



PREMIER MANUFACTURING INTRODUCES 1839 AND WILDHORSE 1-OUNCE PIPE

Tobacco Business

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RYO UPDATE:

Steady as She

ROLLS

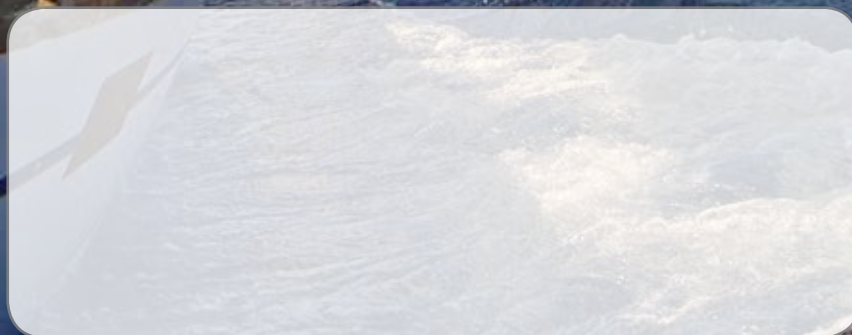
The RYO ship is a sure and steady one these days. Read about 10 trends that are shaping the state of the industry.

ALSO IN THIS ISSUE

Electric Alley: Making the Most of Vape Products

Cigar Sense: Grow Your Events

Takeaways From Vapor Expo International



TMG International Presents the Tobacco Machinery Expo...



TMG is a fortunate beneficiary of industry support for TPC (Tobacco Plus Convenience Expo) and VEI (Vapor Expo International), our industry trade shows held each year in Las Vegas and Chicago, respectively. Exit interviews from exhibitors and attendees underscore each show's unique commercial benefits. Consistent with our goal to serve the tobacco industry with a broad product platform, we are pleased to announce Tobacco Machinery Expo (TME).

TME will debut March 15-17, 2016 at the Las Vegas Convention Center. It will open just prior to TPC 2016 in an adjacent exhibit space. Although it will operate independently of TPC 2016 with its own venue, entrance, promotion, registration and website, co-registration for the two shows will be complementary. That is, if you register for attendance at TPC, your badge credentials will allow access to TME and vice versa. TPC 2016 will continue its format as a two-day show: Wednesday, March 16 and Thursday, March 17. We have added an additional day to TME to enable TPC exhibitors, a potential natural equipment TME customer base, to attend the TME show.

Research suggests two primary machinery markets: the traditional tobacco market and the emerging vapor behemoth. Traditional tobacco manufacturers possess keen interest in state-of-the-art manufacturing employing today's technology—computerization, robotics and statistical quality control that assures increased yields without diluting

high product quality standards. Traditional tobacco marketers seek to tune their manufacturing operations to obtain quality at the highest possible gross margins.

The vapor market comprised of electronic cigarettes, disposable and refillable vapor devices, and "juices" represent a huge new machinery market potential. Today it's largely driven by manual assembly lines of semiskilled workers. The market is ripe for automation, which is just beginning to emerge within the Chinese manufacturing community and is increasingly evident on the U.S.'s West Coast, as offshore owners seek access to an educated labor force and the legal sureties of operating within the U.S., today's largest market in the world for vapor devices.

TME's goal is to bring together today's state-of-the-art machinery suppliers and a combination of traditional tobacco and vapor market customers and prospects within the professional environment of a business-to-business exchange.

This letter is intended to give you an early heads-up on TME. Stay tuned! Meanwhile, we invite you to view tobaccomachineryexpo.com.

Best to you and good selling,



CIGAR SENSE

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Colorado Cigar Festival Draws Thousands

Smoker Friendly event draws thousands

The industry gathered in Broomfield, Colorado in August for the Boulder-based Smoker Friendly's Rocky Mountain Cigar Festival at the Omni Interlocken Resort. The Rocky Mountain Cigar Festival, now in its sixth year, has become known as the premier festival of its kind in the Rocky Mountain Region.

Created to cater to the niche audience within the premium cigar industry, the Rocky Mountain Cigar Festival showcased over 100 vendors within the premium cigar, craft beer, micro-distillery, fine wines and lifestyle arenas. Premium cigar vendors and brands included Padrón, Perdomo,

Drew Estate, La Flor Dominicana, Ashton, San Cristobal, Nat Sherman, AVO, Villiger, Rocky Patel, Gurkha, AJ Fernandez, JM Dominican, Veritas, Core Zero, Cesar Cigars, Falto Cigars and many more.

For information about next year's festival, visit rmcigarfestival.com.

Zig-Zag Fights Counterfeiting

The popular rolling paper brand's manufacturing is using seizure orders to thwart counterfeiters.

North Atlantic Trading Company (NATC)'s attorneys have successfully executed seizure orders on merchants and wholesalers found to be selling counterfeit Zig-Zag cigarette paper products. The seizure orders are part of a strategy of zero tolerance against counterfeit goods imported into the U.S., says Marcella Ballard, an intellectual property partner at the law firm Venable LLP.

"North Atlantic takes intellectual property infringement seriously and will prosecute known violators to the fullest extent of the law," she says. "We have obtained three successful ex parte seizure orders to conduct successful raids on counterfeiters over the past year and will continue to actively enforce anti-counterfeiting measures against any and all violators."

Such efforts against counterfeit Zig-Zag products in the past have resulted in the seizure of businesses, significant multi-million dollar judgments, and criminal liability with federal prison sentences and deportation.

Zig-Zag cigarette paper products are a popular brand of rolling papers that originated in France. The papers, which come in five sizes, are made largely from flax, and use natural gum Arabic. They are imported and distributed in the United States and Canada by North Atlantic Trading Company.



Miami Cigar Sponsors Fantasy Camp Kickoff

The Florida company helped kick off the Fifth Annual Dwyane Wade Fantasy Camp event.

Miami Cigar & Company recently served as the official cigar partner of the Dwyane Wade Fantasy Camp Draft Party at the Westin Diplomat Hotel & Resort in Hollywood, Florida. Three-time NBA Champion Dwyane Wade kicked off the Fifth Annual Dwyane Wade Fantasy Camp with the exclusive party for 100 lucky guests. Attendees were treated to music, appetizers, cocktails and Nestor Miranda Collection cigars.

Jason Wood, vice president of Miami Cigar & Company, was on hand to personally present Dwyane Wade with an exclusive Hfbarcelona Miami-Heat-themed humidor filled with Nestor Miranda Collection and La Aurora Preferido cigars.

"We are truly honored to have had the opportunity to take part in Dwyane Wade's Fantasy Camp," said Wood. "We are always excited to give back to the community and spread that #OneLife mentality whenever possible."



Halo Releases E-Liquid Test Results

Recognizing that consumers are concerned about the contents of the e-liquids they vape, Halo has decided to post the results of its product testing publicly. The company's quality control process includes extensive testing for a range of inhalation hazards—diacetyl and acetyl propionyl included, explains a spokesperson, who says that all e-liquids are blended by trained chemists in a clean-room environment in Gainesville, Florida.

"Before we ever even mix a flavor into our base e-liquid, it is sent out for testing via gas chromatography and mass spectrometry," she says. "This assures us that our flavorings do not include either diacetyl or acetyl propionyl. We don't even allow our own employees to test an e-liquid until it comes back from the labs 'clean.' And if we're not going to risk it, we sure don't want you to either."

HIGHLIGHTS

Atlantic Airlines Obtains Cuba and Caribbean Sea Authorization

The Federal Aviation Administration has authorized Atlantic Airlines to conduct flights to Cuba, says Mark Blanton, president of Atlantic Airlines. "I'm in the process of working with the Cuban consulate to find out about fees and the required licenses," he says. "Once I get those in place I will hire personnel and we'll begin flying routes twice a day from Tampa, Orlando and Lakeland [Florida]."

As Blanton understands it, Americans who travel to Cuba will need to be doing so at least in part to participate in an educational purpose. Among other topics, he hopes to organize trips for visitors interested in learning about the country's cigar-manufacturing industry.



