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CANVIVA is leading the way in bringing CBD to Traditional Retailers and Big Box Stores

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CANVIVA

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Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine

CEOCFO: Mr. Zimmerman, what is the concept behind CANVIVA™?

Mr. Zimmerman: Dave Rye and I have been working on this for about a year and a half. We are consumer packaged goods veterans who have done a lot of new product development. Collectively, we have helped launch over two hundred and fifty new products and brands for many major companies. We got interested in this category, basically coming in through the marijuana side with another business that Dave owns; a business that does advanced ozone. Marijuana growers were very interested in that product because it helps protect their crops without the use of chemicals, so we started looking at that. We thought that THC might be a place to go, but we decided that that was not really a category that we wanted to pursue. That led us to CBD, which we found very fascinating. It was almost one of those things that was too good to be true when we first looked at it. We kept digging and digging and we realized that it was a category that had tremendous potential.

I like to say in the new product experience that I have had, and that has been almost forty years, that this is the best business opportunity that I have seen, for a couple of reasons. There are no major established players yet. It has huge upside potential projected to be over twenty billion dollars in the next few years from five hundred million last year. There is also a huge upside and potential to help people. For consumer, one out of seven people use CBD every day, which is an amazing statistic when you realize that you cannot get CBD at Target or Walmart or Walgreens or any other major retailer at this point. People are really working hard to find it to buy it to use it and getting great results from it. Therefore, Dave and I started using CBD and we had great results. Our friends started using it and they did as well, so we said that this is a business that we would really like to get into. We think we can do it better than what is being done now. It is described as the "Green" Rush, the Wild West; which it truly is. There are probably at least one thousand brands and one or two new ones every single day. Most of them are very unsophisticated. Many of the products are bad. Many of the products are low dose and ineffective.

CEOCFO: What do you understand about bringing a product to market that is somewhat unknown? What are you able to bring from past experience and what did you need to learn as you ramped up to where you are today?

Mr. Zimmerman: Again, new products are really what I and my team do. I used to be in charge of new products in Pillsbury before I started my business. What it really gets down to is that you have to have a strong position and you have to have a strong reason for being. You have to really be truly differentiated from competition in a way that is truly important to consumers. That is really where we started; to try and really understand the category, what was missing and what we could bring to it that was really important. What we found out was two things. One is that education was critical. That is because today, most consumers really do not understand CBD. Many of them do not know what it is. They think it is marijuana. They do not really understand how to select products or how to use products. Therefore, we said that education is going to be a real cornerstone of what we do.

Then, we also wanted to have the most effective products that we could find, so we focused on tinctures, which we know are the most effective way to take CBD. We have the broadest line of tinctures; specialty tinctures that we have uniquely formulated to deliver specific functional benefits for sleep, anxiety, mental clarity, energy, and digestion. Again, it is premium products delivered with superior consumer education. It is the same for retailers. Retailers do not understand this category either. It is brand new to them, so they are looking for companies that can really help them understand how to get into the CBD market. Dave and I have developed literally hundreds of retailer specific programs for Target, Walmart, Costco, and others. We are working with retailers to bring them specific, uniquely tailored programs and they will trust that we can do that because we have done that with them before.

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CEOCFO: *What do retailers need to know compared to what they want to know about the product?*

Mr. Zimmerman: What retailers know is that there are huge profit margins in CBD and they know that there is huge consumer demand for CBD. However, what they do not know is what products they should carry, how they should merchandise them, how they should promote them or where in the store they should shelve them. It is not like saying, I have got a new product going into the cereal aisle and I will put it with the rest of the cereals.” They are looking at CBD saying, “I do not even know where to put it in my store! Should I have a CBD section? Should I put the CBD products in with the regular products?” Those are all the things that we are going to help them with.

We have also provided training materials for their sales associates, because again, if you went to a Target store and got a sixteen year old kid and said, “Hey, tell me about CBD,” they would really have no idea. Therefore, we have provided complete training materials that retailers can use for their sales associates. We have created proprietary merchandising programs and display units that we are custom making for each retailer that will carry the right product mix for them. Again, they really need to understand, “What do I carry, where do I put it and how do I train my people to sell it.” It is really the Wild West for them, too. They have never dealt with this and they really do not have any background or knowledge about it.

