

Speaker 1 ([00:09](#)):

Hello, and welcome to the higher enlightenment podcast brought to you by higher yields cannabis consulting, your seat to sale business solutions team. My name is Adam or the creative team here at higher yields. And today's episode is number 27 being an MSO or a multi-state operator with special guests for you. Ragnar Sherri and Madison Mars Aereo and Brian Ruden. So let's get on with the show. We'll start by having everybody introduce themselves. Let's start with you, Corey.

Speaker 2 ([00:47](#)):

Thanks Adam. Corey Wagner. I'm the CEO here at higher yields consulting.

Speaker 3 ([00:52](#)):

Hey Corey. Nice to meet you. Nice to meet you. Okay.

Speaker 1 ([00:55](#)):

Thanks for being here. And Sherry, could you tell us a little bit about yourself and what you do?

Speaker 3 ([01:01](#)):

Sure, sure. [inaudible] And we own tumbleweed, dispensary, Colorado and also have a MIPS. We own Kana punch and highly edible, some other concentrate companies, wildfire. We just acquired RMR out in Steamboat and now taking our brands to Michigan.

Speaker 1 ([01:23](#)):

Okay, thanks. Madison, could you introduce yourself?

Speaker 3 ([01:28](#)):

Yes, I am Madison Mars area. Sherry's daughter. I do all of their operations, so COO of all the tumbleweed locations and their manufacturing and cultivation facilities, and then my sister Montana, and I started two brands, wildfire concentrates, and care division, which we just recently, recently launched in Michigan in addition to Colorado.

Speaker 1 ([01:53](#)):

Okay. Thanks, Brian, can you tell us a little bit about yourself and what do you do?

Speaker 2 ([01:59](#)):

I'm Brian Ruden, I'm the founder and the CEO of Starbucks retail dispensary's who have locations in multiple states and now international as well. And then in addition to Starbucks, I created some product brands as well, most famously caviar, but also star bar edibles and munchings gummies.

Speaker 1 ([02:22](#)):

Okay. Thanks for being here. And let's get on with the first question. Tell us about your experience with your first store.

Speaker 3 ([02:31](#)):

Brian, do you want to start off with that one in Colorado?

Speaker 2 ([02:37](#)):

We have to go back to 2009 and medical marijuana was a thing store stores and grows really just were kind of in their infancy here. And I started out with a cultivation, but then 2010 Colorado really came into its own with it's really first set of regulations. And one of the rules was vertical integration, meaning you couldn't just own a grow or just on a store. You had to have both. And so a lot of people who were in my shoes who either had just a cultivation or just a grow wound up forming partnerships. And I partnered with a group in Colorado Springs that had a dispensary called the tree of wellness. And that's how I got my start in the business. So started out as a cultivator, became vertically integrated in 2010 when that was required and we had a little medical shop and that was my foray into the business.

Speaker 1 ([03:41](#)):

Okay. Thanks Madison. And Sherry, how about your experience with your first store?

Speaker 3 ([03:49](#)):

So I moved out to Colorado actually. My daughter is a ski racer and so that kind of got us out there. She went to a ski school and through my husband, Mark Smith, who is our CEO, we were out looking at some real estate for something else that someone his, his college roommate actually called and said, Hey, would you be interested? We've got a gentleman who owns Kana, ponchos, Daniel Griffin, who has a grow and some MIPS. And he's looking for a partner to help him operate them. He'd like to expand and grow. And Daniel actually holds badge one in the state of Colorado, which is interesting. And so we got together with him and he said he wanted to grow his operation, but was looking more for operators. So he could continue with his formulations were on his MIPS. And this was in 2016.

Speaker 3 ([04:48](#)):

And we said that what a great opportunity. So we teamed up and we opened up our first dispensary in parachute, which was a struggle in itself because the city is small and they had a prohibition for marijuana. So poor mark. I went to many, many meetings and with protestors, they even had rotten tomatoes with them, not exaggerating. And it was a, if we could have escorts inside the city hall, that would have been great. But that's where we opened up our first dispensary as a group green cross, Colorado. And that was in parish, I think, town of 500 right on the I 70 corridor.

Speaker 1 ([05:32](#)):

Okay. What is it like becoming a multi-store operation from mom and pop store roots?

