Cannabis and Security: Finding opportunities for dealers amid the growing market for legalised marijuana

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Third instalment of 4-part series: One question that comes up when talking about security for the cannabis industry is “why aren’t there more companies getting into the business?” While a number of small operators and larger companies have begun offering their services to marijuana retailers, some very big players have largely passed on the opportunity.

According to a report by CNNMoney, security giant ADT won’t “sell security services to businesses engaged in the marijuana industry because it is still illegal under federal law.” It has also dropped those clients it already had, according to reports.

The reluctance of some companies to serve an industry that many consider a bit shady has opened the market to companies without such qualms.

“We’ve gotten in on the ground floor here, and we’re definitely dedicating resources to growing this vertical,” asserts Roger Ralston, chairman and CEO of DirectView, a New York-based security company.
The company has a wide variety of clients and doesn’t specialize in cannabis security as have some companies, but Ralston sees considerable upside in getting in early and gaining market share.

The security firms that are refusing to work with the industry are doing so for a variety of reasons. Either they don’t want to offend other customers who may be opposed to legalization or in some cases owners or management are personally opposed to the industry, according to Ralston.

“There is also a big stigma there that the industry is made up of a bunch of hippies who have dreadlocks and won’t pay their bills and don’t really know what they are doing,” says Dan Williams, president and CEO of Denver-based Canna Security America. “We found that’s not the case.”

Cannabis industry observers say companies need the services of experienced security companies.
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“We haven’t really developed best practices within the industry,” admits Taylor West, deputy director of the National Cannabis Industry Association. “We do have members who are security companies that specialize in cannabis clients.”

West says a wide mix of companies are now working with cannabis clients, ranging from newly minted security companies to established players with clients in many different industry verticals.

“We have certainly seen a lot of the folks who have gotten into the industry on the security side and are now expanding their services to specialize in the issues cannabis businesses have to be particularly concerned about,” says West.

As with many other retailers, the basic concerns revolve around protecting product and cash. The difference is that the unique nature of the industry has amplified those issues to an even higher level.

Consider all that cash. Most banks have shied away from offering banking services to the industry either out of concern for the air of illegality that still surrounds the business or the high degree of regulations required by the federal government of banks who offer dispensaries and growers business accounts.

The result is an all-cash business that can be a tempting target for thieves and also present concerns for employee-fuelled shrinkage.

“Well, they tend to keep their monies in safes,” says Robert McVay, a partner with Seattle-based Canna Law Group. “They keep the money either on site, or preferably find an offsite location to store it. They’re using an armoured car to deliver it to that offsite location.”

In Washington State, where McVay practices, only a handful of financial institutions – most of them credit unions and small community banks – are willing to take on cannabis sellers. Some store owners may conceal the true nature of their operation from the bank, but risk having their accounts closed when the bank conducts an audit.

Holding a large amount of cash creates a number of financial difficulties, including paying employees and other vendors along with taxes. “They’re all doable, but it’s hard running as an all cash business,”
A lack of banking services has created greater demand for physical security services including guards and armoured cars. Canna Security America recently started providing both of those products to cannabis sellers, according to Williams.

“A lot of dispensaries are contracting with security companies that develop specific plans for transporting their cash to particular locations and managing that process,” says West. “So the cash issue is a big one.”

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