CEOCFO: *Is it a matter of understanding the demographics of a particular chain or a particular store? How do you decide what might be the right line for any given company?*

Mr. Zimmerman: I will give you a good example. We are in the process of implementing a test with a major sporting goods chain. What we had to decide was, for sporting goods, what are the products that are really going to be the most relevant to your customers. Therefore, we are putting in the RESTORE product, which is good for muscle and joint pain, before and after a workout. We are putting in the water soluble product, which you can use to mix into a sports drink or a water bottle, the BOOST product which gives you energy, so before a work out with the energy product. Things like mental clarity and digestive health and those kinds of things really would not be very relevant to their target audience.

We try and understand their consumer and which of our products would be most relevant to them. We are also working with chiropractors and health and wellness groups, for them there is a really different set of products that are relevant. With our broad product line, and it is the broadest in the CBD industry, we have ten tinctures, we can custom tailor a product offering for a retailer based on their specific customer needs. With the other CBD tinctures, there are basically their strengths and flavors, so it is sort of one size fits all and if you want orange or grape, whereas for us, it is what kinds of needs to your consumers have. We have really got a bigger tool box than other people have to custom make programs, both in terms of merchandizing materials, point of sale consumer education and then product offering.

CEOCFO: *What might be different from one tincture to another?*

Mr. Rye: We have identified essential oils and what is called “terpenes”, which are the subset of what is in CBD. We custom formulate each of the products using essential oils and other natural ingredients that are known to have a very positive impact on that specific function. If it is sleep or digestive health or mental clarity, we will take the base of our organic pure certified CBD oil and enhance that formula with other essential ingredients that are known to have a real positive impact on that specific function. Therefore, they are all proprietary, working people like University of Minnesota to identify those additional ingredients that will make of the tinctures specifically different and each address a specific need and issue.

CEOCFO: *Is tincture the most effective or is it a more serious way than the candies and the gummy bears? Does it hold more weight for people or does it seem more medicinal?*

Mr. Zimmerman: You are exactly right. There are really two things. If you are a purist on CBD, you are going to look for the most effective way to take it. What makes tincture more effective is that you put it under your tongue so that it is absorbed into the blood stream without going through the digestive system first. You get about eighty five to ninety percent of the effective benefit of CBD by putting it under your tongue and letting it absorb, verses going through your digestive system. Therefore, if you are a purist, or a serious person as you said, and I think that is a really good way to think about it, you are going to say, “What is going to give me the most benefit and the most impact” and you will gravitate to tincture. Prior to the Farm Bill it was really illegal to do research on CBD clinical studies and trails. However, since the Farm Bill passed the gates are wide open.

We believe it will become evident very quickly that tinctures are the most effective way to take CBD, and will become the gold standard. That is why our goal is to be the leader in tincture. We have ten and we are continuing to develop more. We want to be seen as the leader in that category and I think we will. That fits us very well.

CEOCFO: *How do you educate the general public or once you educate the stores will it be through them?*

Mr. Rye: There are two things. For the general public, we are producing one to two videos every week that we are pushing out on YouTube and social media and on our website. They really address all the issues of, “How do I pick a CBD product, what should I look for when I am buying CBD, how should I take it and how should I dose it, what dose should I take, what strength should I look for. Again, CBD is different from THC, so we are doing all of the consumer education and I do not know how many videos we have to date. Addison might know, but there are probably at least ten or twelve and again we are pushing out new ones every week. We have a lot of social media, a lot of YouTube and a lot of education on our website. We do a weekly blog that is all based on information. Again, for retailers, we have created an eBook, which I think it's the only one in the industry about what a retailer should know about CBD. It really addresses the market about what each retailer should really think about if they are considering into CBD. Then we have the sales associate training.

It is really about education. It is about helping consumers really understand. There is a huge need for education. They say that when someone goes into a CBD store to buy a product the sales process takes about twenty minutes. It is not like you are walking in to buy a flavor of cereal. The sales associates in the retail environment really have to know the category, understand what the products do and consumers will have lots and lots of questions. For now, education is key. There is a lot of bad product on the market. There is a lot of bad information. I always like to say that if you go to Groupon you will get seventeen pages of CBD offers - not seventeen offers – seventeen pages! Most of the products are very ineffective. They are very low dose. They are cheap and in CBD you get what you pay for. If you are going to get a twelve dollar and ninety nine cent tincture it is going to have fifty milligrams of CBD. Our lowest one has five hundred. Therefore, you are going to take a product that is not going to do anything for you. Our fear is that the market will get polluted with bad products and consumers will find that they do not get results and conclude that CBD is not effective, when it is just that the product that they bought it not effective.