Speaker 3 ([05:39](#)):

When we had just the one store, I was like, wow, this is great. We kind of had employees from our neighboring competitor and I thought maybe the struggle won't be so hard. Then we started getting more stores coming on board mark was aggressive about growing the company and it's certainly took on a life of itself. Everything from the compliance to the staffing, to all of the rules. It was very, very different. And I think difficult, I don't know about you Brian, but yeah,

Speaker 2 ([06:16](#)):

I also found it incredibly difficult. So from, from going from one store to two to three is exponentially more difficult because you're spreading yourself very thin. And in the early days, my main business partner and I were very active. So I was bud tending. I was checking at the door, I was ordering

wholesale and things like that. And so then you have to be able to train other people and trust them to do those tasks. And, you know, I like in expansion to a lot of, we're going to take one step backwards to take two steps forward because you know, you, you wind up having to bring on more staff and more people that you're, you can't fully utilize at least right away. Cause there's a learning curve and maybe your company's not big enough to really use them, but you bring them in, you take a step backwards because now you're running at a smaller margin. But then eventually they become valuable assets and you can take two steps forward because you've got the team. So that, that's kinda what it felt like for us is we just kept taking one step backwards, two steps forward over the course of expanding and then, you know, going from single store to multi-store was difficult. And then going from single state to multi-state was probably even more difficult than that.

Speaker 1 ([07:41](#)):

Okay. Thanks, Corey. What are the common themes that you see in MSOE looking to scale their operations?

Speaker 4 ([07:51](#)):

What kind of like Sherry and Brian said? I think having a process and procedure in places is kind of the hardest part and then the human element of it, for sure. You know, being able to trust people and find good people. And you know, I think part of that comes from having a scale in the system and scaling in one state, like they mentioned is, is one thing and it's, it's very difficult, but then taking that and moving into another state where regulations may be totally different or maybe just a little bit different can definitely kind of alter that business model. So we see a lot of people really struggling to be able to scale their operations and scale effectively. There's a lot of really great products that we've seen try to take their products to new states and they just failed to doing so because they weren't able to what kind of quality assurance measures in place. So it either tarnished the brand or they didn't do a good enough job of kind of helping support the marketing and sales portion of it to actually get those products onto 'em on the shelf. So while a product will do really well in one state, it'll completely fail in another state.

Speaker 1 ([08:52](#)):

So Brian, before we got on, you were saying during COVID-19, you've had a great deal of business growth. Can you tell us a little bit more about that?

Speaker 2 ([09:02](#)):

Yeah, I mean, in Colorado, which is my primary market, you know, our state deemed cannabis shops as well as certain other businesses as being essential. And so we weren't shut down like restaurants and I think people were more stressed, their home more, they had less avenues to spend their disposable income, you know, for awhile, we weren't going to restaurants, we weren't traveling. And I think people came to the cannabis shops and spent more and more people came. And what I, what I was saying earlier is the trend. And I think it's because more and more dispensaries opened over time, we saw our sales from, you know, the early days of recreational 2014 at an all time high and then taper off and level out. And it was actually even declining a little bit in 2019, but then when COVID hit and we were able to stay open sales started going up and up and up and it's still really high. So yeah, we saw, we saw a boom in the industry during COVID.

Speaker 3 ([10:18](#)):

Yeah, we absolutely did as well. And I think to Brian's point, people have this extra money and nowhere else to spend it. So we're also seeing a lot of first timers that are coming in and entering the dispensary's and wondering, you know, what is different or what's going to make their daily life different by starting to consume marijuana. And people are now starting to, you know, ease off of the whole stigma of cannabis is bad. So I think we've actually gained a very large following of new consumers during the time of COVID, which are now reoccurring customers that aren't afraid to have cannabis and, you know, switch out a beer for a joint.

Speaker 1 ([10:59](#)):

Well, it sounds like a great business to be in, in the last year or so. So what challenges arise as an MSO that smaller operations may underestimate when thinking about expanding?

Speaker 3 ([11:13](#)):

I think that a smaller operator and we have learned this with our 2016 opening a parachute, they don't really see a lot of enforcement. They don't see the med, doesn't make regular visits to a one shop owner, as much as once you start to grow they kinda like to latch onto your wagon, so to speak and continually come around. And I think that they underestimate compliance, which is something that we have put all of our focuses and energies on. And, you know, obviously Brian with higher yield consulting his team has helped us out quite a bit and continue to help us out. But we I, I just, when we first started the employees at parachute used to say, oh, Hey, don't worry about the med. We've never seen that even though they're just down the street, they'll they never come around because I didn't know.

