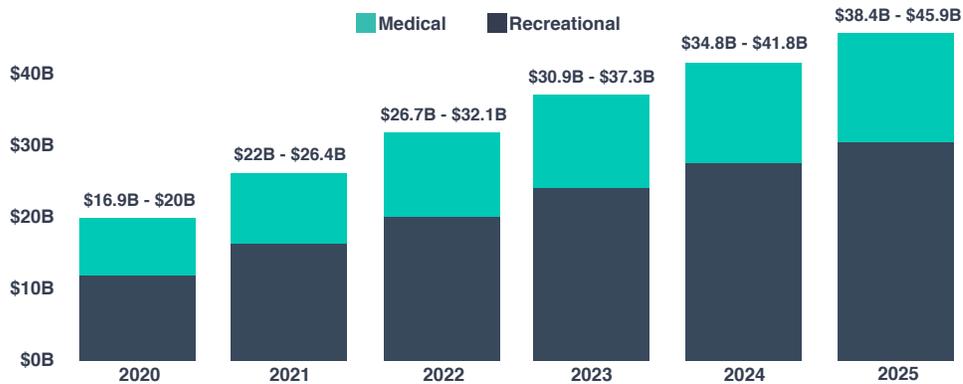
The legalization of cannabis is moving at a fast pace across the United States. With 36 states allowing the use of medical cannabis, and 17 of them permitting its consumption for every adult, 1 in 3 Americans now lives in a state where recreational marijuana is legal. In a recent poll from November 2020, [68% of American residents](#) supported the federal legalization of cannabis, which is a sign that change is coming soon. Although the pandemic derailed the anticipated growth of the cannabis industry, the designation of cannabis dispensaries as essential businesses by many states proved to be a game-changer and allowed the cannabis retail industry to weather the storm.

Expansion is the name of the game in retail. Operators are opening more locations than in previous years and hiring more employees. And as the industry grows and regulators introduce more business-friendly practices, consolidation is expected to continue in several maturing markets. The cannabis retail industry's revenues already surpassed the NFL in 2020, and with states like New York and New Jersey jumping on the bandwagon, the total U.S. economic impact from cannabis sales in 2021 is expected to reach \$92 billion, and upwards of \$160 billion in 2025, according to analysis from the newly published [MJBizFactbook](#). Marijuana Business Daily projects that total retail cannabis sales in the United States will surpass \$30 billion by 2023.

The Time is Now!

So if you are thinking about opening a dispensary, the time is now, because the fact of the matter is that entering the legal cannabis industry can be incredibly profitable and there are opportunities galore.

Retail Cannabis Sales by Market & Year



2020 - 25 Compound Annual Growth Rate (CAGR) by Market



Source: Marijuana Business Facebook
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In this guide, we offer an objective look at both the potential benefits as well as the risks involved in opening a dispensary. You'll gain comprehensive information about the entire process: from obtaining initial funds to applying for a legal license, all the way through opening your doors to customers. **Unfortunately, the grass isn't entirely green when it comes to the business landscape, and there are multiple challenges and risks that dispensary owners must navigate and overcome.** Broadly speaking, these can be categorized into five groups: legal, compliance, social, financial, and security.

- **Legal** – Potential dispensary owners must bear in mind that the cannabis industry operates under strict laws and regulations that set their business apart from conventional retail operations. Stringent requirements include residency, background checks, location and zoning restrictions, etc., which can make starting and running a business quite challenging.
- **Compliance** – You've surely heard of seed-to-sale tracking. Most state governments must track the movement of all cannabis plants and products from the time the seed is sown by cultivators to when the plant or any of the products derived from it are sold to the end customer, and you will have to submit regular compliance reports to the state traceability system.
- **Social** – Just because cannabis is increasingly legal doesn't mean that the social stigma associated with it has disappeared. Make an honest appraisal as to whether this might create any personal friction for you with friends or family. You'll also want to gauge the attitudes and perceptions of your landlord, neighbors, and the community at large.

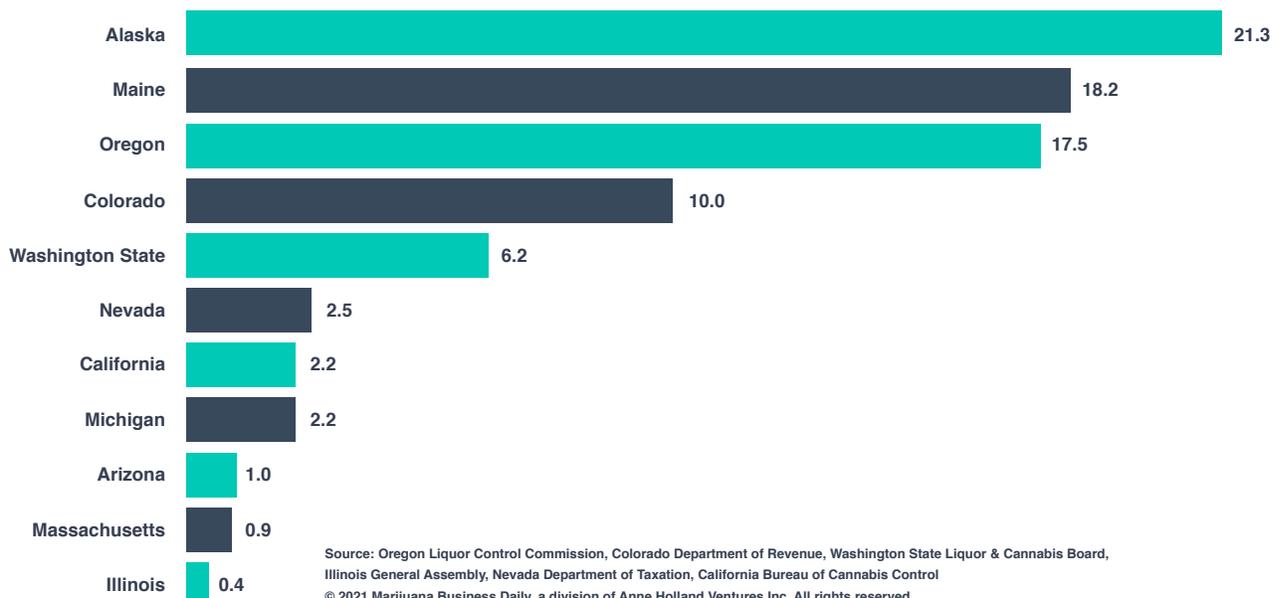
- **Financial** – Even a modest dispensary can easily cost upwards of \$250k+ just to launch, and in states like New York, you may need up to \$ 1 million as an initial investment. Additionally, dispensaries often have difficulties obtaining financial services due to federal restrictions leading to a heavy reliance on cash.

- **Security** – Since cannabis retail still primarily involves cash transactions, you’ve got to be on the lookout for theft, both internal and external – as well as robbery. You’ll also have to spring for a pretty heavy-duty security and surveillance system to stay compliant with the law, as these systems are also required to ensure that you are only selling to people of legal age.

While all of this may sound challenging, successfully opening and operating a dispensary is more than rewarding. Let us now dive into the initial research and planning required before taking the plunge into opening a cannabis dispensary.

Keep in Mind
 You’ll notice that one recurring answer in this eBook is “it depends” - all states have their own licensing, application, and compliance procedures, meaning the legal landscape in which dispensaries operate can vary dramatically. We’ll try not to harp on the point, but always remember that everything needs to be cross-referenced against the policies and procedures that cover the state in which you intend to operate.

Number of Adult-Use Cannabis Retail Stores per 100,000 Residents





1: THE BASICS

Most states maintain a checklist of sorts on their official website that details how the application process works, which you'll want to take a look at. Generally speaking, however, the four most important first steps in opening a dispensary, no matter the region, can be boiled down to finding an appropriate location, applying for the legal license, raising initial capital, and drafting a solid business plan.

- **Licensing** – Ultimately, no license means no dispensary, so this is the first step to begin your research. Work with an attorney or consultant to perform an in-depth study of all federal, state, and municipal laws, along with licensing requirements. The two crucial aspects to consider are “must-haves”- requirements you must satisfy to obtain the license, and ‘red flags’ - anything that can lead to an instant rejection of your application. Check out our [cannabis law](#) pages to learn more about the application procedure and restrictions in your state.

- **Location** – In most jurisdictions, having a prospective physical location for the dispensary already locked down is a pre-requisite for the license application. This means that you must research in-depth the municipalities you are considering operating in, paying particular attention to demographics and additional restrictions when it comes to local-level compliance.

