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**SMALL BUSINESS**

# The Main Difference Between Cannabis Clients And Regular Businesses

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There are, however, multiple paths to success for cannabis and marijuana businesses. And at the heart, cannabis business owners are much like your other clients. However, there is one main difference — the need for diligent inventory management and control from seed all the way through sale.

In fact, this entire process is known as seed to sale.

Your clients need thorough inventory management due to stringent regulations. To stay in line with these regulations, your clients should also use specific software built just for cannabis businesses.

The biggest opportunity for cannabis accountants is understanding the tech, knowing how to build the systems, and knowing how to troubleshoot when your clients run into challenges. In this article, we'll walk through the different types of marijuana businesses and their unique inventory management needs.

### **Managing Inventory For Cannabis Dispensaries and Retailers**

It may make sense to you to go from growth to retail, but when it comes to marijuana, you'll find retail activities at all stages of production.

People are most familiar with dispensaries, where your clients typically sell cannabis buds to their customers. Although cannabis stores are controlled environments, there are plenty of opportunities for things to go sideways — from thefts or break-ins to simply losing products.

It's important to track inventory at every stage *including retail* as shrinkage can end up on the illegal market. I'd say that's the opposite of sticking to regulations.

To avoid something like this, cannabis businesses must report all cannabis related product movement to the regulatory framework for their state. As a result, your cannabis clients should use inventory tracking software that integrates with METRC, or the compliance reporting system your state adopts. If METRC isn't familiar to you, it is one of the most commonly adopted detailed tracking, tracing, monitoring, and risk management software options in states where cannabis is fully legalized.

To run smoothly, there are a few areas where your clients' compliance reporting system or POS needs to deliver:

- Detailed tracking methods with RFID tags from seed to sale.
- Conveys changes in item statuses to regulators.
- Reports compliance issues and places the necessary holds.
- Updates you on policy changes and identifies taxable events.

Lots of cannapreneurs make use of Excel to handle tracking. It's easy enough to pull a Flower Calendar template to track the different strains, yield, and grow times of cannabis plants.

A true inventory tracking system that integrates with your state's reporting system puts your client in a position where they won't quickly encounter unforeseen circumstances or deal with inventory anomalies that add to their cost factor.

Most importantly, inventory and POS systems with strong compliance integrations make reporting simple and stress free, ensuring that your client is well-positioned for compliance with the industry's strict regulations and reporting requirements.

## **The Many Offshoots Of Cannabis Manufacturing**

As we've established, the process from seed to sale can break off into many directions. With extraction, raw marijuana can be transformed into soaps, creams, edibles, gum, beauty and hair products... You name it!

Sometimes, a manufacturer is only focused on those gorgeous cannabis leaves, which are used in teas, juices, and hash. As for CBD oil, derived from hemp, it's used medicinally for an extensive range of ailments. Whatever the breadth of your client's operations, they need to focus on keeping track of it all.

The diverse array of resulting products must adhere to state regulations. While each state has varying requirements for compliance, they all have one thing in common — they are rigid and will result in severe penalties if your client commits a violation. Let's make sure that doesn't happen.

## **Grow Operations Of Cannabis Plants**

Inventory management and control should begin at the very start of the **marijuana growth cycle, which goes a little something like this:**

## **At The Farm**

On a cannabis farm, once you plant a feminized seed, you'll need to feed and nurture the new cannabis plant. Nourishment and suitable fertilizers for maximum yield will be among your client's first costs.

Are the cannabis plants growing in hydroponic water systems or soil? Will the cannabis farmer produce seedlings then transplant them to pots? The answer to these questions will impact your client's expenses.

Certain plants incur a higher cost if they have a lengthier development cycle of two to three months instead of the more regular six weeks before harvesting begins.

### **Sophistication Levels Matter**

Of course, the sophistication of the growth is also crucial. If your client is growing cannabis plants and or hemp for medical purposes, they'll develop a specific strain that requires special costs to get their desired outcome.

Some seeds are grown for strength, and some for bulk.

Different purposes for growth often call for different certifications, so you must know the precise reason your client is in business and the specific license they have been granted as it affects the regulation practices to which they must adhere.

### **Off To The Lab**

Once your client's harvest or product is ready, it then goes to the lab for testing to ensure that crops are free of residual solvents and so that distributors can confirm they have the right cannabinoid classification, DNC strain, and potency.

### **Weighing Their Options**

While other POS and inventory management systems such as Square and LightSpeed are great for most types of companies, cannabis businesses need an industry-specific system with a tight integration with state compliance reporting systems. Be aware that many cannabis clients try to get by on manual systems where possible, especially since cannabis software can be expensive and overwhelming at first.

Nonetheless, the government needs to know exactly the condition, cost and sale price, and status of a cannapreneur's products at all times, including whether items are scrap, damaged, or sellable.

Industry-specific inventory management systems also provide detailed reports taken directly from built-in tracking features, making it easier for your clients to show authorities where they trimmed costs or grew profit.

In this industry, transparency is closely tied to compliance, so your client has a higher need to invest in the right software than your regular clients.

### **Be Their Trusted Advisor**

By understanding each stage of your cannabis client's journey, and with the help of a cannabis-specific POS and inventory management system, you can help your client enjoy profitable operations and regulatory compliance, answer **their most common questions**, and be their go-to for troubleshooting if and when issues arise.

Armed with this knowledge, you can grow a deeper connection with your cannabis clients and help them scale successfully.

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