Speaker 3 ([12:15](#)):

I wasn't really aware of all of the, all of the components that went around for a shop because nobody really comes around and teaches you like these enforcement agencies, they don't stop by and say, Hey, you know what? I'm going to hold your hand. We're going to teach you how to open. We're going to show you what you can and you cannot do. And nine times out of 10, they're honest mistakes, just because of the lack of training or skill. But I do believe that I think that a smaller operator who's in the middle of nowhere, that's never had a visit. They have no idea of what they're doing wrong. So you kind of learn that when you open up more stores, you're like, oh boy, well, I also think even in addition to the med or, you know, the state agencies, the compliance and like just entering into these new municipalities is a problem in itself.

Speaker 3 ([13:07](#)):

Are you in curl these new problems that you didn't experience in say parachute or Carbondale, but then we move over to Steamboat and Steamboat is like, Brian was saying earlier. I mean, it's still very old school. It's everything is required to be vertically integrated. You need medical and recreational cultivation processing and retail licenses. And I mean, with the space, you're limited with space there. So you can only be in a certain area of Steamboat. You can't be downtown, but now all of a sudden there's no commercial real estate unless it's downtown, but the city won't approve that, but you still have to be operating with all those license types, but then you get to a place like ad-words Edwards was absolutely great. We move over to Eagle. Eagle has given us, you know, a few challenges that we haven't experienced in other places. So I think, yeah, a scoring or the family going from one store and then thinking, wow, we really have this figured out and we can move on to the next location you just experienced. It's a brand new start, depending on which city you're located in or moving into. Yeah. Challenge.

Speaker 1 ([14:19](#)):

Okay. We've already sorta hit on this, but if you had a chance to go back and give yourself or your company a word of advice, what would it be?

Speaker 3 ([14:30](#)):

Well, I can tell you right off the bat, I would have started out with the compliance company. I would have if I had somebody holding my hand and just getting me through metric and the med and license, missing signatures back, stickers, labels, everything. I, because those, those small problems can compound into an, into a nightmare a year later, if you're not paying attention to the detail, when you start out correctly, that's the thing, one little thing, one missed process validation, one missed sticker label or dose, and anything that somebody should guide you on can really turn out to be a problem. So that going back, I should have done a little more research with the compliance company to help us get started.

Speaker 4 ([15:27](#)):

Self would be double it, double the timeline, double the budget sources. Yeah. If I could

Speaker 2 ([15:38](#)):

Go back in time and give myself advice, I actually would've grown my company faster and taken on more locations earlier on when the barriers to entry were less than they are today and the price of poker was less. So dispensary's have become more valuable over time as the stigma has gone away, as revenues have gone up as the industry has evolved. And so I think I would have, there were, there were a lot of opportunities I passed on years ago for locations. I, at the time I thought they were too expensive. But what I would, I would tell myself to just do it because in hindsight there would have been really great opportunities. There also would have probably brought on more talent at a higher caliber earlier on. And it wasn't until I found some really high caliber people and, and bit the bullet to bring them on that, that we really started expanding and in a much quicker fashion.

Speaker 2 ([16:46](#)):

So I think I would've just been more aggressive to be honest. Think back to 2010, you know, my big fear was the, was this idea, you know, I've got a warehouse with over a thousand plants in it, and I'm looking at 99 years of federal prison, if you, and no one knew what was going to happen, was this going to be okay? It was a stock going to be okay, where were we going to be thrown in jail for this? Nobody knew back then. And so it was scary. And so we were making decisions based on, you know, where are we going to be in 90 days? Now you could look years ahead, but now, but back then, it was very short-term thinking. Nobody knew whether this industry was going to last, not last or so. So yeah, if I could go back in time, I'd I would have just jumped in even harder and been more aggressive.

Speaker 3 ([17:38](#)):

Yeah. It gave me goosebumps. Brian, it's so crazy that that's how you guys, because I didn't enter the cannabis industry as early as you were Sherry, but yeah. The thought something like that potentially happening happening is so, so, so terrifying. Like, yeah, now we know that the outcome, what the outcome could potentially be, but yeah, living off of wondering, you know, what's going to happen in the next 90 days, that's terrifying. But when you're having raid training, that's probably something to lay awake at night before.

Speaker 1 ([18:11](#)):

How has it been working with higher yields consulting through the expansion process?