- **Financing** – Simply put, no bank is going to approve a business loan to a cannabis dispensary. You can't go to the SBA either, since cannabis is still illegal under federal law. That means the two primary sources of funding and capital for most small businesses just aren't available for dispensaries. Things are changing fast but you'll still have to be creative in coming up with a plan to raise the initial capital- this may come from personal investment or other trusted investors.

- **Business Plan** – Your business plan is by far the most important document that you will need to draft. You will need it to help secure funds and demonstrate to the authorities that your operations plan satisfies their legal requirements. Your plan must cover finding and developing the location you intend to use, handling daily operations and security at your dispensary, financing, procurement, community development, etc.





2: LICENSING AND APPLICATION PROCESS

In this chapter, we'll examine the actual process of applying for your dispensary license, and break it down into a few easy-to-understand steps. We'll also highlight a few key components you'll need to successfully navigate the process, regardless of the state.

- **Research Government Websites** – An overview of state regulations, including licensing requirements and links to relevant government websites, can be found here for [California](#), [Colorado](#), [Oklahoma](#), [Missouri](#), [Michigan](#), [Maine](#), [New Jersey](#), and [New York](#).
- **Avoid Potential Red Flags** – Check to see if there are any red flags in your business plan that may cause your application to be denied outright. Not meeting age or residency requirements can trigger a refusal, as can criminal convictions.
- **Administrative Paperwork** – The next step in the process is filling out all of the forms and applications for your dispensary license. Ensure you are honest to the best of your ability and double-check that you have every one of the required elements of the application. This will include obtaining a FEIN from the IRS, along with your tax number and any other required documentation relevant to your choice of corporate structure.
- **Investigation** – Next, you'll wait while the state licensing authority investigates your application and performs its due diligence. If any problems come up during the investigative portion of the process, the applicant will typically be notified and allowed to respond.

- **License Approval** – Assuming all the information provided on the initial application checks out, most states schedule an in-person consultation between the prospective owners and the licensing board. All business partners will have to attend, and assuming that your application is approved, you will typically be expected to render license payment at this time.

- **Local Compliance** – After the state grants your license, you may also be required to seek additional approval at the local level. Work with the specific municipality you are considering operating in to ensure that you are fully compliant on the local level, as well as at the state. Local application approvals often take longer, so be sure to account for any extra time needed.

- **Tax & Financial Requirements** – Finally, once all licensing and compliance details are handled at the state and local level, there may be additional financial or taxation-related things to handle. Typically, you will need your formal license approval before you are allowed to begin applying for these types of documents.

LICENSING & APPLICATION CHECKLIST

- Business Plan**
You aren't getting anywhere without one.
- Financing/Proof of Capitalization**
Be able to demonstrate possession of the appropriate capital to the licensing authority.
- Full Team List**
For background checks and fingerprinting purposes.
- Location**
Make sure your selected location is fully compliant with all local zoning laws.
- Security & Surveillance**
Having a security plan for your facility is a critical part of the licensing process.
- Execution and Compliance**
POS and tech system you'll use to ensure your retail sales are always compliant and to submit legal reports.

Social Equity Opportunities

With an aim to make the cannabis industry more diverse and inclusive, most states have implemented social equity programs with special provisions for applicants from minority and disproportionately impacted backgrounds. These programs attempt to ensure that people of color, and those with marijuana offenses prior to legalization, be afforded an opportunity to participate in this burgeoning industry. Check your state's website to determine your eligibility for such programs.



3: BUSINESS PLAN COMPONENTS

As mentioned in the first chapter, the business plan is the single most important document an owner needs to create during the process of opening their dispensary. To keep things simple, we've identified eight critical areas of focus that your plan should address to gain licensing approval and attract potential investors.

- **Real Estate & Store Design** – There may be legal mandates or zoning laws in place which restrict potential locations for dispensaries (your attorney and realtor will advise you on this). Select the municipalities you are most interested in, get a feel for costs, and pay careful attention to any needed capital improvements. More on this in Chapters 5 and 6.
- **Financing** – Outline how much capital you need to raise, and where it will come from. You'll need to address licensing/application costs, working capital requirements, the cost of your initial flower stock, wages for your staff, technology costs, real estate, and several other factors. You'll need to be very specific as to who the investors are to ensure successful licensing.



- **Business Model** – Last but not least, your business plan must include the retail model for your cannabis dispensary. You could just be planning to operate a single independent store or perhaps a multiple-location enterprise or franchise business. Learn more about the different cannabis retail [business models](#) before you decide to choose one.

- **Team** – Due to the enhanced legal scrutiny of the cannabis industry, dispensaries perhaps depend more on their staff for success than most other businesses. You'll need to get top-notch professional services, including legal and financial advice, and put together an excellent team, including budtenders, security, and administrative support. Ensure that you are hiring as per social equity, diversity & inclusion, and local community guidelines set by authorities.

- **Sales & Marketing** – This section of the plan should outline what you intend to do to differentiate yourself from the competition. This could include a greater focus on customer service, enhanced online ordering or delivery capabilities, a superior design aesthetic that better appeals to your customer base, or providing a more personalized shopping experience in your locality. Delivering a superior customer experience is key to success, and you must have a [cannabis retail marketing strategy](#) to help you in that.

- **Operations** – This part should focus on how your dispensary will operate on a normal daily basis. Talk about your hours of operation, logistics, concerns related to sourcing your flower, who will be on your staff and

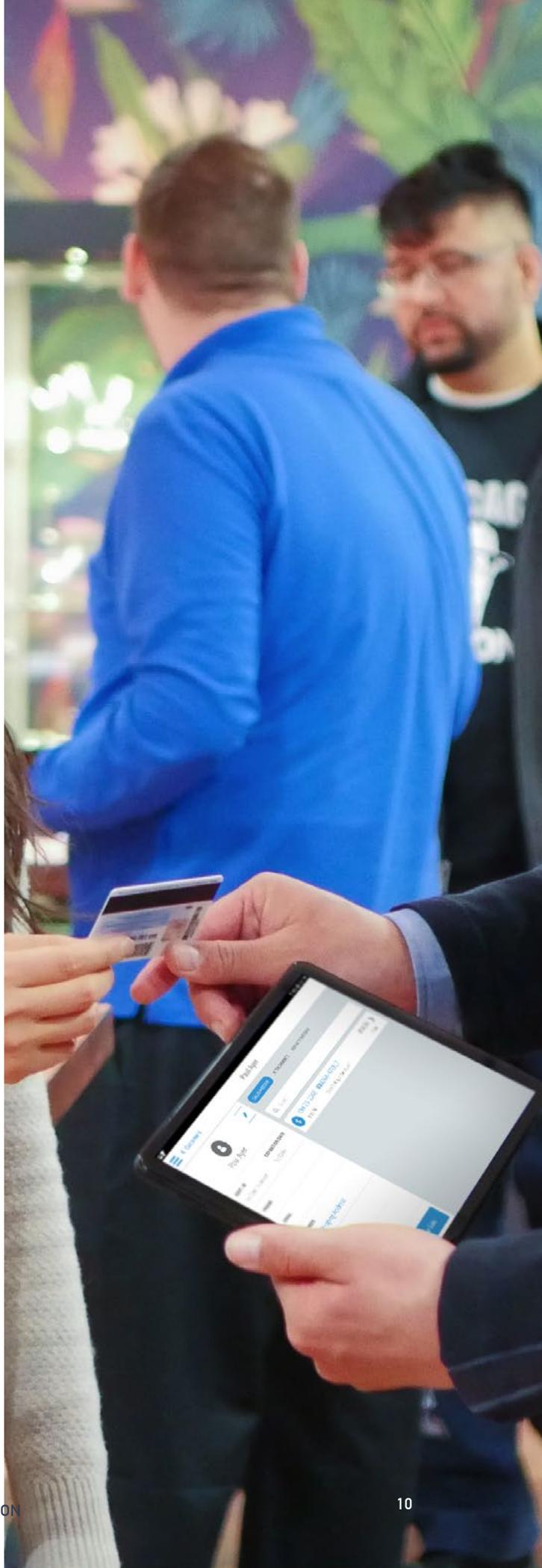
what roles they will fill, the technology your dispensary will utilize, inventory auditing, seed-to-sale tracking, how you will submit your compliance reports to authorities and other concerns of this nature.

- **Security Measures** – The security plan must include details on your security surveillance system, security personnel, the vetting process for employees (i.e. background checks), and how and where you will keep cash and cannabis products securely. You also must mention how you will verify the identification of customers and ensure you are selling only to people of legal age.