Minneapolis Bans Flavored Cigars From C-Stores

City council votes in favor of a measure it says will help curb youth smoking

The Minneapolis City Council in Minnesota banned the sale of flavored tobacco products at convenience stores in July, with members expressing hope that the policy change will curb youth smoking. Once in effect, the measure will reportedly reduce the number of retail shops able to sell flavored cigars from 300 to less than two dozen adult-only tobacco shops. The measure also set minimum prices for both flavored and unflavored cigars at \$2.60.

The decision came after several weeks of debate between anti-tobacco

advocates, who argued that flavored products were designed to attract young smokers, and retailers, who argued that preventing youth purchases was a better option than banning sales.

The ban simply "shifts the products out of the hands of responsible retailers and exclusively to a small number of tobacco-only stores throughout our city," wrote Steve Williams, owner of Bobby and Steve's Auto World, who penned an op-ed opposing the measure. "Rather than allowing only a handful of stores to sell the

products, why not come up with a solution that prevents underage purchasing?"

Williams also cited a recent study from the *Journal of School Health* as evidence that retailers are not the primary or even the secondary source of tobacco products for minors. He went on to argue in favor of stricter age-verification policies and increased use of technology that enables effective verification. "Retailers have the technology to enforce tougher rules. Let's use it," he noted.

State AGs Target E-Cigarette Sales to Minors

Forty-six states have banned underage sales, largely thanks to efforts by state attorneys general.

State attorneys general (AGs) are increasingly lobbying for restrictions on the sale and advertising of electronic cigarettes. AGs in states like New York, California, Indiana and Ohio are using new state and local laws to take a tougher line on vape products, arguing that FDA's proposal to ban their sale to people under age 18 is insufficient.

Because FDA regulations are not yet final, vaping currently remains legal for youths in states that have not passed laws banning it. The agency is likely to finalize its new e-cigarette regulations by the end of the summer, though it could be several years before the federal rules go into effect.

In the meantime, 46 states have passed laws banning their sale to minors; 12 have also passed laws requiring childproof packaging for e-liquids and e-cigarettes, according

to the Campaign for Tobacco-Free Kids. State AGs are also more strictly enforcing these regulations. For example, New York Attorney General Eric Schneiderman announced settlements with four companies that were not complying with the state's rule about child-resistant packaging for nicotine liquids. Others are pressuring certain e-cigarette manufacturers and vendors to limit ads that they say appeal to teens, especially on company websites and places like YouTube.

In some cases, AGs are coordinating their efforts. Ohio Attorney General Mike DeWine teamed up with colleagues from several other states to send a letter to privately held manufacturer NJOY, asking it to "immediately instruct YouTube to restrict" access to its advertisements to adults.

California has sent letters to more than 150 e-cigarette and vaping companies in recent years "to encourage voluntary compliance with applicable state and federal laws," including a ban on sales to youth, according to the news agency Reuters. The state is also pursuing companies that market fruit-flavored vaping liquids and that make "false or misleading" statements in their advertisements. For example, the state asked a manufacturer to quit claiming that "electronic cigarettes are one of the safest forms of nicotine available" and that "when you exhale, you are exhaling harmless water vapor."

AGs are paying particular attention to sales on websites, a popular source of vaping materials for teens, who trade information about which sites require little proof of age.

FDA Eyes E-Liquids

The agency's advance notice of proposed rulemaking seeks comments and data on the category.

The Food and Drug Administration (FDA)'s Advance Notice of Proposed Rulemaking (ANPRM) has many in the industry speculating that the agency is ramping up its regulatory efforts. The ANPRM requests comments, data, research and/or other information "related to nicotine exposure warnings and child-resistant packaging for liquid nicotine, nicotine-containing e-liquid(s) and potentially for other tobacco products including, but not limited to, novel tobacco products such as dissolvables, lotions, gels and drinks." The 60-day public comment period began July 1.

FDA reportedly made the request due to concerns that the use of electronic nicotine devices, such as e-cigarettes that use liquid nicotine and nicotine-containing e-liquids, is prompting an increase in calls to poison control centers and visits to emergency rooms related to liquid nicotine poisoning and other nicotine exposure risks.

The agency is exploring whether it would be appropriate to warn the public about the dangers of nicotine exposure (especially due to inadvertent nicotine exposure in infants and children) and/or require some tobacco products to be sold in child-resistant packaging.

The move has been criticized by many in the industry, including the American Vaping Association (AVA)'s Gregory Conley, who pointed out that the bid to regulate e-liquids before finalizing the overdue deeming regulations for e-cigarettes is premature. "The FDA is jumping the gun by moving on this issue before the deeming regulation has been finalized," he says. AVA has previously expressed support for child-resistant packaging that is in line with already-existing federal law, but urged caution in formulating warning labels. "Child-resistant packaging is already in use by the vast majority of e-liquid manufacturers," notes Conley. "Measures should be taken to keep all nicotine-containing products, including pharmaceutical products like the nicotine gum, out of the hands of children."



Reynolds Debuts Post-Merger Website



Reynolds American unveiled its re-designed corporate website in August, featuring the company's new corporate branding following the acquisition of Lorillard and the addition of the Newport brand to the product portfolio of its subsidiary, R.J. Reynolds Tobacco.

"The recent addition of Newport, the nation's No. 1 menthol cigarette brand, is another exciting milestone for our company in our continuing transformation journey, so it's a very appropriate time to refresh our corporate logo and colors," says Susan Cameron, RAI's president and CEO.

Tell Your Story in TBI

Would you like to see your store profiled in *TBI*? Or maybe you'd like to share your point of view or see a particular topic covered in our magazine. If so, we'd like to hear from you at tobonline.com/contact.



BREAKING NEWS FROM THE TMA

The following are excerpts from harm reduction, tobacco regulation and other tobacco-related news.



Farrell Delman,
President, TMA

ON THE FDA...

...Some were expecting to see a **final rule from the FDA Center for Tobacco Products** on currently unregulated tobacco products by the end of June. Instead, the CTP issued an Advance Notice of Proposed Rulemaking (ANPRM) on July 1 addressing nicotine itself, more specifically “nicotine exposure warnings and child-resistant packaging for liquid nicotine, nicotine containing e-liquid(s), and other tobacco products” defined to at least include “dissolvables, lotions, gels and drinks.” CTP seeks further comments, data, research, etc. as an evidence base to take regulatory actions regarding nicotine exposure per se, something CTP says is not addressed in its April 24, 2014 NPRM with respect to unregulated products.

...Commenting on the ANPRM, **American Vaping Association (AVA) President Gregory Conley** said that the agency is “jumping the gun by moving on this issue before the deeming regulation has been finalized.” He added that while the AVA supports child-resistant packaging, which is already in use by the

vast majority of e-liquid manufacturers, the group is concerned about the labeling proposal, as poorly designed warnings could mislead adult smokers about the relative risks of vaping versus smoking. Conley is also concerned that FDA is “inquiring about placing color warnings on vapor products when they haven’t even fulfilled their duty to Congress to require graphic warnings on deadly combustible cigarettes.”

...FDA’s CTP and the National Academy of Medicine (formerly the Institute of Medicine) named the five **2015-16 FDA Tobacco Regulatory Science Fellows**, who will be assigned to an office within CTP, lead specific projects related to tobacco product regulation, participate in the “development of science-based public health strategies,” and receive mentorship from senior CTP staff. They are Amanda Berger, a postdoctoral research fellow at Oak Ridge Institute for Science and Education in Maryland; Shari Feirman, project director for regulatory science and policy at Legacy’s Schroeder Institute for Tobacco Research and Policy Studies in Washington, D.C.; Jose Medina Torres, health communications specialist at the

D.C.-based marketing firm Penngood; Alexandra Merceron, visiting professor at Georgetown University’s department of public relations and corporate communications; and Kimberly Snyder, program and policy analyst at The Nemours Foundation of Wilmington, Delaware.

...FDA said that it continues to review tobacco product marketing applications and issued last month 125 **Substantially Equivalent (SE) orders**, eight Not-SE orders, and one Refuse-to-Accept letter for SE, while companies withdrew 190 SE reports from the review process.