Speaker 3 ([18:18](#)):

Well, I can, yeah, I can touch on this a little bit, especially with the support that we've had from HYC moving into Michigan for manufacturing we had, I mean, you think, again that you have, you understand all the compliance, you know, all the rules, you know, how to use metric, you have the med and then a similar regulatory association over there, the MRA, but at the end of the day, it's, it's starting from scratch once again. And I feel like once you've come to a certain level or you have a large enough business, you, you forget about what seems like a small piece of the business, and then you get there and you're like, oh. I thought metric was going to be the exact same. I thought all the compliance rules are going to be the same. I thought the label heavy metals testing was going to be the same.

Speaker 3 ([19:09](#)):

I mean, I was calling HYC. We sent in our testing for our one gram carts and they failed miserably. I didn't know that there were two additional heavy metals that were out in Michigan, you know? So after contacting HYC, they were able to one help us better understand the testing procedures that are out in Michigan, which are completely different than what you have in Colorado, but to also helping us source and vet providers that could work with us closely and help us pass that testing with different hardware providers. So I think the compliance component of HYC helping us transition into other states wouldn't have been possible without them. I agree. And also looking at when you're getting ready to make an acquisition, having an extra set of eyes reviewing metric before you take over and helping with metric cleanups from owners, that it was just an absolute mess and nightmare has been huge for us.

Speaker 3 ([20:14](#)):

And that's something that we've learned to now, like moving forward, we don't just, it's not, not just assume all the inventory describing. Thanks for sending over the report. Our lawyers say, everything looks good. Now we will absolutely take it a step further to have someone actually take a deep dive in all this reporting before we agree to any acquisitions. Because at the end of the day, we're the business owner operators. We don't know all of the tiny, tiny intricacies that we may think are mind minor, but like Brian was saying, you know, once you invest that talent, you're then able to go ahead and rely on those individuals to take complete responsibility of that. And that's what we've done with HYC for compliance. So you have time to grow your company and make money and acquisitions, and you don't have to have constantly have your face in the books.

Speaker 2 ([21:07](#)):

Yeah. And I'll, I'll jump into look higher yields consulting is an awesome for, and when you're looking to expand, you can either grow through acquisition, which is very expensive, or you can apply in new markets, emerging markets for new licenses and most new markets. Most states now have a merit based application program that requires you to draft an application and demonstrate how are you going to follow the rules? But it's so much more than that because in order for a company like Starbucks to move into a new market, like when we moved into Maryland or Missouri or applying in Virginia what you really got to do is find a local group that wants to be boots on the ground and what they really need is some expertise to partner with. And so one of the things that Corey and his team has been really great at is putting people together.

Speaker 2 ([22:10](#)):

So whether Corey find somebody in another state or they reach out to him at HYC and, you know, and then he'll call me and say, Hey, I found a group, I have a group that they're really great. They're really qualified. They've they want to make a run on a license you know, but they need, they need a good partner. And, and I think it would be a good fit. And that's really where, not just their ability to write these applications and score really high and win licenses, but H Y C's ability to put people together and make those introductions has been invaluable. So to me, that that's been probably the single biggest benefit is being able to do that because that's the secret to success in these new markets. You find ambitious business people that want to be involved in the industry, you partner with an experienced group like Starbucks or tumbleweed and, and the great minds come together. And that's the dream team. And that's what Corey and his group has been great at is putting us together.

Speaker 3 ([23:12](#)):

I agree well said. Yeah, we could go on and on about all that stuff too. Yeah.

Speaker 1 ([23:22](#)):

Well, we're just about out of time. So does anybody have any final thoughts or statements they'd like to make

Speaker 2 ([23:29](#)):

Out there for the listeners? If you're looking to get into the business Starbucks now does license agreements and partnerships with people all over the country. You can either contact me directly or contact HYC and they'll put us together. But you know, if you're looking to get into the business in a new market or a different state reach out and that's really the best way is to, you know, work with an experienced team.

Speaker 3 ([24:01](#)):

That's good to know. Yeah, absolutely.

Speaker 1 ([24:05](#)):

Well, thanks everyone for being on the show today. Really appreciate it. Thank you very much.

Speaker 5 ([24:12](#)):

Thank you, Adam. Thanks for having us, Adam Corey. It was so great to finally meet you in person too. Ryan. I've heard about you a lot, but I've never actually got,

Speaker 1 ([24:29](#)):

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