In the United States, legal marijuana startups take aim at social drinkers

Perhaps some cautious wine will do as an after-work cocktail, or maybe pot-infused soda or even an off-school joint——

John M. Blanchard Staff writer

Los Angeles—Alcohol companies bewail: Cannabis is coming for your customers.

Now that recreational marijuana is legal in California and seven other U.S. states, startups are racing with traditional beverage companies to cater to the tastes of consumers planning to ingratiate a social intemperate. Instead of meeting after work for a drink, for example, a marijuana user might order a bottle of ‘Aurora’ for the after-schoolers.

Perhaps some cannabis wine will do, or maybe pot-infused soda or even an off-school drink——

Truist, an Austin, Texas-based startup co-founded by the former chief marketing officer of Budweiser, is one of the companies taking its cues from Big Alcohol. It offers two types of cannabis-infused cannabis: its namesake product, Aurora, and a new cannabis-infused energy drink called Budweiser.

Aurora is sold in California, and Budweiser is available in California and several other states.

"The trend that cannabis poses to the $82 billion alcohol business in North America is real, said Crown & Caso Associates, a firm that covers both industries.

"Alcohol and cannabis are substitutable social lubricants," said a research analyst from Wedbush Securities. "It's beyond just a story of the cannabis industry, but rather a broader story of the beverage industry.

Potential Acquisitions

That might include companies such as Tost, Lost Coast and Mirth. Proctor & Gamble has made at least one cannabis-infused snack food called Legal.

It’s expected through licensing agreements along the west coast and plans to enter the Colorado and Arizona markets later this quarter.

"We would expect that these companies that have larger infrastructures in terms of distribution and manufacturing and product development, are going to be driven toward cannabis," said Adam Barocas, who founded Mirth in 2014.

That might take some time. The big breweries and distillers, for the most part, are mainstreaming the green wave.

"I'm talking about a phenomenon under federal law, U.S. Attorney General Jeff Sessions has stuck a foot into the speeding industry right now," said Sessions.

In the meantime, Truist is working to become the industry’s luxury standard, said Pantiel Sot, co-founder and chief executive officer, who previously worked at Bridgewater Associates, the world’s biggest hedge fund.

"Our vision is to really move a world-class spirits portfolio company such as Monster Energy," he said.

Lower Doses

Part of that is developing a product that is consistent and not too potent for use in social settings. That’s been a bone of contention among some cannabis users, who liken the lack of control caused by the stereotypical stoner user. It’s an issue some companies seek to mitigate largely by lower doses.

"If you go to a bar and you order a drink, there’s different expectations that each alcohol provides and there’s different strength — all you need is — and we don’t even think about it from a consumer standpoint," Sot said. "Test products are trying to do the same for weed. They’re good, they’re consistent; the same, which is exactly what they’re going to feel like when they have these.

Truist plans to sell all its products in 50 states in the next few weeks, once the city’s store is open. Legal weed will soon be out for delivery and Legal is already available in California dispensaries.

Still, trying to sell a legal drug — or to try it for the first time since college pranks — can be a daunting prospect. That’s made easier by putting the product in a more familiar form, said Mithiel’s Sot.

"For new users, this is probably more familiar with a bottle of wine — makes it a little easier for them to have a drink and see if it’s something that fits with their social occasions or their personal interests," he said.

Beverage Industry

"We're really attracting this world-class spirits portfolio company such as Monster Energy," he said.