The U.S. Food and Drug Administration announced that it is reopening the public comment period, for 30 days until August 31, 2015, on modified-risk tobacco product applications (MRTPAs) submitted by **Swedish Match North America** for 10 tobacco products.

...CTP issued a warning letter to Luis Neves Ferreira of **Puros Premium Cigars**, saying that the cigarette tobacco/RYO tobacco products sold on his company’s websites cigars-habanos.com, cigarshabanos.eu and puros.pt are misbranded. Golden Virginia “premium



rolling tobacco” products were allegedly sold to a person younger than age 18 “during [FDA’s] investigation,” and were deemed adulterated under the FD&C Act because Mac Baren Cherry Choice and Mac Baren Vanilla Choice purport to contain a natural or artificial characterizing flavor. Details of the investigation were not disclosed.

ON MISCELLANEOUS NEWS...

...A study by scientists at BAT and MatTek Corporation investigated the potential **effects of e-cig vapor on airway tissue** compared with cigarette smoke’s effects. The study, which used a combination of the VITROCELL

smoking robot and a 3-D model of human respiratory epithelial tissue in a laboratory setting, found that e-cig vapor from two different types of commercially available e-cigs had no cytotoxic impact on the airway tissue, with results similar to those of control cells exposed to only air even after six hours of continuous exposure. Cigarette smoke exposure for six hours reduced cell viability to 12 percent or “near complete cell death.”

...A study by researchers at The Scripps Research Institute in California found that an enzyme called NicA2 found in bacteria known as *Pseudomonas putida*, originally isolated from soil in a tobacco field, consumes nicotine as its exclusive source of carbon and nitrogen. The study

suggests that NicA2 could be used as a smoking-cessation drug candidate by making it seek out and destroy nicotine before it reaches the brain and depriving the smoker of the “reward” of nicotine.

...Startup company **Nicotrax** founded by Kyle Linton and Suraaj Doshi, recent graduates of North Carolina State University’s Engineering Entrepreneurs Program, created a prototype of a “smart” cigarette case designed to help smokers quit by keeping track of the number of times the smoker reaches for a cigarette, capturing the locations where the user tends to smoke, flashing photos of friends and family, recommending cessation aids at vulnerable moments, giving reminders about quit goals, and making users better understand their own habits. **TBI**

Combustible Renaissance?

The overall combustible cigarette environment remains robust, according to a recent survey by Wells Fargo.

Retailers expect cigarette sales to be slightly up, according to Wells Fargo's most recent Tobacco Talk survey, which polled 30,000 retailers about sales trends. Among other things, retailers suggested that the growth could be attributed to consumers disillusioned by e-cigarettes switching back to combustibles.

Retailers also noted that the competitive environment remains stable in the aftermath of the mega-merger between R.J. Reynolds (RJR) and Lorillard, with most respondents describing the industry as in a "holding pattern" since the restructuring impact from the deal remains to be seen. However, the retail industry does expect change as the two companies integrate. As one retailer noted, "I think we'll see some brand switching since Winston and Kool will become visible again. Obviously RJR and Altria will react to any aggressive push on pricing from ITG, so the consumer

may be the winner. If the gap becomes too narrow, discount brands will be under pressure."

Another noted, "Once the dust settles, believe it will be difficult for ITG to gain traction. Believe Altria and the new RJRT will move on to many fronts for ITG to keep up in many areas. ITG's cigar brands continue to lose ground. Believe the losses in cigars will come more from Swisher and SMNA than from JMC."

In the smokeless category, retailers reported that volume is continuing to decelerate as more consumers are "uptrading" to combustible cigarettes or switching to other noncombustible options. While consumers are continuing to switch to vaping, that category's growth rate has slowed, and analysts expect dampened growth to continue unless technology improves.

The tables and charts to follow offer more details on these industry trends.

VIEW FROM THE RETAIL FRONT LINES

Wells Fargo asked retailers to comment on how the Reynolds-Lorillard merger and the current tax environment will impact the industry. The following are a sampling of responses.

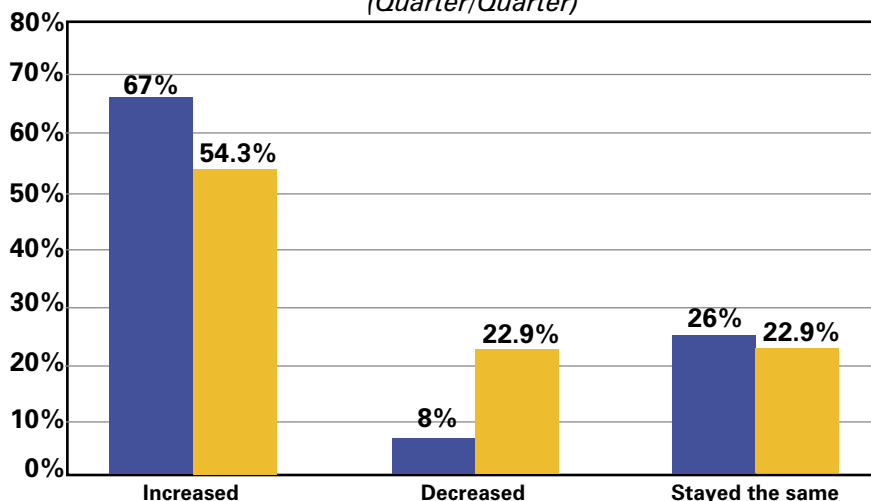
"The RAI/LO merger and consolidation has given the Top 2 tremendous influence over pricing."

"States have already taken tax hikes, and [there are] probably more to come. As taxes increase erratically, I believe it reduces the manufacturers' pricing power."

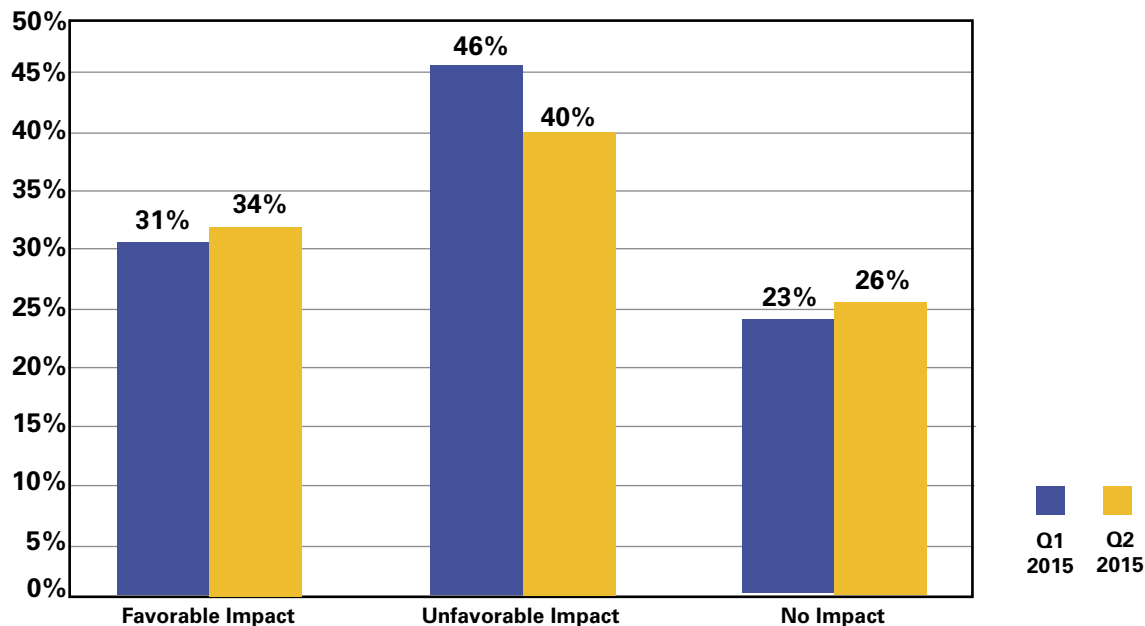
"They are getting to the tipping point and any economic downturn will drive consumers to the lower-tiered product, whether that is OTP or e-cig/vape."