While this should get you off to a great start, it only scratches the surface of what your full business plan should cover. [We've written an additional guide](#) with lots of valuable information on this subject. The more detailed, thorough, and complete your plan is, the higher the likelihood your licensing application will be approved.

Plan Ahead

Some states require you to submit a complete business plan with your application while other states may ask for a brief explanation. It is better to have separate business plan documents for both your license application and your vision to guide the cannabis business once you have obtained the legal license.





4: COST AND FINANCING

In terms of the total cost, while no two dispensaries are equal, you're probably not going to be able to really establish in any location with less than \$150k, and in states with extensive capital requirements, you could easily need upwards of \$2M or more. Additionally, as a cannabis dispensary, you are likely going to pay a significant premium over regular market rates for all sorts of products and services.

Sometimes this is because some entities don't want to be involved with those in the cannabis industry at all, such as financial institutions. Other times this is because servicing your dispensary will require specialized knowledge above and beyond what a normal professional might know; for example, you'll want legal and financial advisors that have cannabis-specific expertise.

Now let's take a look at the major categories of startup costs for the average dispensary, along with some very basic estimates:

The cost of opening a cannabis business

Item	Low	Medium	High
Application fee (non-refundable)	\$2,500	\$30,000	\$100,000
License fee	\$25,000	\$200,000	\$500,000
Annual registration / renewal fee	\$5,000	\$60,000	\$100,000
Real estate	\$128/sq ft	\$240/sq ft	\$393/sq ft
Utilities	\$1.75/sq ft	\$2.10/sq ft	\$2.50/sq ft
Renovations	\$57/sq ft	\$60/sq ft	\$77/sq ft
Security installation	\$75,000	\$100,000	\$135,000
Marketing	3% of sales revenue	5% of sales revenue	9% of sales revenue
Staffing	\$13/hr	\$15/hr	\$20/hr
Inventory (\$/lb)	\$400/lb	\$2,200/lb	\$4,000/lb

(Visit these links for an overview of the specific costs of opening a dispensary in [New Jersey](#) & [various other states](#).)

- Application & Licensing Fees** – For application fees, \$10,000 is a good general estimate, though these fees can vary drastically from state to state. In Washington, the fee is only \$250. In both Missouri and Michigan, you'll pay a non-refundable \$6000, while in New Jersey and New York, the estimated fee is expected to be \$20,000. In Illinois, applying for early approval of a recreational cannabis business license cost existing medical dispensary license holders a whopping \$30,000. Annual licensing fees are usually somewhat higher than application fees, and there can be a variety of other supplemental fees as well.

- Real Estate** – Likely to be your single largest expense. Ballpark \$100k-\$200k on an annual basis for the rental of an average-sized facility in a moderately competitive market. You will also incur an additional \$25k-\$100k in renovation costs to finish the space in the style you desire – more to make it stand out from the crowd. You may need functional additions as well such as expanding available parking, space for queuing, curbside pickup, and in-store pickup space.

- **Professional Fees** – When you're starting a business that technically makes you vulnerable to federal raids or arrest, the need for qualified, marijuana-specific legal representation and advice should be obvious. Same for your financial situation, including your Section 280E compliance. Add in some decent insurance policies, and you will easily spend \$50k or more on various professional services, depending on your size and scale.

- **Personnel Costs** – Design a basic work schedule for your budtenders, administrative support, and security personnel, and count up the hours. You can expect to pay \$14/hr to budtenders, \$17-\$20 to floor managers or supervisors, and \$22-\$25 to experienced store managers. Paying six total employees an average wage of \$20/hr works out to at least \$250k annually.

- **Capital Investments** – Unless you're planning on getting involved in concentrate processing, making edibles, or running your own grow operation, costs here are not extensive – barring your need for a sophisticated security and surveillance system, which can cost at least \$50k. Your equipment will include hardware such as computers, cash registers, tablets, and scanners, which can cost between \$5k and \$20K depending on the volume of your store and how many checkouts you may need. A high-quality cannabis dispensary POS system's cost can range between \$350-\$600/month, depending on the features it may offer. Be careful that any POS below that monthly cost may not offer the regulatory and reporting features that you need to operate as a legal and compliant dispensary in the United States.

- **Advertising/Marketing** – Be aware that how dispensaries can legally advertise and market themselves is highly regulated. Here is a great guide on the [dos and don'ts of cannabis retail marketing](#). Despite your somewhat limited options compared to traditional businesses, it is still easy to spend \$25k-\$100k or more annually on these activities. Expect to have a relatively heavy digital presence – invest in a great website and [social media marketing](#).



Cannabis Retailers: Revenue & Costs by Business Type



Source: Marijuana BusinessFactbook
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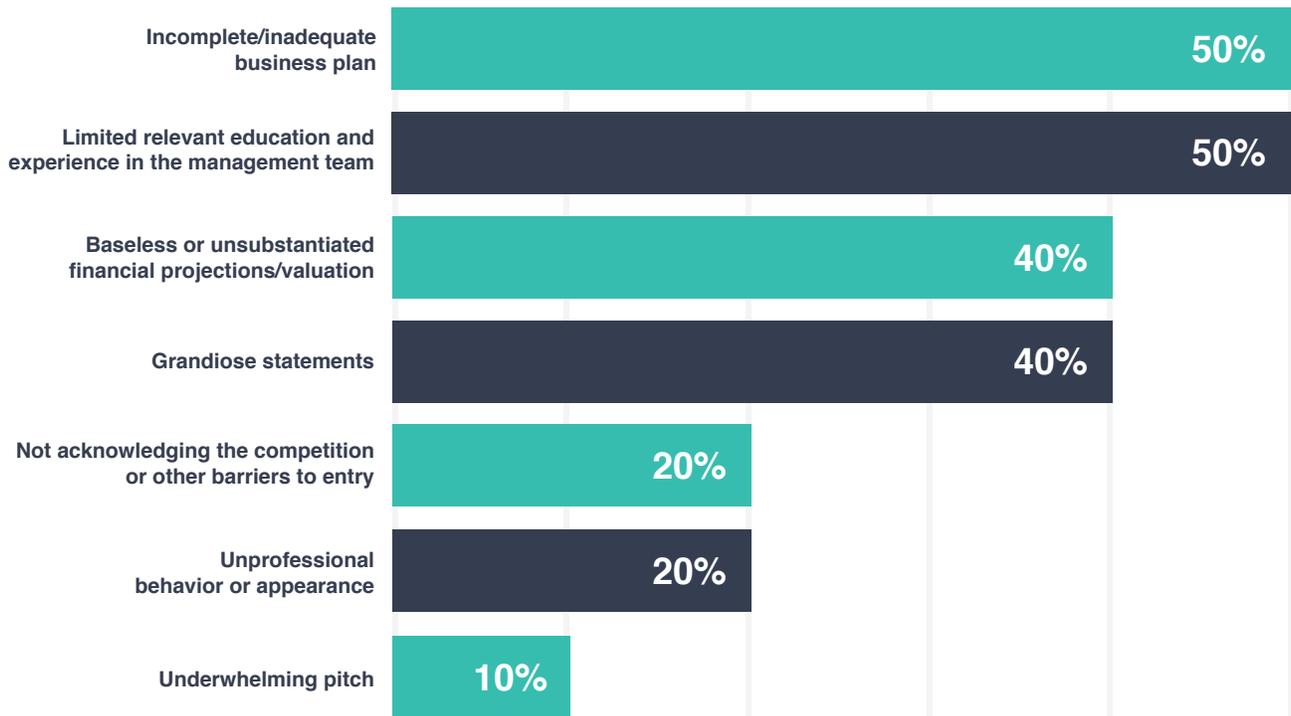
- Product** – In some states, dispensaries are expressly forbidden from growing their cannabis; in others, they look at grow ops as a potential way to consolidate their supply chain and cut costs. It is far more common for dispensaries to procure their flower from authorized suppliers, so that’s the assumption we’ll work with. In states that have approved the usage of recreational cannabis, you can expect to pay between \$1,000/lb.–\$1,500/lb. for most strains of cannabis – sometimes significantly more in the case of premium or low-yield strains. These prices are expected to fall though, as the [average price per mg of THC is steadily declining](#).

- Capitalization Requirements** – Here is another area where state-by-state variance is huge. Arizona mandates applicants demonstrate \$150k in available funds. Nevada requires \$250k, and Michigan \$300K in total capital, while Illinois looks for applicants to have between \$50k–\$100k. Missouri and Alaska currently have no capital requirements.