CEOCFO: *How do you counteract that?*

Mr. Zimmerman: Again, it is with education, particularly with retailers, so we are doing everything we can with education and we are also doing a lot of work with the media. We have given many interviews like this to try and help get the word out that consumers really need to be weary of the products they buy. They need to understand. One of the things that we have also done is that because there is so much CBD oil and product that comes from China and Eastern Europe, we have created a pure certified seal which is industry leading that is a real assurance for consumers of quality and safety. We have a set of standards that there is a very loose industry certification that is very broad and is not very exclusive. We said that we want to have one that when a retailer and a consumer see it on a product will know that product is safe, it is regulated, it is third party tested and the results are posted on line. For every batch that we have, we post the certificate of analysis online to verify to consumers that what we claim is what they will get.

Right now there are many products that claim certain strengths and when they are independently tested, they find out that they do not have that strength or they have got heavy metals or pesticides in them. Therefore, our standards are much tighter. Mainly, it has to be US grown organic hemp. The industry standard is that you could grow the hemp anywhere; China or Eastern Europe and the products have to be made in the US. Again, products are flooding in from China and other places that are not regulated and they are not really premium quality and they do not deliver what they claim to. We believe that the pure certified seal that is unique to us will really be an industry standard. Therefore, that is important!

CEOCFO: *Are the retailers looking for quality or do they not know what they are looking for yet and you are going to come in and hopefully direct them?*

Mr. Zimmerman: I think it is a little of both. I think that if you look at some of the retailers that are out there now, if you went to a head shop or a convenience store or some places like that, that are currently selling CBD, you would likely find a lot of low dose product, a lot of cheap product and a lot of product that is not very good. We have already had discussions with people like Target and when they enter the category they want to make sure that they come in with a premium quality product that is tested and researched. They do not want to take any risk that the product that they get is either ineffective or not safe. Therefore, the major retailers will all be looking for quality. They will be looking for support. They will be looking for people like Dave and I that can build a brand, because they are going to want that when consumers come into their store they say, "Ah, CANVIVA! I know that brand! I know it is trusted, I want to find it, I want to buy it." Our goal is to bring people to their store, having built a brand that has high demand and high credulity and strong image.

CEOCFO: *Are the big stores ready to jump in or are they still in the looking stage?*

Mr. Zimmerman: Here is the way that I describe it. I think they are all at the starting line running in place. They are really eager to get into the category for a couple of reasons. One is that they know it is a very profitable category. They know that sixty four million people are using it today, even though you have to really make an effort to find it. However, what they are worried about is that the FDA has yet to really make it clear cut what can be said and what can be sold. This means they are all sitting on the sidelines, waiting for more clarification, which I think that is going to have to come from congress. The FDA seems paralyzed at this point in really getting anything done. However, I think what is going to happen is that little by little, retailers are saying, "I do not think the FDA is going to do anything."

There are grocery chains like Dierbergs Markets that have come onboard and said, "We are going to put in a full line of CBD products; tinctures, gummies, capsules, everything," whereas many of the majors such as Walgreens and others said, "We are going to do topicals; the roll-ons and the balms, because they are not ingestible and we know the FDA is not going to give us an issue on that. Therefore, we will put out toe in the water in CBD." There are a huge number of chains like CVS, Rite Aid, Walgreens and others that have come onboard saying, "We are adding topicals, we need to get in the CBD game." They are eager to get in with a full line, but still waiting for a little more clarification. Our expectation is that the FDA will do nothing unless people are making outrageous claims, such as it cures cancer or something like that. I think the major retailers are keeping an eye on what the FDA does and if they do nothing, which is what we expect, I think that little by little they will go. Once the dam breaks I think they will all move quickly.

CEOCFO: *Are you seeking partnerships, investment or funding for CANVIVA?*

Mr. Zimmerman: We certainly are. Dave and I are going to be presenting at a major investor conference next week in Chicago. The conference is put on by the Arcview Group and it is probably the largest cannabis investor summit in the country. There will be literally a few hundred major investors there, so we will be presenting our story and what we have to offer to the marketplace. Therefore, we anticipate that to generate a lot of interest.

What we have found is that the approach that we are taking really resonates with investors, because most of the people in the category are "Mom and Pop's", they are small companies, they are not very sophisticated, they do not really have the consumer packaged goods approach that Dave and I are taking and they do not have a history of being able to build brands, which we do. People are attracted to what we offer saying, "You guys have done it, you have got a strong positioning, you have got a strong product line and a really clear strategic approach," which I think is lacking from many of the companies that are in the market right now.