

# cbd **biz** plan

## Do These 7 Things First!

### 1. Research and Understand

The cbd industry has recently undergone some serious changes and it's up to you to not only make sure that you are current on all local, state, and federal laws, but to also make sure you stay current as your cbd business and the industry grows.

#### **Knowledge and Network**

There are 2 popular sayings that strongly apply to starting a new cbd business.

1. "Knowledge is Power."
2. "It's not just what you know, it's who you know."

Before you start spending money on things like artwork, packaging, and labels, make sure you've done everything possible to educate yourself on the in's-and-out's of the industry. Find out what it's like to operate a cbd business and, if possible, talk to some current operators. Who designed their website? How do they generate traffic to their site? What was their first profitable product? How often do they email their list? How did they differentiate their company/products from their competitors?

Be sure to look up the FDA's most recent ruling and comments regarding cbd and how they classify it.

CBD products are federally legal as long as they are made from hemp and contain less than 0.3% thc. Most cbd extracted from marijuana instead of hemp contains more than 0.3% thc. A few things to make sure you have done when starting to sell cbd online:

- Legally form your cbd business. Even if you plan on operating as a sole proprietor, you need to register with the city by filing for a business license.
- Become THE authority on cbd and cbd products. You need to know the industry, the plant, the products, and it's potential.
- Make sure you understand the difference between cbd derived from marijuana and cbd derived from hemp. Also, make 110% sure you know the difference between isolated cbd and full spectrum. This is VERY important.
- Be sure to post your dosing instructions as well as your most recent cbd test results on your website. You may even want to look at including this information on your packaging.
- Meet with an accountant that understands e-commerce and make sure you walk away from that meeting fully understanding how sales tax is applied to online retail sales.

Hemp derived cbd is both state and federally legal but the last thing you want to do is get into trouble with the FDA (Food & Drug Administration) over false/unproven claims. Do not market or make claims that your cbd products will “treat, help, cure, or diagnose” any diseases. None of these claims have been verified through clinical trials and could wind up getting you into a lot of trouble both personally and financially.

## 2. Create a Detailed Business Plan

### **DO NOT SKIP THIS STEP**

A well researched and written business plan helps company owners stay focused and on task and provides potential investors with the information they need to do their due diligence. Use the guide and template we’ve provided to create your cbd company business plan. It’s recommended that you include:

- **Executive Summary:** Brief description of the opportunity and expectations.
- **Opportunity:** What problem are you solving? Target market? Who is the competition?
- **Execution:** Sales and marketing plans. Operation details. Success metrics.
- **Company:** Overview. Team info.
- **Financial Details:** Profit & Loss Statement, Balance Sheet, Cash Flow Statement.

Don’t be intimidated at the thought of writing a business plan. With a little help, it’s really not that difficult. Instead of staring at a blank page wondering how to get started, use the guide and template we provided to start planning right away.

Your business plan helps you organize your thoughts and, when complete, will provide you with a roadmap that you can follow and refer back to when necessary.

## 3. Make it Official

Deciding how to legally form your cbd company can be confusing. These are the most common business structures used by cbd operators. Each has it’s own pros and cons.

- Sole Proprietor (Sole Prop)
- Limited Liability Corp. (LLC)
- S-Corporation (S Corp)
- C Corporation (C Corp)

I started my cbd brand operating as a sole prop. and eventually legally formed an LLC. There are a handful of important differences but for me, the most important factor was liability. As a sole prop, if a customer decides to sue me for any reason I’m personally responsible for any damages if found guilty. As an LLC, the company assumes most/all of the risk.

Talk to your accountant about your cbd business. Be as honest and accurate as you can and take their advice.

## 3.5 Banking

Opening a bank account for a cbd business is still pretty tricky in spite of the fact that the Farm Bill passed and hemp based CBD products are legal. As tough as it can be to open an account you need to get it done ASAP. Credit card processors are going to want to see 90 days of banking info so the sooner you can get that account open/active the better.

Having a company bank account is important for the obvious reasons like payroll and online purchases. The most important reason you need a bank account is so that you can accept credit cards as payment on your cbd e-commerce website. Once your website is up and running and a customer uses their credit card to make a purchase, the bank needs to send you the money you're owed. This is done via a transfer into your bank account. Credit card processors will not even accept your application unless you have banking set up first.

It is possible to operate as a sole proprietor and use your personal bank account for your cbd business. Or you can form a company, open a corporate bank account, and use your corp. account as the account that receives the funds from your retail credit card sales. It's up to you.

## 4. Find Reliable Wholesale CBD Suppliers

As cbd becomes more popular and the market grows, so will the number of competitors. Not only could you be fighting for the same customers, but you may end up competing over the same cbd supplier for your business. There is only so much hemp grown annually which means there is only so much cbd. Yes, that amount is increasing dramatically each year, but it's not infinite. Being able to source quality lab tested cbd at a fair price when you need it is crucial to your business and that depends on your ability to network and make connections.