Keep in Mind

Securing funding for a marijuana dispensary is harder than raising funds for nearly any other traditional business. Despite the difficulties involved, the potential profits are quickly changing the minds of investors, pushing them to adjust their policies and get into the game. However, keep in mind that money comes at a cost, which often ends up being an ownership stake. Be clear about how much stake you are willing to divulge.

Top Mistakes Cannabis Businesses Make When Seeking Funding, According to Investors



Note: Total exceeds 100% because respondents could select more than one option. Responses from self-identified investors.
Source: Marijuana Business Factbook
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SECURING FINANCING

One of the most unique features of the cannabis industry is the relative lack of financial services. The Safe Banking Act has been introduced in the senate a few times already, but until it gets passed, most of the traditional sources of capital are unavailable to cannabis entrepreneurs. Now that you have some ballpark cost figures in hand, let's look at potential ways to raise capital:

- Self-Funding + Friends & Family - Always a great option.
- Partners – Many people are looking at entering this lucrative industry.
- Cannabis-specific Investment Groups – Canopy Growth Corporation, JW Asset Management, Tuatara Capital, Privateer Holdings, etc.
- Capital Brokers – They can help locate and qualify potential investors from all over the world.



Usually, the state in which you intend to operate is dictated by residency requirements, so you don't have a lot of options about potential locations. Choosing the specific municipality within your state, and ultimately the specific site will require some research. Here are five specific factors to keep in mind when evaluating the suitability of potential locations:

1. Additional Compliance Burden – The first thing to take a look at is whether an individual town or city has local regulations which may result in an increased regulatory burden for you. Some communities want to encourage the development of the cannabis industry and some do not, and they often accomplish this by adjusting their laws. In Missouri, for example, you can score higher on your dispensary application by selecting a location with a high unemployment rate.



2. Zoning Considerations – Another common parameter is the restriction of sites for dispensaries based on zoning laws. In most states, dispensaries cannot be located within 1,000 feet of schools. Some states and jurisdictions have restrictions on proximity to churches, parks, playgrounds, and drug treatment facilities. Depending on where you are located, you may be forced to choose from an extremely limited variety of real estate.

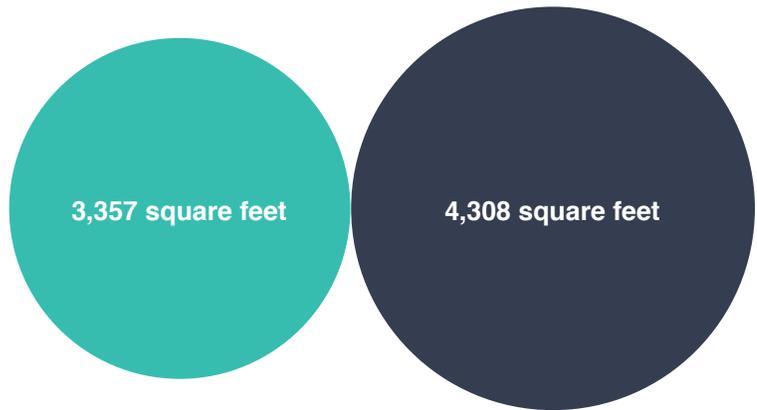
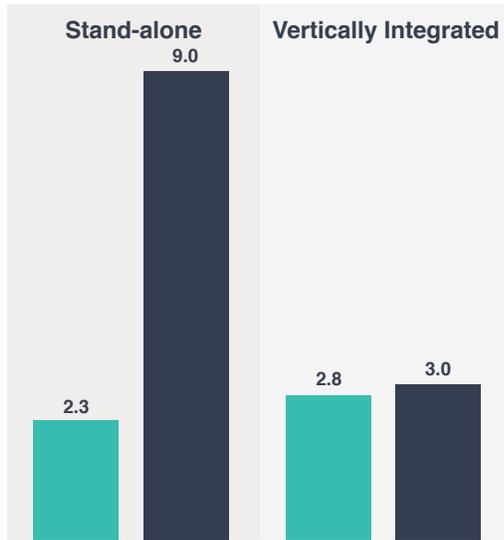
3. Cost Assessment – Work with a realtor that has cannabis-specific contacts (you should be able to find some in your area with a simple web search), as this can reduce time wasted on property owners uninterested in working with the cannabis industry. Try to locate sites that are at least partially equipped with the physical features your dispensary needs to minimize the amount of renovation you'll need to perform and keep costs low.

Number of Retail Store Locations & Square Feet of Retail Space per Store

Medical Recreational

Average number of retail store locations

Average retail square footage per store



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4. Community Outreach - Spend some time pounding the pavement in areas you are prospecting, and speak with your potential neighbors. The last thing you want to do is move into a location and find yourself facing hostility from residents; instead, [work with the community](#) to ensure their needs and concerns are met, particularly when it comes to safety, security, and compliance with all aspects of the law. Some cities go so far as to mandate the development of a community involvement plan, detailing how you intend to actively better the community, ensure your product does not end up in the hands of minors, and other similar considerations.

5. Customer Demographics - One final piece of research you must conduct on prospective locations is an in-depth look at the local demography. [Figure out whether the people living in that neighborhood are your target personas.](#) and how you can best market your products to them. Find out what type of space and experience they want in their dispensary, and work with your architect/designer to provide it. Investigate foot traffic versus road traffic and ensure your facility is equipped to accommodate it all - this will play a significant role in the number of new walk-ins to your store.



- **Traffic Flow Patterns** – Putting some thought and consideration into how visitors will flow through your dispensary will go a long way towards providing them superior service. Identify potential bottlenecks, such as at cash registers or in the order fulfillment area, and ensure that you have designated space for lining up. You may want to use a [queue management system](#) to ensure that your customers don't have to wait too long and can even check in virtually through an app to place themselves in the queue.

- **Décor/Aesthetic** – Gone are the days when painting your dispensary with colors and plastering the walls with Grateful Dead posters was considered a sound design strategy. These days, most people want a space that looks professional and safe. By creating an ambiance that puts people at ease, you can also help remove the stigma associated with cannabis. Don't assume décor begins and ends with visuals – music is a core component of most places known for their aesthetics. Find some great resources on [dispensary design best practices](#).

- **Brand Experience** – Do you envision your dispensary as providing a clinical ambiance for patients, and mainly focusing on medical marijuana? Or do you see your dispensary as a place for recreational users to spend time and hang out instead? You can also consider what, if any, additional services you want to offer – including the ability to order online, in-store pickup, and delivery. There are some useful tips on how to create a great [omnichannel customer experience](#).

- **Designing for the Future** – The pandemic has drastically changed shopping behaviors, and no one can predict how long practices like social distancing are here to stay. Ensure that you follow all health measures mandated by your state government and provide enough space for customers to browse and feel comfortable. Designate areas for curbside and in-store pickup, a waiting lounge, and also one-on-one consultation. With states like New Jersey and New York allowing [social consumption lounges](#) in the future, you may want to consider designing your store accordingly if you go down that road.





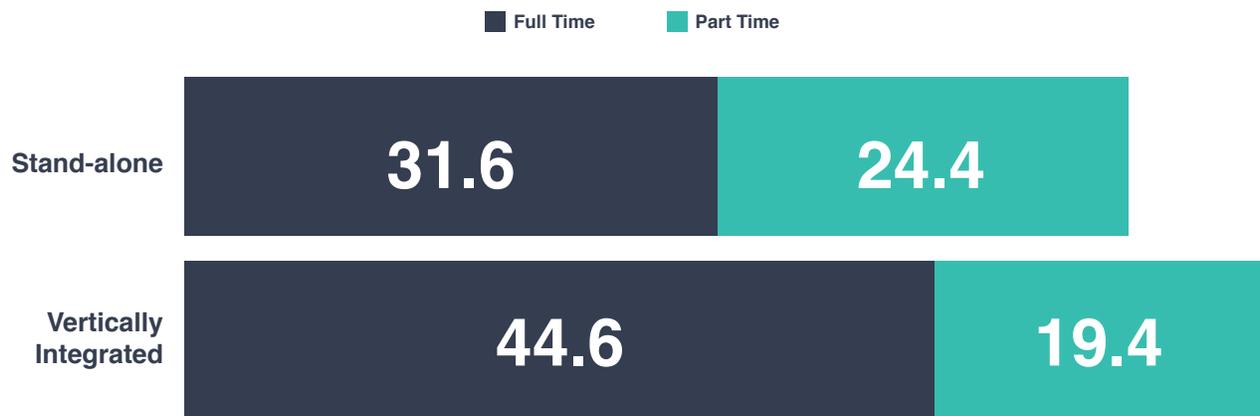
7: BUILDING YOUR DREAM TEAM

When it comes to the personnel you'll need to open and run a successful dispensary, they can be broken down into two groups: professional services, and your daily staff.