"States like Indiana and Tennessee have both made recent changes to their minimum cigarette retail laws. Effective July 1, Indiana moved the minimum retail markup from 10 percent to 12 percent. Tennessee minimum retails moved from 8 percent to 11 percent. Tennessee minimum retails will take additional increases to 13 percent and 15 percent on July 1 2016, and 2017, respectively. This blunts the effect of the Marlboro MLP."

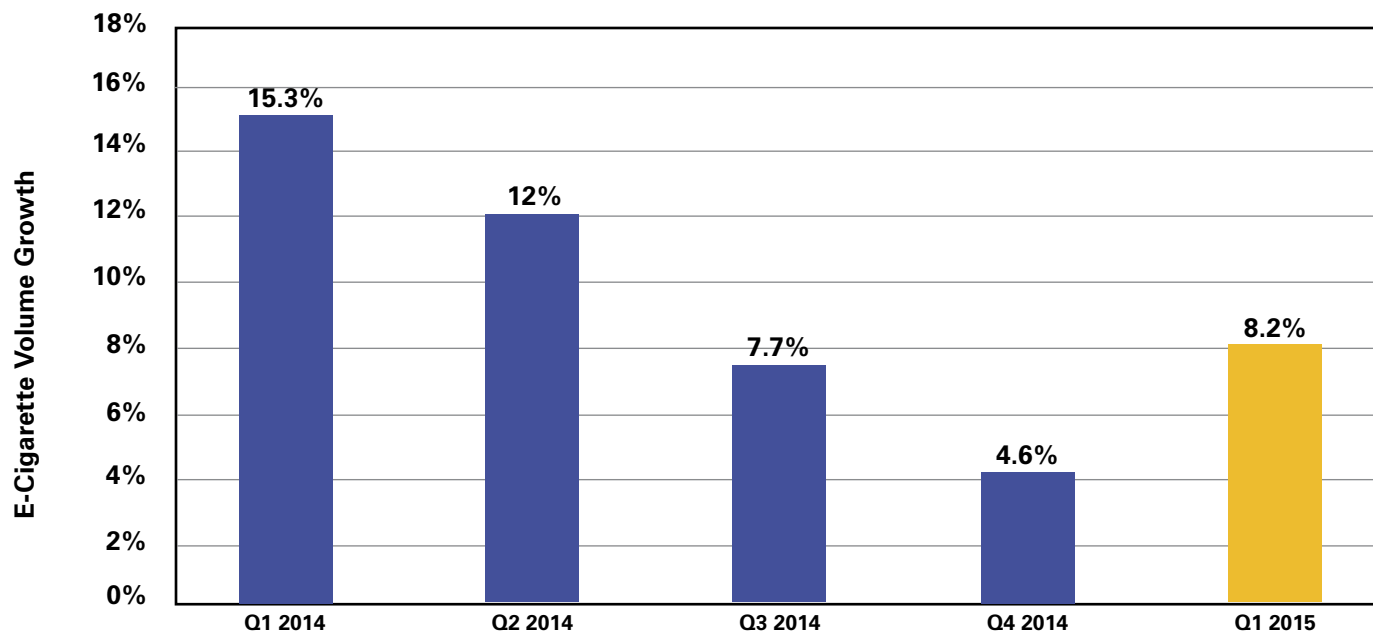
Retailers Assess Smokeless Tobacco Category Volume Growth
(Quarter/Quarter)



What Impact Will the Reynolds/Lorillard Deal Have on the Cigarette Market?

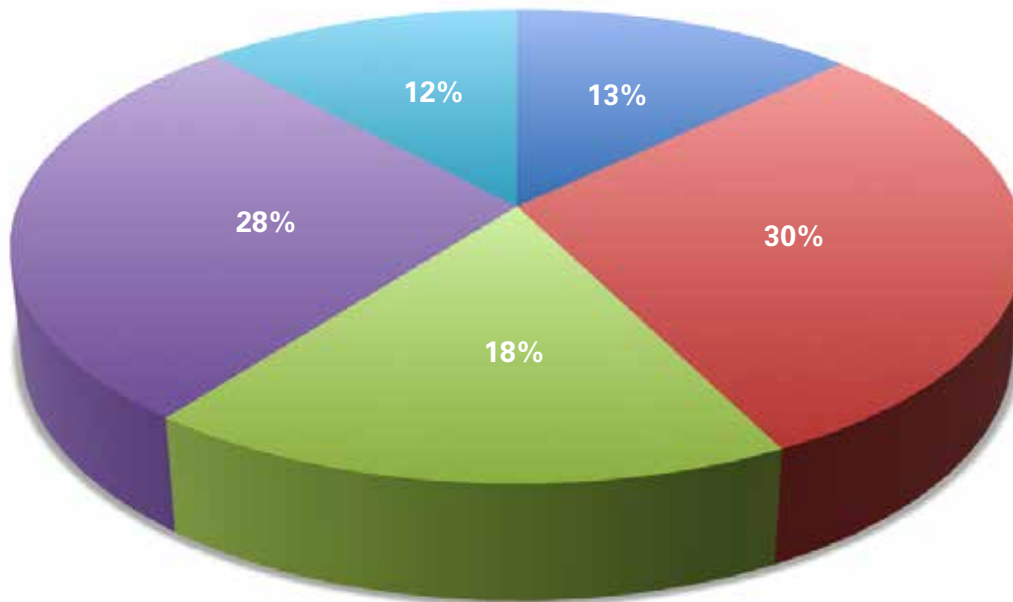


E-Cig Growth Rate Continues to Decline (Annual volume growth for the e-cigarette category)

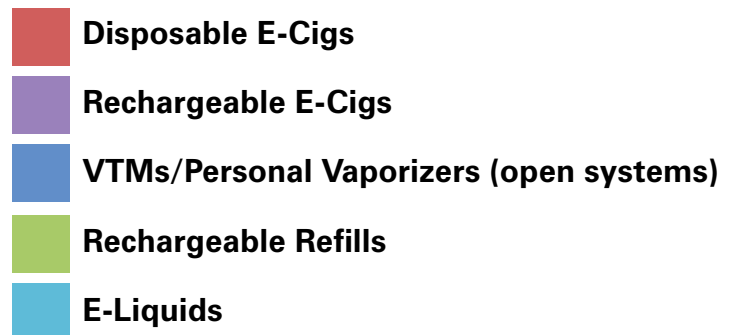


Despite a recent uptick driven by Vuse and MarkTen, e-cigarette volume is expected to continue declining unless technology improves.

Source for both charts: Wells Fargo Securities, LLC

Current Revenue Mix of E-Cigs Vs. VTMs Today

The current revenue mix of e-cigarettes versus VTMs/personal vaporizers has been staying fairly consistent. However, retailers are expressing concern about the market being flooded with too many SKUs and inventory. They also worry about lower traffic from vapor consumers, manufacturers who do not take product back, and regulations.



Source: Wells Fargo Securities, LLC

CIGAR SENSE



Events With an Edge

The warm weather months are filled with a plethora of stogie-centered happenings, but the best ones are growing large with clever marketing hooks.

By Renée Covino



In late June, the first New York Cigar Cruise on the 110-foot Klondike IX cruised the East River from the tip of Manhattan to the Statue of Liberty and back; "Part 2" is scheduled for September.



The stogie crowd likes to party—and with industry rules and restrictions getting more tough and tense, it seems like there's always a cigar event happening somewhere. The warm weather months are especially active, and this summer was no exception. On CigarEvents.com alone, there were 60 industry events from around the country posted for the second half of June; in August, there were over 50 featured cigar events. September, October and November are filling up nicely on the event map, too.

Cigar shindigs seem to be growing annually thanks to event marketing strategies with a great hook or two. Here are three worthy of a look:

Italian Breadcrumbs and Crab Gravy—The Italian culture is one that injects food into almost any gathering, so it is no wonder that husband-and-wife cigar-store owners from Philadelphia, Pennsylvania would incorporate their Italian family recipes into their successful cigar events.