Some important things to look for when sourcing wholesale cbd:

- **Where is it from?** Make sure that you ask your cbd suppliers where they get their cbd from. Are they reselling cbd from Europe? Are they reselling cbd that they purchased from a farm in Colorado, Kentucky, or Oregon? Do they have their own farm and process their own hemp?
- **Certificate of Analysis (COA):** A COA is a report that someone receives when they submit a cbd product to a lab for testing. Labs test levels of cbd, thc, mold, pesticides, nutrients, hormones, metals, and other compounds found in hemp plants and cbd products. Always ask to see a COA when purchasing cbd from a supplier in any form. If you have any doubt about the quality of cbd you have purchased obtain an independent third party test for confirmation on potency and purity.
- **Cost:** The amount you pay for the cbd you use to create your products varies depending on who you are buying it from, what you are buying, and how much you're buying. Be prepared to pay anywhere from \$6-\$30 per gram.

It is a good idea to work with more than 1 cbd supplier, if possible. Having options prevents you from being locked in to one company and gives you leverage should you need to negotiate rates.

## 4.5 Packaging and Giveaways

Designing artwork for your logo and packaging and having your labels and boxes printed is probably the most time consuming part of running a cbd business, especially at the outset. Keep this in mind when it comes to timing. A good artist can be the difference between good package design and great package design. Often times good artists work at their own schedule. It's frustrating, but seems to be the norm. Also, on more than one occasion I've had to pretty much shut everything down for a few days because I waited until the last minute to order packaging and my printer lagged on delivering my order.



Try to get the ball rolling on your packaging as soon as possible. Giving away samples is a great way to kick start the buzz about your business and you want your giveaways to be in your completed packaging.

## 5. Build a Website That Converts

Having a good looking website is important. Having a good looking website that converts traffic at a high rate is essential. In 2019, approximately 45% of all internet purchases will be made on a phone. Not only do you need a great looking website, but you need a website that is dynamic, keeps visitors' attention, and loads quickly on all types of devices: computers, tablets, and phones. As recently as a few years ago, having a great looking, custom e-commerce website designed to meet these needs might cost you a few thousand dollars and 3-5 weeks build time. Now you can design and create everything you need in less than an hour for under \$50. It's really that easy thanks to Shopify. (Check my YouTube channel for Shopify "how-to" videos.)

Some details to think about when designing your cbd website:

1. **Logo:** A clean, catchy logo helps consumers recognize and remember your brand.
2. **User Friendly:** A great website not only looks good but is designed in a way that makes it very easy for consumers to find and buy what they are looking for.

3. **Loads Quickly:** If your website doesn't load lightning fast you will lose sales. Consumers are mentally conditioned to associate a slow loading website with a low quality website.
4. **Great Images:** Selling online is different than selling in person because you don't get a chance to present your products to the customer. You have to rely on your images to visually represent you. When taking product photos, lighting plays a big part in the overall quality. It's better to wait to take product shots until you have proper lighting than to use dimly lit photos on your website.
5. **Great Copy:** In addition to excellent photos, you want to make sure you either have a professional copy writer write your product descriptions or take the necessary time to write them correctly yourself. Make sure you accurately describe the look, taste, smell, strength and anything else you can think customers might want to know before purchasing your cbd products.
6. **Reviews:** Product reviews provide social proof that your products are worth buying. Make sure to install a review plug-in that allows customers to leave reviews of your products on your website. You'll notice sales start to increase a bit once you break the 10 review barrier. That seems to be the magic number of reviews that makes people more comfortable with buying a product online.
7. **Tech. Support:** A well built website is only as strong as the team supporting it. Make sure that you are backing up your data regularly and that whoever hosts your website has a full-time support team ready to take care of any issues that hit your server.

## 5.5 Website Traffic

It doesn't matter how well your website is designed, or how good your cbd products are if there's no traffic on the site to see it. Selling cbd online is a numbers game but it's not as easy as "the more people I can get to my website the more sales I'll get." Traffic is king. But not all traffic is the same.

Generating website traffic is a full time job that needs to be done effectively and efficiently if you want your cbd business to succeed. There are 2 very important factors to consider when talking about about website traffic/sales. Quality and conversion rate.

**Traffic Quality:** The term "traffic quality" refers to different types of internet and social media traffic and how well it converts (makes a purchase on your website). Users that come to your website from a link they clicked on an Instagram bio are different quality than users that searched for "cbd oil" on Google.

For the most part, Instagram users are looking for free entertainment, as that is what the app was designed for. They're not there to spend money, even though 72% of IG users say they have purchased a product they saw on the app. When they end up on your website, the chance of them making a purchase is not that high. They didn't open Instagram looking for something to buy. They are not in a buying mood or at the correct stage of the buying process.

With Google, it's the exact opposite. Google users are searching for a specific product or brand to research and/or buy so when a Google user ends up on your website, they are much more likely to make a purchase.

Google traffic is the holy grail of website traffic and you should try your best to optimize your website so that it ranks on page 1 of Google for different cbd related search terms like "cbd for pain" or "cbd oil for anxiety." Ranking on page 1 of Google takes time and is not easy to do but the effort and work is 1000% worth it. Not only does Google traffic convert the best, it's free!