Professional/Consulting Services

- **Legal Advice** – Probably the single most important relationship a cannabis entrepreneur has is with their attorney. There are two specific areas of legal expertise you'll want to be covered: first, you need to have access to someone familiar with the licensing, application, and compliance processes of your state. Next, you'll want to make sure you've got world-class representation, just in case something ever goes wrong.

Retailers: Typical Number of Full & Part-Time Employees by Business Type



Source: Marijuana Business Factbook
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- **CPA** – Few would argue that the relationship with your accountant is only slightly less important than that with your lawyer; remember, Al Capone eventually went down for tax fraud, not trafficking! Dispensaries have some unique taxation issues to deal with, such as Section 280E compliance at the federal level, and there may be additional state issues as well.
- **Compliance Consultant** – As mentioned earlier, every state has created a patchwork system of regulation and compliance that you'll have to navigate. As an owner, you'll need to go the extra mile to stay on top of compliance. It may be best to initially hire a compliance consultant who will help you manage and document all aspects of your business, as well as handle the administrative reporting mandated by the state. But eventually, your dispensary manager can take charge, and all you need is a cannabis POS system to ensure compliance.
- **Security Consultant** – Most states require you to detail your adherence to their security and surveillance guidelines as part of the licensing and application process, so you'll want to begin working with someone to help you design your security system as soon as possible. You're going to need a 24/7/365 security presence including live personnel, transport planning, alarms, cameras, and recording equipment at the bare minimum.

Dispensary Staff

- **Budtenders** – Your budtenders are the front-line troops of your dispensary; their performance can make or break you. Mistakes like selling to an underage customer can quickly result in the loss of your license. They must be trained to function as ambassadors for your brand – empower them with information to help consumers select the best strains of flower for their needs and educate them to enhance customer loyalty.
- **Security Officers** – While not legally mandated by every state, it is still a good idea to consider hiring well-trained security personnel to protect your dispensary from theft and other issues, depending on the city or neighborhood and the crime rate over there. Like any retail operation dealing with frequent cash sales, dispensaries are attractive targets for both employee theft and other criminal activity and must protect themselves against both. This is just an optional add-on to your surveillance system.
- **Administrative Staff** – Like most businesses, there is going to be a certain amount of administrative support required. Accounts payable and receivable, bookkeeping, and in-house IT are some things that dispensaries need to deal with regularly. Many dispensaries also have a dedicated check-in person responsible for verifying IDs at the front door.
- **Store Management** – Perhaps most important of all, you'll need to retain an experienced dispensary manager. This person can assist you during the initial setup of the dispensary, advise on best practices, help evaluate suppliers, recommend potential employees, and provide a great



deal of general assistance in running your storefront. You may also need a dedicated inventory manager to procure and audit your stock regularly.

As your dispensary business grows, you may need to add more specialized staff with dedicated responsibilities. An inventory manager will be required for an enterprise business, as this person will be in charge of inventory control and ensuring that you always have the right products in stock at all your stores. A compliance manager and other staff will also be required to manage operations efficiently at multiple stores.

Job Description Example

BUDTENDER:

Description

Our company is seeking enthusiastic, personable budtenders who can use their extensive cannabis product knowledge to guide customers to the appropriate product and provide impeccable customer service while complying with all regulations. You will be responsible for assisting the management team with the activities and operations of the store while abiding by all policies, procedures, and operational guidelines.

Responsibilities

- Deliver exceptional customer service
- Guide and direct customers in their cannabis purchasing journey
- Answer customer questions and concerns
- Ensure compliance in all transactions
- Assist with daily dispensary operations

Qualifications/Requirements

- In-depth knowledge of cannabis products, strains, and consumption methods
- Impeccable customer service skills
- Retail experience preferred
- Minimum 21 years of age
- Must possess a valid driver's license or state ID
- Must pass all required background checks
- Must possess current state cannabis worker license or permit (if applicable)

Download our ready-to-use [cannabis job descriptions](#) template to hire the best employees for your dispensary.



8: SOURCING PRODUCT AND INVENTORY MANAGEMENT

Sourcing options for dispensaries largely boil down to one of two options: either grow your flower or purchase it from an authorized supplier. You'll also have to evaluate vendors for all accessories you may want to sell at your store, and for the most part, recreational dispensaries tend not to grow their flower, while medical dispensaries do, which is mandated in some states like Colorado. However, even stores that do host their own grow operations will not be able to grow all the strains they would like to sell – meaning virtually all dispensaries turn to licensed growers at some point. Let's go through some of the considerations you should keep in mind when selecting the right choice for your operation:

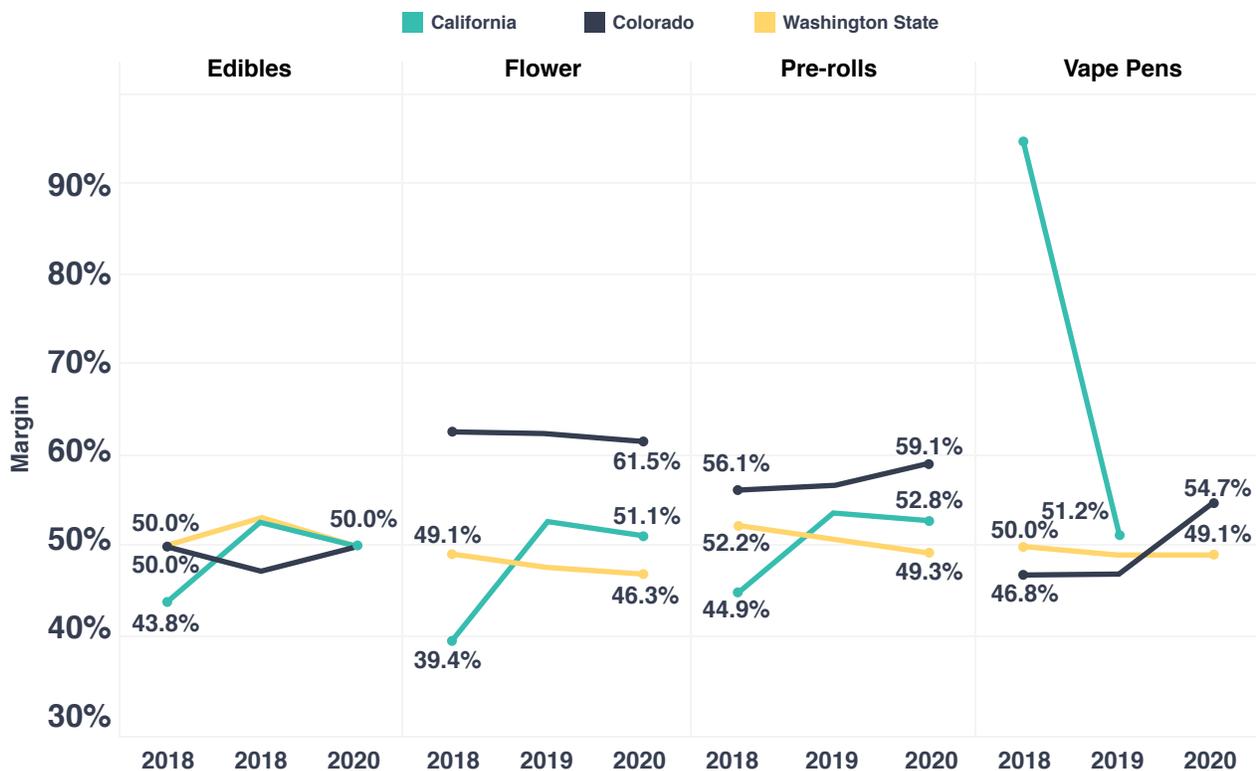
- **Legal Considerations** – In some states, dispensaries are expressly prohibited from being involved in cultivation. In others, they are highly encouraged to do so. In Colorado, all medical dispensary owners must grow at least 70% of their on-hand inventory. In New Jersey, as people are figuring out the first steps to open a dispensary, legal marijuana is already in short supply and the state still has to draft regulations about how retail stores can source their flower.

- **In-House Cultivation** – If you're interested and able to cultivate your flower, you'll also want to honestly consider whether you have the expertise to do so cost-effectively. Commercial-scale cultivation of cannabis requires a very specific skill set, which may require hiring new staff you did not originally anticipate.