"Let My People Smoke" is a 10-year-old cigar event held every May by Twin Smoke Shoppe, touted as the "oldest cigar shop in south Philly." While cigar events are a regular happening at the store, the May event is by far "my biggest event of the year, and we do it up right," says Anthony Renzulli, who has owned the shop with his wife, Maria, since 2001. "My wife's a phenomenal cook, so we offer home-cooked Italian food here; we entice them partly through their stomachs."

Held in a catering hall in New Jersey as a closed event, the 10th anniversary cigar party could have been mistaken for an all-you-can-eat family-style Italian restaurant, featuring meatballs and gravy, lobster tails, lamb chops, oysters, clams, stuffed calamari, a carving station and two of Maria's family-recipe specialties that Renzulli says



“In these times, events that are well-marketed are important to get the message out to let us cigar lovers smoke.”

his customers go especially crazy over: “homemade crab gravy over macaroni” and a fish/spinach/cream sauce bake layered like lasagna and topped with Italian breadcrumbs.

The food is such a draw, he says, that it is partly the reason his cigar vendors agree to do something they typically hate to do—participate in a multi-vendor setup. In the case of this year’s Let My People Smoke, 26 vendors were on hand (including La Jugada, Arturo Fuente, Drew Estate, DBL, Dram, Villiger, Alec Bradley, Oliva, Rocky Patel, Padron, Ortega, Perdomo and more), each one giving a cigar to every attendee (totaling about 300 this year).

“It is very hard to get a multi-vendor event going; they like to feature just their brands,” says Renzulli. “That’s why they usually agree to do an event. But tobacco times are changing and we have a great turnout with a good message. The attendees are not just customers from my store, they come from all over the New York/New Jersey/Delaware area because the word is out.”

The Let My People Smoke message is one Renzulli came up with and trademarked for his event (and just recently sold to a T-shirt company so that they could get the marketing

message out on a larger scale to the entire country, hopefully “for the good of the industry,” he says).

“In these times, events that are well-marketed are important to get the message out to let us cigar lovers smoke. We want to be known as separate from the cigarette industry,” Renzulli states. “There is no connection between us and the cigarette industry, and we want the FDA especially to understand that.”

That message is also relayed on a smaller scale at Twin Smoke Shoppe’s single-vendor store events held every month or so, where food can still be the draw—along with some big names. “Vito from ‘The Sopranos’ [TV show] (Vito Spatafore Sr., a role that was played by Joseph R. Gannascoli) is going to cook with us this fall,” relays Renzulli.

Tickets for Let My People Smoke sold for \$150 a person and included the all-you-can-eat food spread, 26 cigars from the 26 participating vendors, and an open bar from 6-11 p.m.

Ribs & Blues—Like Twin Smoke Shoppe, The Cigar Republic (with its flagship store of two decades in Elmsford, New York and a second location opened two years ago in Danbury, Connecticut) put a focus on

food at its big annual cigar event. But instead of an Italian feast, The Cigar Republic’s hook is a rib fest—what it calls its “Famous Ribs” of beef and pork, this year to be joined by a live blues band at both store events held a few days apart in the store lounges themselves, right around press time in August.

“I really started taking off with events at the New York store in 2006 as a way to generate business,” says owner Anthony Scipioni. “Online kills me in prices, but we kill online with a lounge atmosphere and killer events that let cigar smokers hang out and enjoy good food and music.”

Because vendors “can be a little stubborn” regarding multi-vendor events, The Cigar Republic used to feature and hand out its own private label cigars at the rib fest, he explains. But at this year’s IPCPR show, he got together with a few cigar vendors, and after discussions and enthusiasm for the event, five agreed to be featured and distributed in a sample pack for attendees this year: My Father, La Jugada, Alec Bradley, AJ Fernandez and La Tribu.

“This is new to us—to have more than one cigar featured at an event—but because it’s our 20th anniversary for the New York site, and because the



Putting a focus on food is a win at many cigar festivals like Cigar Republic's rib fest, held at two locations (New York and Connecticut) in August.

event is becoming more popular, we had a good interest from vendors that wanted to be involved," says Scipioni. "I think this will be a trend moving forward," he adds.

While both the rib fest (and other monthly or bi-monthly) events are held in the store lounges, it is the Danbury store that Scipioni is particularly proud of. The late-1800s building featured a vibe that he kept in the store lounges: tin ceilings and hardwood floors. "We keep the feel of the prohibition 'Boardwalk Empire' style or Havana prior to Castro," he explains. "It's a very classy, clean look. We don't do tacky over here."

In keeping with that concept, The Cigar Republic doesn't overdo cigar events. "We've got competitors in the area that do something every Thursday night—I view that as played out and overdoing it," Scipioni says. "Once a week is too much; we usually try to do an event once a month, and sometimes we will do two if it's a special event like the rib fest."

Lady Liberty and a Fishing Vessel—The brethren of stogie smokers is getting to be so strong in these tough tobacco times that some of the best-rated events (as social media would attest to) are created by customers

themselves, with a unique idea and the access and vision to execute it.

Such is the case with Jon Davis, a stogie connoisseur who happens to work on a fishing/cruise boat, the Klondike IX, operating out of New Rochelle, New York from May through November. The vessel is available for fishing and chartered cruise experiences, but Davis saw it as the perfect venue for a more desirable cigar event.

"Tobacco laws are causing a lot of shops in the area to close and people in the metro New York area are really searching out places to go," he tells *TBI*. "Even the Big Smoke NY has gotten so crowded, and most good cigar lounges are packed. So many of them are all ambiance and show; people need a more 'real' place to smoke, network and relieve their minds, and what better place than out in the East River down to the Statue of Liberty?"

And smoking while afloat is ideal in more ways than one. Besides being relaxing, the open water is a non-regulated zone for smokers, according to Davis. "Once you untie from the dock, you're considered a stationary vessel; there are no restrictions at all for tobacco," he relays.

And so in late June, Davis organized the "New York Cigar Cruise," offering

passengers an evening of entertainment and cigar smoking for \$100, whereby attendees enjoyed complimentary cigars, all-you-can-eat catered cuisine, a five-hour open bar featuring premium liquor and craft beer, the excitement of cigar rolling, and a live DJ. The 110-foot Klondike IX, as the newly deemed cigar boat, cruised the East River to the tip of Manhattan and to the Statue of Liberty and back.

In addition to listing it on CigarEvents.com, Davis got the word out for the first New York Cigar Cruise by passing out flyers at local cigar lounges and tobacco stores, and through social media mentions, including cigar groups that touted it on Instagram and Twitter. The turnout was excellent, and Davis was flooded with requests to make it a more regular thing.

"We're going to close out the summer the right way—and the same way we started it," Davis says. The New York Cigar Cruise Part 2 is scheduled for September 24—and at press time, was still open for would-be cigar cruisers—offering the same perks and for the same price as the one held three months ago. The event details and sign-up information are listed on CigarEvents.com. **TBI**

Timing Is Everything

The pace is picking up as more and more try pipe smoking.

By Phil Morgan

Now is a great time to be in the pipe-smoking business! The increased level of interest in pipe smoking is more than just wishful thinking for those of us in the business of making and selling pipes.

At trade shows, both retailers and distributors have said that customers are asking for more selection in the pipes they carry. However, the level of interest is most apparent at the pipe shows hosted by local clubs in cities across the nation. These regional pipe shows are well attended and, most importantly, a growing number of the attendees are young people interested in taking up the hobby of pipe smoking.

As Erik Stokkebye pointed out in a previous column, this new, young segment of pipe smokers is critical to the future growth of the hobby and, consequently, to the future growth of our business. These

young people must be engaged, educated and re-engaged at every opportunity.

Social media has done an excellent job of engaging young people since this is the tool that they use most often to explore a new topic of interest—and, fortunately, most pipe smokers love to talk about their pipes and pipe tobacco. The various online forums are very effective at educating young people in the “dos and don’ts” of smoking a pipe. Experienced pipe smokers are more than happy to help someone learn how to correctly smoke a pipe so that it becomes a lifelong hobby.

While these forums are extremely important in engaging and educating the young pipe smoker, the opportunities presented by face-to-face contact with this new customer at the retail level can bring benefits that last far into the future. Taking the time to personally show how to correctly pack and light a pipe builds

trust, as does being able to describe the various pipes and pipe tobacco that are offered.