**Conversion Rate:** One of the most important website statistics is your conversion rate. The term “conversion rate” refers to the rate at which users convert to buyers on your website. How many people need to visit your site before you make a sale? If your website receives 250 hits and you make 5 sales, your website's conversion rate is 2% ( $5/250 = 2\%$ ).

In addition to traffic quality, here are a few things that can affect your website's conversion rate:

- **Design:** Your website's layout should be clean and free of clutter. Users should be able to easily find what they are looking for.
- **Color:** I could write an entire book on picking a color. It's probably easier if you check out [this post from Quicksprout](#).
- **Font:** If you make it hard for people to read the information on your website by using font that is too small/large or a font that blends in with the background color it can, affect your overall conversion rate.
- **Load Speed:** Users will close the page if your site does not load fast. Fortunately, if you use Shopify to build/host your website you won't have to worry about load speed. Their servers are top notch.
- **Image Quality:** High quality, high resolution, well lit product photos are mandatory. Do not make the mistake of using dim photos that don't show off your products.
- **Copy Quality:** How you describe your cbd products to your customers says a lot about the brand. You need to paint a picture with words to help customers understand why they need your products. If you're not the best writer spend the money and hire a copy writer.
- **Payment Methods:** A surefire way to lose sales and kill your conversion rate is to make it difficult for people to pay you. If you want to be thought of as a real cbd brand, you need to accept credit cards. You cannot compete without them. You will be able to make a few sales to people who use the Cash App or Venmo but you will lose far more people that prefer to pay with their credit card.

## 6. Credit Card Processor

If you are going to sell cbd online you have to be able to accept credit cards as payment. Previously, cbd sellers were forced to use overseas credit card processors (which is why a lot of cbd companies have a UK address listed on their website) or they had to lie to their bank and say they were selling “supplements” or “holistic services.”

Now that cbd is federally legal, a small handful of US banks are allowing cbd companies to open accounts and they will process their credit card transactions as well. No more having to lie, process overseas, or be tagged a “high risk” operator which meant you paid a very high processing fee.

Take the time to find a bank that you are comfortable with and that is comfortable with you. Don't lie about your cbd business. Be honest and if the bank doesn't want to work with you, move on to one that will.

I speak from experience when I tell you it is an absolute pain in the ass to have your bank account and merchant processing shut down because you were not 100% truthful on your applications.

## 7. Social Media

One of the most important resources for marketing your cbd brand and engaging with your customers is social media. In 2019, if your company doesn't have a social media presence you are not going to be taken seriously.

After completing the first 6 steps in this checklist you should be ready to start setting up your company's social media pages and growing your brand's reach.

Choosing the wrong platform is one of the main reasons businesses fail on social media. It takes a lot of time to keep a social media account updated and you want to make sure you're not wasting your time.

"What social media platform is the best?" It's a tricky question but one that can be easily answered with a little bit of information. Normally my reply is:

1. Are you planning to sell B2C, B2B, or both?
2. Have you given any thought to who your ideal customer is?
3. What is your goal for your social media pages?

The answers to these 3 questions occasionally causes me to change my recommended platform but 99% of the time I tell people to start with Instagram. Master the art of growing a page on IG then branch out to other social media platforms, if needed. Chances are Instagram is going to be the platform that generates 95% of your social media driven sales anyway, maybe even 100%.

The fact that you're putting a social media plan together and understand that it's an essential part of your cbd business puts you far ahead of many brand owners.

Some data on Instagram:

- The app works best for businesses marketing to consumers (B2C) but can also be used for business to business (B2B) marketing as well.
- Average age of user: 18-35
- Instagram works best for brands that know how to create a visual presence by posting well thought out, high quality, high resolution images and video on a regular schedule.
- 64% of 18-29 year olds use Instagram.
- 33% of 30-49 years olds use Instagram.
- 21% of 50-64 year olds use Instagram.

Spend 5-10 hours each week tending to your Instagram account. Post pics, add video stories, engage with your followers, and most importantly, be social. Try to post at least 2-3 times each day and, if possible, include video. Engage with your followers by following them back and commenting on their posts.

If you don't have time to run your brand's Instagram page look, into hiring someone to do it for you. The cost of paying someone to run your IG is well worth it, as long as they know what they're doing.

**Tip:** When using Instagram, try not to do anything that will make you seem like a bot (robot program). IG hates it when people program bots to create accounts and if they mistake you for a bot, they will punish your account. Try not to do anything repetitive. Use different hash tags in each post. Don't repeat the same comment over and over on different pages. Be as "human" as possible.

## Conclusion

Getting things done in the proper order is important but at the end of the day, TAKE ACTION! The best thing you can do for your cbd business right now is to get started today. Do something, anything, just move the ball forward. Do not let yourself be paralyzed by analysis. Action produces results. Period.

"A plan without action is just a dream" —Someone Famous

Hope this helps and feel free to reach out if you have any questions of need help.

Cheers.

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**THE**  
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