- **Extracts, Concentrates & Edibles** – The demand for extracts, concentrates and edibles is increasing and profit margins are high as well, making them attractive offerings for dispensaries. Manufacturing these products yourself is challenging for most dispensaries, due to the prohibitive costs. Make sure you are buying from approved producers and adhere to THC and CBD limits.

- **Buying Wholesale** – When the time comes to evaluate potential providers, look for wholesalers with an established reputation in the industry, and those who grow the specific strains you're most interested in. You'll also want to verify that they can produce the quantities you'll need and that they are in good standing regarding their own legal licensing status.

Adult-Use Retail Cannabis Profit Margins: Breakdown by Category, Market & Year

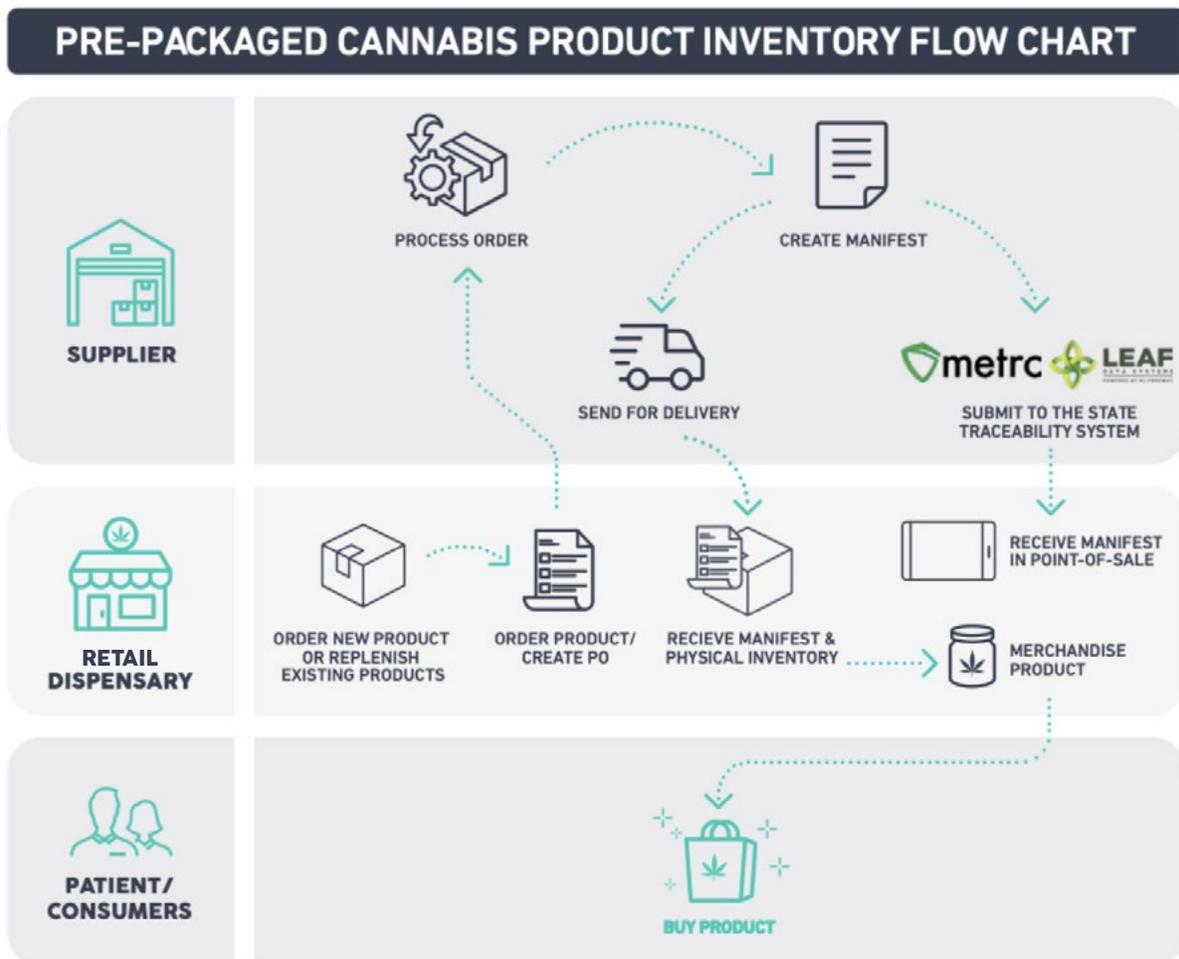


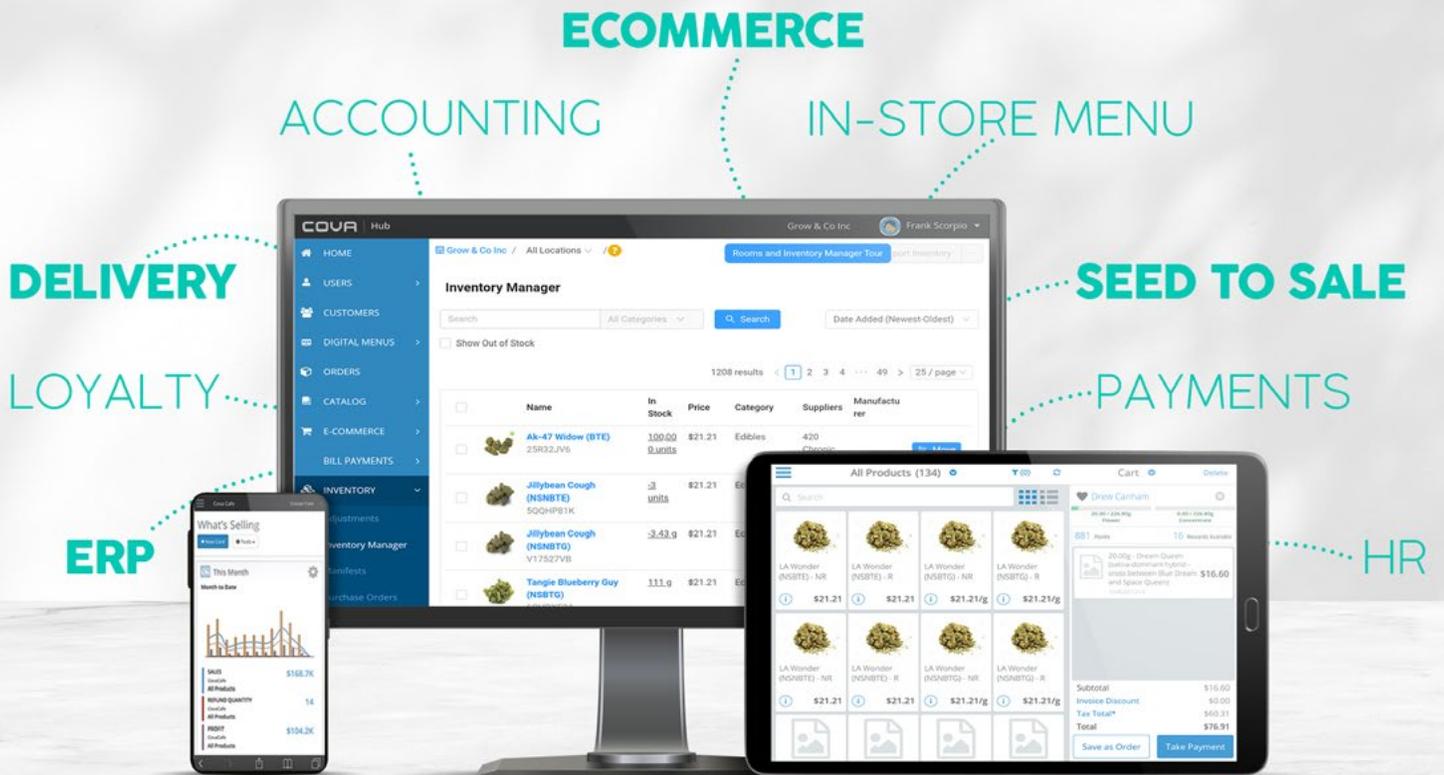
Source: Headset
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Inventory Management and Control

The heart of any successful retail operation is a solid inventory management system, especially when it involves a perishable product like cannabis, and is also mandated by regulatory authorities. Assigning a dollar value to all goods in stock is crucial as this amount represents a significant portion of your current assets in the financial statements of a business and helps you make better decisions as per available funds. Any inventory that gets sold frees up more cash flow for the company to replenish goods and maintain the required stock.