With the prices of pipes ranging from very inexpensive to very expensive, helping new pipe smokers stay within a budget at the entry level is a great way to build trust that will pay off in repeat visits to your store. Hopefully, your efforts will ensure that these customers embrace their new hobby of pipe smoking for the long term.

While it is a good time to be in the pipe business in general, it is an especially good time to be in the Corn Cob pipe business. With so many young people taking up the hobby of pipe smoking, the humble, yet venerable, Corn Cob pipe offers an inexpensive option that you can offer to those new to the hobby. Since it is important to have a minimum of two pipes so that the pipe smoker can rotate

With so many young people taking up the hobby of pipe smoking, the humble, yet venerable, Corn Cob pipe offers an inexpensive option that you can offer to those new to the hobby.

— Phil Morgan, General Manager, Missouri Meerschaum Company



them allowing them to dry out between uses, the low price of the sturdy Corn Cob pipes makes it possible to purchase two pipes along with pipe tobacco, pipe cleaners and a pipe lighter and stay within an entry-level budget. At Missouri Meerschaum Company, our mission has been and will always be to make great smoking pipes that anyone can afford.

In addition to our commitment to

affordable prices, we have also adopted a plan to re-engage both the new and the experienced pipe smoker by introducing new pipe designs or by bringing back a design that had previously been made sometime in our 146-year history. For example, in the last two years we brought back a pipe with a Dublin-style bowl that we last made about 40 years ago, calling it the Mark Twain,

and introduced a new series of mini-churchwarden pipes called the Cobbit Collection.

At Missouri Meerschaum Company, by engaging, educating and re-engaging, we intend to focus on the new, young segment of pipe smokers so that years from now we can still say, “Now is a great time to be in the pipe-smoking business!” **TBI**

Optimizing MERCHANDISING

Retail-focused suppliers want to help tobacco outlets and c-stores improve their vapor value proposition with these simple merchandising techniques.

By Renée Covino

Want to beat vape shops at their own game? Or at least come closer in score?

From a customer education standpoint, vape shops are very good at what they do and are not easily matched by a tobacco outlet or c-store selling e-vapor. But that doesn't mean that the channels shouldn't strive for merchandising improvement, especially since the industry is putting out potential game-changing ideas that are simple and affordable (in most cases, free) to execute.

Retail-focused suppliers are eager to help improve the vapor value proposition and customer perception at tobacco shops and beyond. While "vape shops are consultative," soaking up product information and effectively disseminating it, that's not true at the growing number of tobacco stores, and mass-market retailers now selling vapor,

such as c-stores, according to John Froman, CEO at Vapor4Life.

SELLING FROM THE SHELF

"Our focus as a company is to simplify the customer user experience and value proposition for the entire category," he tells *Tobacco Business International*. Vapor4Life has been collaborating with retailers to develop merchandising displays and signage—including violators and shelf talkers—so that its WOW vapor products can be more effectively sold directly from shelves without the use of salespeople.

"We studied how this is done in other categories like protein supplements and pet food," Froman explains. At PetSmart, for example, shelf talkers and other signage explain the various nutrients dogs need for different lifestyles. "For vapor, we want to start by dividing the categories up and laying



out a progression for customers,” he continues. “In general, customers don’t understand how to progress in the category or how to mix and match the various components of products. We want to change that.”

MOVING BEYOND TRIAL

That also means moving beyond the baby steps of a starter section. For many retailers, e-cigs/vapor products are still in trial mode and are greatly lacking in “category fundamentals,” according to Chris Mitchell, vice president, CMO of iSmoke. “This is a very fast-moving category with new innovations seemingly every day.” Rather than a myriad of manufacturer displays, which is confusing for customers to navigate, Mitchell strongly suggests that non-vape-shop retailers truly treat vapor like a category.

“This means providing dedicated space and placing like products together, regardless of brand,” he says.

“There should be an e-cig section where the e-cigs go—clearly identifiable between disposables, starter kits and refills; an area dedicated for e-juice—clearly identifiable between flavors and strengths; and a section for vapor devices.”

“There should be an e-cig section where the e-cigs go—clearly identifiable between disposables, starter kits and refills; an area dedicated for e-juice—clearly identifiable between flavors and strengths; and a section for vapor devices. Pricing should be prominent as there is a significant pricing advantage over vape shops.”

ROLLING WITH THE INNOVATION PIPELINE

Retailers should be looking to their manufacturers to help them understand the innovation pipeline and looking for suppliers who understand the dynamics of an electronics product lifecycle. After all, “that is what this category is, not a tobacco category,” Mitchell asserts.

He recommends that retail assortments be evaluated regularly, ideally every three months, but at a minimum of every six months. This will ensure that retailers, says Mitchell, “are not missing out on the new hot items or formats. Just like in other categories, retailers need to call attention to the new items.”

Innovation needs to be evaluated across the breadth of the category, meaning e-cigs, e-cigars, e-hookahs, disposables, rechargeables, refillable liquid systems and more, according to Will Squier, vice president of marketing for Tryst Group. He believes that within a set there needs to

be more variety in breadth of product types and less overlap of like items. “What we see is when a retailer has a dedicated vapor set that is very defined and clean, sales increase significantly.” The goal is to take the confusion out of the mix for the consumer, he says.

ALL ABOARD TRAINING

Can every sales associate answer the question “What is an electronic cigarette?” They should be able to, and it starts with retailers taking the time to train them, according to Miguel Martin, president of Logic. He tells *TBI* that all sales associates should also know one or two differences between the e-cig products sold in the store, which takes continually updated training efforts, even something as simple as an in-store newsletter to employees.

Breathe Ecig Corporation is also a big proponent of retail sales associate training. According to Josh Kimmel, founder and CEO, helping retailers to truly educate the consumer is now part of the core strategy of Breathe in print, media and POP at retail.

MOTIONING FOR PROMOTION

Last but not least, retailers should always have a promotion on e-cigs at any given time, according to Martin. “Almost half of adult smokers have still not tried an e-cig in the last six months,” he reports. **TBI**

RYO UPDATE:

Steady as She ROLLS

The RYO ship is a sure and steady one these days. Here are 10 trends that are shaping the state of the industry.

By Renée Covino

The turbulent seas are a thing of the past. The volatility that came with the highs and lows of the automatic rolling machines taking charge of business—and then, almost as quickly, going out of business—is no more. The waters are calm and the sailing is smooth as tobacco retailers report to be maneuvering pretty tight RYO departments these days. Here are some captains' log highlights of late:

Flat to modest growth recorded—Many tobacco outlet retailers recorded surprisingly strong or double-digit growth in their RYO categories in the years since the large automatic RYO machine business was shut down. More recently, “there’s been a little bit of flattening,” reports Frank Davoli, director of marketing at Tobacco Central dba Low Bob’s based in South Bend, Indiana. “With gas prices going down and the economy getting better, along with unemployment, the people who previously jumped on RYO are not all jumping on it now; but that being said, it’s still a strong and robust category for us.”

Darren Collett, president of Collett Enterprises based in Seymour, Indiana, agrees that the category has “leveled off over the last year.” He notes that “there has not been a







decline, but it's really flat, which is not a bad thing."

There are some, though, who report good growth, not the crazy good growth of a few years' back, but modestly good single-digit increases. "RYO went through a period a year to 18 months ago in our stores where it started to flatten out, but now it is very much on the rise again. It continues to be a very strong and significant portion of my business and our 2015 results so far are up [by] about 8 percent from 2014," reports Andrew Kerstein, owner of Smoker's Haven in Matawan, New Jersey.

Rolling with a tighter mix—With the overall category volume reduced a bit in a majority of stores, "it makes better business sense to get rid of slower items and concentrate on the major manufacturers," advises Davoli, who admits he's probably reduced his RYO set by about 10-15 percent recently in an effort to tighten it up and make it leaner and meaner. "When the category

grows, you expand SKUs for overall category growth, so it makes sense that when it flattens, you tighten it up a bit with SKU elimination." He adds that "just getting the right mix in store is dependent on strong partnerships with the vendors that are doing the majority of the volume, and that extends not only to the tobacco, but also to the tubes and accessories."