As far as procedures and processes go, you'll want to start by creating a flowchart that maps out each step of the inventory process — from receiving, to auditing, to monitoring stock levels and reordering, every element should be documented and clearly defined. Additionally, automating key procedures like compliance reporting will not only save you time and money but will help ensure you stay current on reports and avoid any compliance infractions. Learn in-depth how you can control and [manage inventory efficiently with this guide](#).





9: POINT OF SALE SYSTEM AND OTHER EQUIPMENT

The average cannabis dispensary is a far more complex retail environment than you might initially imagine. Not only do you face the same performance burdens as other businesses, but you also have to deal with significant legal and compliance requirements. Choosing the right technology infrastructure and a [cannabis-specific POS system](#) for your dispensary can go a long way towards mitigating many of these challenges.

- **Compliance** – The number one concern for dispensaries is ensuring they always stay 100% compliant with state and local regulations. A dispensary POS built for [cannabis compliance](#) can help you accomplish this by preventing your budtenders from making sales outside store hours and selling cannabis to minors with the help of a built-in ID scanner, collecting appropriate sales tax, making sure labeling is accurate, managing product recalls, and submitting your compliance reports according to requirements.



- **Tracking and Traceability** - Most states in the US require tracking of inventory and sales through a state-mandated traceability system such as [METRC](#) or BioTrack. Even among cannabis POS systems, the level of integration with the tracking system varies, with many offering only batch reporting at the end of the day. Choose a POS software that automatically sends compliance reports in real-time to the tracking system, thus helping you minimize human errors and always remain compliant. If your POS doesn't offer proper integration with the tracking system, you are likely to suffer compliance infractions and risk losing your license.

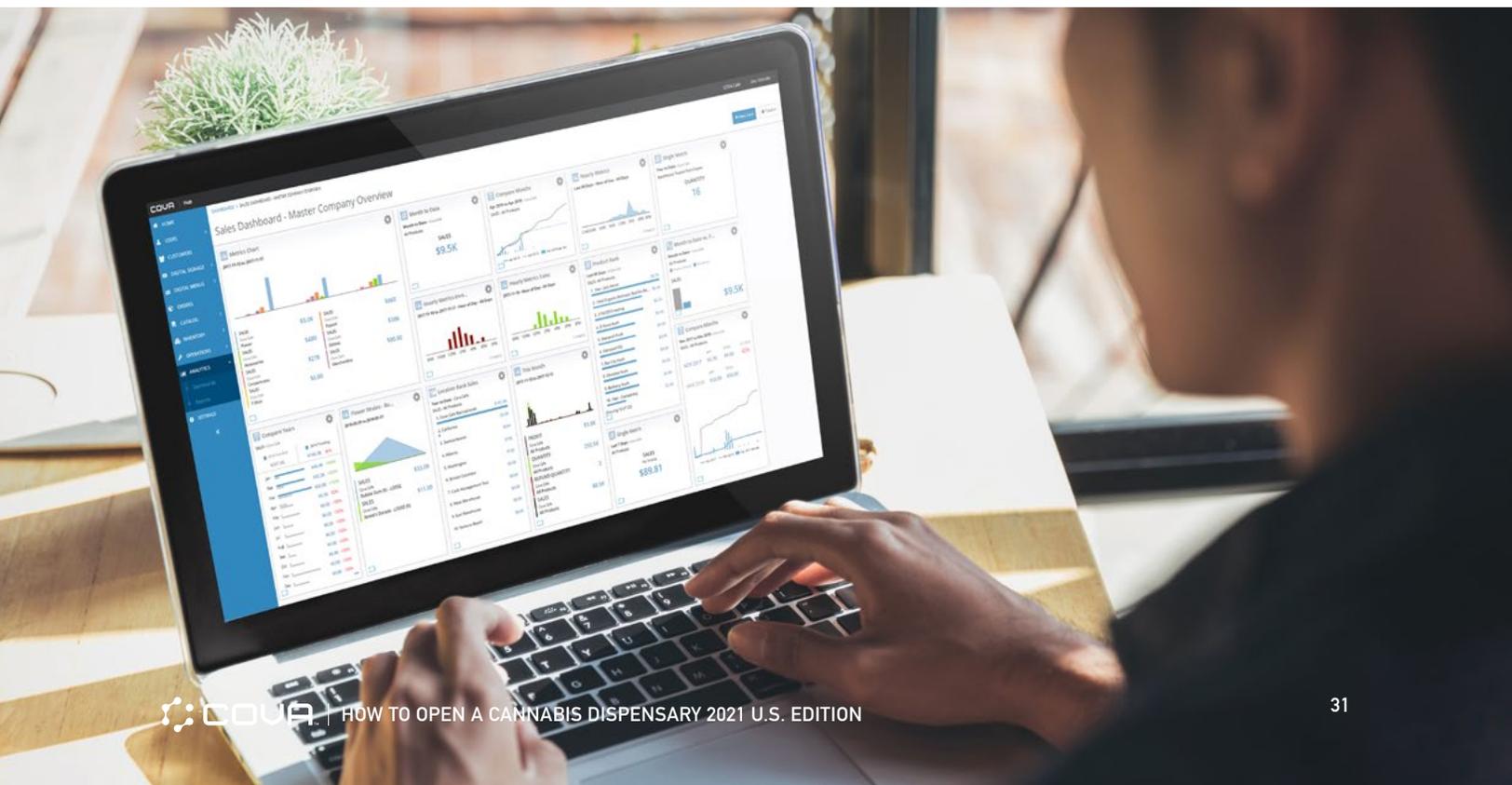
- **Reliability** – The overall reliability of your technical infrastructure is another primary concern for dispensary owners. A system crash can quickly land you out of compliance when it comes to regulations, disrupt your supply chain, and end up costing you thousands of dollars in lost sales. On 420 this year, while several major cannabis POS providers suffered significant system outages, [Cova POS recorded 100% uptime](#). Invest in a reliable POS system that has numerous redundancies, a sophisticated cloud-based data repository, and an [offline mode](#), so that you are fully prepared to continue operations even on your busiest days.

- **Ease of Use** – Technology should be simple and easy to use and have an intuitive design so that the system is easy to configure and operate on an ongoing daily basis. Your staff shouldn't have to worry about navigating a complex POS system, and the software should instead enable them to work more efficiently while helping reduce costs and enhance the customer experience. A POS designed specifically for dispensaries can help alleviate these issues, allowing you to sell more products in less time.

- **Improved Consumer Experience** – With the average lifetime value of a dispensary customer being so high, it only makes sense to do as much as you can to improve the customer experience your dispensary offers. A good cannabis POS can turn all of your budtenders into product experts to help guide customers through the buyer’s journey – customers return to stores they trust. A POS is the heart of your operations and must seamlessly integrate with other technology i.e. e-commerce, menu boards, gift cards, etc. Inventory, pricing, and product catalogs should all be synced up as well, empowering your staff to provide a more [enhanced shopping experience](#).

- **Computers & Other Digital Equipment** – Finally, you’re going to need to evaluate your need for computer equipment. You’ll need one set up at reception for processing intake and one in the back for tracking inventory. You may choose to supplement these with tablet devices for customer usage, and you’ll also need a variety of accessories, such as barcode scanners for inventory management and devices to verify customer IDs.

- **Hardware and Software Integration** - Consider all the physical hardware that is being used in various sections of your dispensary and whether your provider can sync them with the point of sale software. You will have to integrate your accounting, HR, workforce, and security software solutions with your dispensary POS as well to ensure smooth operations. Select a POS that seamlessly integrates not just with your hardware and software but also with online marketplaces like Leafly and Weedmaps so that you can offer easy pickup and delivery services to your customers.