Collett, too, agrees with the philosophy of expanding sets when there are category spikes, but now that it's flat, "we are weeding out the slow movers. We're not shrinking the space, which is still 24 feet in a lot of locations, but we're streamlining it. We try to be the first to market with new brands that come out and if they have a strong foothold, we promote them; but if they don't gain ground, then we liquidate out and allow more for stuff that's selling." He says, "It's still a strong category, it just has to be managed closely."

Stable growth equals stable taxes—

While it's never a good idea to get too comfortable thinking things will remain status quo in tobacco regulation, the good news from a tax standpoint about flat growth in RYO is that it's not a logical source of tax revenue from state governments' perspectives. "People worried more about RYO state taxes when it was a massively exploding industry," says Kerstein. "But when a tobacco category is relatively stable, legislators don't necessarily look to increase taxes; there's not a great drive to somehow change the tax on RYO as a way of raising significant dollars in a particular state's budget. Generally speaking, not as much legislative activity goes on in times like these."

Premium puffs up—With the economy in better spirits, more premium tobacco, as well as higher-quality tubes and accessories, are ringing up in some RYO sets. "We continue to see a strong preference for quality products as opposed to discount products in the

"When the category grows, you expand SKUs for overall category growth, so it makes sense that when it flattens, you tighten it up a bit with SKU elimination."





“I don’t believe this product needs to be self-service in order to be sold.”



RYO/MYO category,” Steve Sandman, president of Republic Tobacco, tells *Tobacco Business International*. He reports that retailers have shown growth in Gambler tubes “because of the quality” and in the Top-O-Matic cigarette-making machine “due to its reliability.” He adds that the company’s cigarette paper business has been doing very well with the expansion of OCB Organic Hemp papers.

Davoli agrees that increases in premium hand-rolling tobacco like Bali Shag, American Spirit and Drum with Halfzware shag cut are a “nice part of the trend and are riding on the coattails of a better economy” and so “we may as well take advantage of it as tobacco retailers.”

Non-self-serve RYO can work—It certainly is working in Kerstein’s case. He voluntarily made the switch to non-self-service recently in RYO and pipe

tobacco in his stores in order to avoid any potential battles down the road. Even though his adult-only stores are not required to merchandise RYO behind the counter, “it wasn’t worth the risk to me; it isn’t totally clear yet what all the definitions are with adult-only stores. There’s still a lot of grey area on that, so for me, it was not worth it to worry about it anymore,” he explains. “I know of some store owners in other states who got fine letters; it’s being interpreted differently in different states.”

And clearly, Kerstein made the right choice, as he reports that he “lost not one sale associated with it. I don’t believe this product needs to be self-service in order to be sold.”

Category awareness continues to be up—One good lingering benefit of the now-extinct large machine business is that it raised smoker awareness, in general, about RYO. “Smokers pretty

much know what’s going on with it,” says Davoli. “People are much more aware of the category now,” adds Kerstein.

The new customer demographic is changing—Kerstein observes that “most of the newer consumers coming in to this now are in the middle-age category; that profile of a new customer has changed dramatically for us from senior citizens on a very fixed income previously to those people now in their 40s and 50s,” he says. He further explains that the senior citizen customers are not lost, they just “started with it six years ago and continue with it today.” As far as new customers coming on the scene, they are younger, but not *that* young. “You don’t see too many people in their 20s rolling their own [tobacco],” Kerstein adds. “They will go more [often] to vape or e-cigs.”

Suggestive selling still sells—Despite a more mass knowledge of



RYO, suggestive selling and category education is still a viable sales tactic. “We have conversion programs whereby our staff is trained to inform customers how they can save up to 80 percent in RYO cigarette costs after their initial investment of \$10 to \$60 for an electric machine,” says Justin Samona, director of operations for Wild Bill’s Tobacco in Clawson, Michigan. “We show them the various tubes, filters and machines, and then they take them home and really learn through trial and error. After we teach them once and they go home and practice, it seems like they come back knowing what they want.”

“If a customer comes in and complains about the price of cigarettes, my people are trained so that the first thing that comes out of their mouth after that is, ‘Have you tried roll-your-own?’” says Kerstein.

Collett admits that “we’re not as proactive as we have been in the past with selling the category—now it is more on an as-needed basis,” but the education part of RYO is still a point of differentiation for tobacco outlets. “Gas stores don’t have the time to show them,” he says.

Of course, teaching does not include

making a cigarette for a customer or sampling them anymore, as that is against federal regulation.

Promotions push more product—

Samona praises the category as one that delivers “great products with great customer service. I love dealing with the manufacturers and wholesalers here because they really work with us. The big players like Republic offer a lot of discounts and incentives and rebates, and tobacco customers still respond very well to that.” He relays that “buy a block of tubes and receive 50 cents off a 6-ounce bag of tobacco” is currently a good promo that his customers respond well to.

Collett also does well with the 50-cents off “manager’s special” in the category, and this includes his own Smoker Friendly RYO brand that “we put a lot of emphasis on,” he says. Samona, too, does well with Wild Bill’s private label tobacco in the category—“It’s our No. 1 seller,” he says. “After that, it’s Kentucky Select and Gambler.”

The math adds up to big profit—

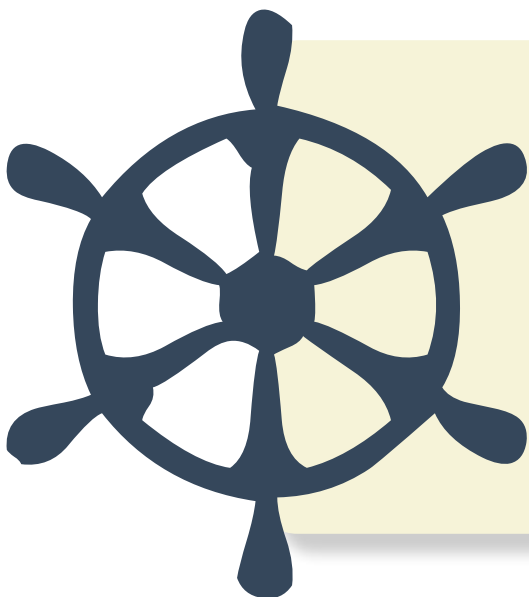
Tobacco retailers admit that the

stabilizing of the RYO category is due to several factors, and a large one is the wild proliferation and popularity of vape and e-cigs as cost-effective, cool, and reduced-harm alternatives to smoking cigarettes. But RYO is still very much in the game, with math numbers that add up big time.

“All day long I’d rather sell you a 1-pound bag of Gambler pipe tobacco and two bricks of tubes and ring a \$22 sale than sell you two cartons of cigarettes at \$150,” states Kerstein. “That’s because I’m making more on that \$22 sale than on that \$150 sale. I’m all about bottom-line profit; I don’t need huge sales numbers.”

According to Leonard Wortzel, vice president of marketing and product development for Scandinavian Tobacco Group, “what roll-your-own lacks in volume it makes up in margins, which are far healthier than machine-made cigarettes. Accessories like papers and tubes make the basket even bigger.”

Industry estimates put cigarette profit margins in the 6-8 percent range, while RYO hovers around 30-35 percent. **TBI**



“We have conversion programs whereby our staff is trained to inform customers how they can save up to 80 percent in RYO cigarette costs after their initial investment of \$10 to \$60 for an electric machine. We show them the various tubes, filters and machines, and then they take them home and really learn through trial and error.”



Humming Along at THE HUMIDOR STORE

By Jennifer Gelfand

Once a cabinet-manufacturing company, this family-owned and -operated business now makes customized humidors for retailers around the globe.

Mark Blanton



When Mark Blanton of The Humidor Store describes the business his family started back in 1968 he can't help but marvel at its evolution over the years. The biggest change came about in 1993 when a customer approached the Blantons about building a humidor for him. "We said, 'What's a humidor?'" recalls Blanton. "Well, we made a lot of jewelry boxes in the beginning, but once we learned about it we started making tabletop humidors."