10: SECURITY AND SAFETY



The primary purpose of a cannabis security plan is to provide a safe and secure environment for the dispensary's employees and customers while abiding by all legal requirements. Let's take a look at the four most important components of any dispensary security plan:

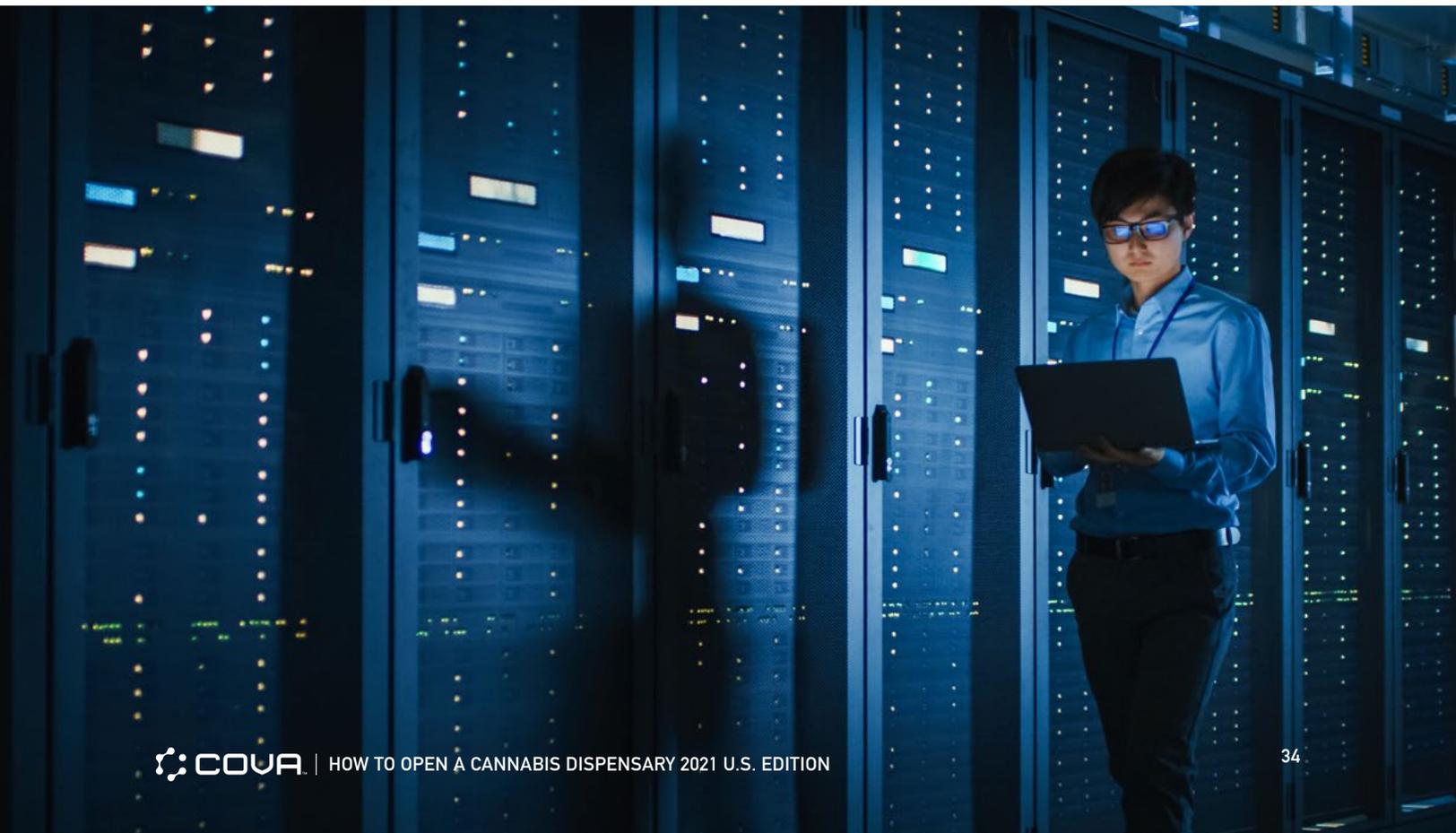
1. Facility Security – The physical security of a dispensary is typically comprised of a camera system, an alarm system, and an access control system, bolstered with active security personnel. Internal and external theft are potential issues – employees can pocket cash or merchandise, and the possibility of robbery or burglary is real, especially for dispensaries that have difficulties finding financial services and consequently maintain substantial cash reserves. You'll also need a system to archive and store your security footage for the appropriate period mandated by law.



2. Product Security – Securing cannabis is the primary concern for dispensaries. You’re going to need a ton of locked safes and storage. You’ll want to have a main vault for flower storage (mandated by law in various states) and controlled security cases for areas where it is displayed to help prevent shoplifting. Consider investing in shatter-resistant glass as well. To handle your cash, you’ll want at least one more heavy-duty safe. At the end of the day, your entire stock of cannabis, edibles, concentrates, and everything else you offer must come off the floor and into a locked space. Consider segregating employee access based on job duties: budtenders don’t need to do anything with cash other than receiving it so they don’t need safe access. On the other hand, your bookkeeper does need safe access but does not need access to the inventory storage areas. [Learn some useful tips to detect and prevent theft and fraud.](#)

3. Policies & Procedures – Developing a comprehensive set of security-related policies and procedures to follow is of critical importance for dispensaries. All employees should receive extensive training in this regard. The most important thing to develop is an extensive auditing procedure that can track and account for every gram of cannabis that passes through your facility and tie it either directly to inventory or a cash receipt. Usually, dispensaries will audit their sales floor inventory daily, supplemented with a whole-store check once per month or so. Work with your attorney and security consultant to flesh out these documents and ensure that you comply with all the laws in your state.

4. Data Security - As we now live in a very digital world, storing all your dispensary data securely, including customer information, is not only crucial to avoid data breaches but also generally mandated by law. A few years ago, a large cannabis POS company suffered a [cyber security breach twice in six months](#), resulting in outages and major chaos for many cannabis retailers. When choosing a cannabis POS solution, ensure that the company has secure cloud infrastructure and industry experience to protect your data. Data security is not just important for you but also your customers as most people still want to keep a low profile regarding their cannabis consumption, especially because it's still illegal under federal law.



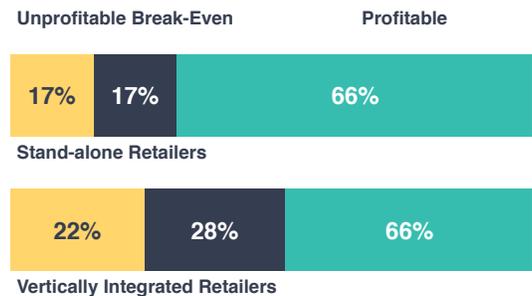
CONCLUSION

Assuming all goes well with your application and your license is granted, you're now ready to officially launch your cannabis dispensary, and join the green rush in earnest. These are incredibly exciting times for those interested in the future of cannabis. We never would have gotten to this point had it not been for the tireless activism, work, and enthusiasm of cannabis proponents over the years. And as we move forward with legalization in more states, Cova will keep updating this guide to reflect the changing scenario in the cannabis industry.

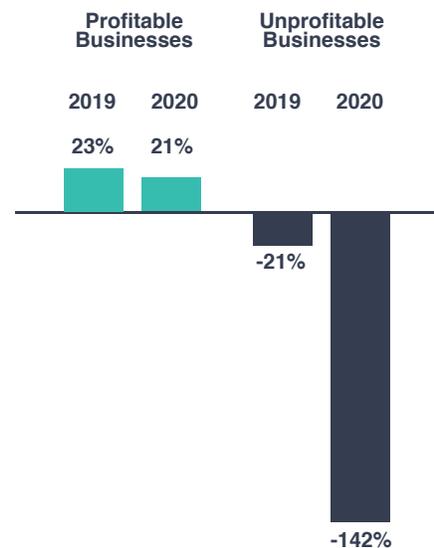
We've done our best to provide you with a comprehensive overview of what is involved in opening a legal cannabis dispensary, along with all the information and resources you need to make your own informed decisions about how to proceed. However, that's not enough and you're going to have more questions as you begin navigating your way through the process.

When you find yourself in need of additional information or assistance, we hope that one of the first places you turn to is our regularly updated [blog](#) and [resources](#) section – it's full of articles, whitepapers, and other strategic insights that will truly help you take the performance of your dispensary to the next level.

Profitability of Retailers in 2020



Net Profit Margin



Source: Marijuana Business Factbook
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ABOUT COVA

Cova designs and builds retail software solutions specifically for the cannabis industry. We're relentless with our goal of being North America's most lovable and trusted dispensary management software and POS system – but we're not stopping there. Our full retail suite coupled with various fully integrated functionalities is a powerful recipe for the success of our clients.

What sets Cova apart? Our award-winning intuitive design, lightning-fast transaction time, inventory management, and automated compliance features will impress you. Our technology platform currently transacts 3.6 million invoices per month with virtually no downtime, making us the most robust and reliable cannabis POS system available.

With seamless integration with regulatory tracking systems, e-commerce (Shopify, Woo Commerce), ERP (Netsuite, Sage X3, Microsoft Dynamics), Online Marketplaces (Weedmaps and Leafly), QuickBooks, and more, our point of sale system and its suite of digital solutions make complex operations simple, so dispensaries can stay compliant and deliver an amazing experience always. Most importantly, we constantly evolve our product to meet changing regulations, allowing our customers to excel in their respective local markets.

Growing your empire takes time, experience, and the right technology partner. We know how. Join us.

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