Over the years both the business and its products grew bigger and bigger. The company went from a builder of custom cabinets with a sideline in personal humidors to a builder of commercial walk-in and full-store humidors.

But what makes The Humidor Store

most unique is the company's approach to its craft, explains Blanton, who has since learned pretty much everything there is to know about cigar storage during the past two decades. "People would call asking about how to build a humidor in their stores and I would explain it over the phone or sometimes even go to the site," he says. "Dad finally said, 'Why don't we just build them a portable walk-in humidor?'"

THE ADVANTAGES OF MODULAR

The result was a modular "Lego-like" system that can be built to order at the company's headquarters in Tampa, Florida and shipped anywhere in the world. Customers can custom order to the exact specifications of their store, then expand the humidor by ordering extra pieces down the line. "You lose



A finished walk-in humidor that The Humidor Store made for Huntsville, Alabama-based Vintage Wine & Cigars



Jim Blanton designs a freestanding humidor for a major grocery store chain.



Sally Blanton and Bobby Lauver verify that arriving raw materials meet the company's high quality standards.

nothing of your initial value when you decide to make it larger or to move to a new location,” explains Blanton, who has built humidors for far-flung locations like London and Vietnam.

There’s also a cost-saving component to embracing the modular concept in that it generally requires no building, electrical or plumbing permits. “It’s freestanding and plugs right into the wall; you just run a simple 1/4-inch water line to the humidor to provide water,” explains Blanton. “It’s evolved to the point where people lease a space and

call us up and say, ‘Make me a store.’ We design everything: where the safe and the cash counter will go, whether they want Internet cameras or automatic doors, what kind of humidor they want, what kind of lounge—a massive project.”

In some cases, customers simply want the commercial humidification system itself, so The Humidor Store has started selling those as well. Today, humidification modules are a thriving business on their own, says Blanton. “We have more than 9,000 of one of our models out there right now.”

About 50 percent of The Humidor Store’s customers contact the company looking to outfit a new shop, while the remainder are hoping to upgrade or add an in-store humidor to an existing shop.

According to Blanton, many retailers who call do so after experiencing problems with systems they installed on their own. In particular, retailers are frustrated when minerals from the humidification system settle on the cellophane wrappers covering the cigars and make them less appealing to customers. “We get a lot of questions about the water supplies



Rick McKenrick adjusts the glass door on a small freestanding humidor that is getting ready to be shipped to a liquor store.



Luis Rodriguez makes last-minute preparations prior to staining the door frame for a humidor coming down the factory line.

where retailers are finding that the mist is landing, turning the cigar cellophane wrappers a gray color and making everything look dull and dingy," he explains. "We explain that the water needs to be cleaned through a process so that it is pristine and you don't get any of that film on the product. Then we tell them to talk to retailers and to go see the finished product in action. After that, we usually get a phone call asking, 'Where do we begin?'"

HOW IT WORKS

Projects begin with a conversation. That stage can go quickly or can take months depending on how much back-and-forthing goes on. For example, if a store owner calls to express interest in upgrading his existing humidor, Blanton will ask for the dimensions

of the store and what he has in mind. Is there something that the owner has seen in a magazine or in another shop that he liked? "We start with a blank sheet of paper because no two stores—and no two store owners—are the same," says Blanton.

Next, The Humidor Store sends design sketches to the client. Some retailers request minimal changes, others ask for more. When the design is complete, the company runs color sketches depicting the humidor from multiple angles past the customer. "Then we spray wood samples from the various woods and stains we offer and send them for the customer to share with his/her employees and partners and get back to us with feedback," says Blanton. "After that we build one or two cabinets that

they can come to see in person to make sure we have the color exactly right."

Finally, The Humidor Store erects the entire store within its factory, checks to make sure everything is working right and takes photos. "Then we disassemble it, wrap everything up and put it on our own trucks," states Blanton. "We have a family member drive it there and, if required, we send installers up to unpack it and set it up."

The price of a commercial walk-in humidor design, build and install can run from as little as \$13,000 to as high as \$450,000. "It depends on how elaborate and fancy you want everything to be," says Blanton, who notes that the company is up to any challenge. "Our approach is, 'If you can dream it, we can build it.'" **TBI**



Going Deep at DAVIDOFF

An interview with
Jim Young, president
of Davidoff North
America



Jim Young has been busy since joining Davidoff of Geneva in 2011—and for good reason. At the time, Davidoff was still struggling to digest both Cusano Cigars and Camacho, which it acquired in 2009 and 2008, respectively. “The physical integration had happened, but the cultural integration—which is the tricky part and also the most important—had not,” explains Young.

Fresh from leading Guinness USA as its president, Young came to Davidoff well-versed in the intricacies of a luxury product industry that is both highly regulated and heavily taxed, as well as the complexities of integrating acquisitions. However, for him the most striking similarity between the two industries proved to be something else entirely: the people. “Both are fundamentally ‘people’ industries, whether it’s the founders who started them and built them up or the retailers and distributors, who are often family-owned and -operated

enterprises,” he says. “They are industries that are largely about delivering a quality consumer experience, but they’re also about relationships.”

Young and Oettinger Davidoff Group CEO Hans-Kristian Hoejsgaard, also appointed in 2011, needed to develop a cohesive strategy for its portfolio of brands and to align the company internally around that mission. “It was important to put a structure together and get people in roles so they were clear on where we needed to go and how they would interact with other parts of the company,” says Young, who says that he huddled with his colleagues in the parent company’s Basel, Switzerland headquarters to hammer out a strategy to give each of the company’s brands a distinct position in the market and expand from there.

DAVIDOFF BRANCHES OUT

First on the agenda came the company’s namesake brand. “The tagline

AND THE WINNER IS...

Pitching Davidoff's Golden Band Awards was one of the first ideas Jim Young came up with after agreeing to join Davidoff. "I said, 'Why not have an elegant award night where we recognize the best retailers in certain categories?'" he recounts. Four years later, the Golden Band Awards is a cigar-industry equivalent to the Oscars. Nominees attend a black-tie gala evening where the winners are announced and called up on stage to receive an elegant award and the right to carry an exclusive cigar for one year. This year's winners are:

BEST MERCHANDISING

The Tobacco Shop of Ridgewood, Ridgewood, NJ

BEST DAVIDOFF PERFORMANCE

Blend Bar Cigar, Indianapolis, IN

BEST DAVIDOFF PERFORMANCE FOR MULTIPLE LOCATIONS

Corona Cigar Company, Orlando, FL

DAVIDOFF GROWTH AWARD

Cigarz on the Avenue, Winter Park, FL

DAVIDOFF GROWTH AWARD FOR MULTIPLE LOCATIONS

Casa de Montecristo, Countryside, IL

BEST NEW APPOINTED MERCHANT

Havana Phil's Cigar Company, Greensboro, NC

APPOINTED MERCHANT OF THE YEAR

Tobacconist of Greenwich, Greenwich, CT

INDUSTRY SERVICE AWARD

Jim Clark, Straus Tobacconist, Cincinnati, OH and Harris Saunders IV, Cigars and More, Birmingham, AL

ZINO LEGACY AWARD

Keith Rumbo, Club Humidor, San Antonio, TX



we developed for Davidoff, 'Time beautifully fulfilled,' underscores the fact that time is a precious commodity and this is a cigar [that] will fill that time beautifully—which is perfect positioning for a brand like Davidoff," explains Young, who says the company used advertising, digital media, and events to promote the theme.

With a brand strategy in place,

the company turned its attention to innovation, debuting a departure from the company's usual products, the Davidoff Nicaragua, in 2013. "Inspired by Zino [Davidoff] himself who was an explorer who searched the world for great tobacco, it's wrapper, binder and filler are all from Nicaragua," says Young. "It is definitely not a Dominican sweet."

The company also relaunched Winston Churchill—a cigar that had gained a following despite standing apart—under the Davidoff umbrella.

At the IPCPR show in July, Davidoff followed those moves with the debut of Davidoff Escurio, a spicy, sweet follow-up to the Davidoff Nicaragua. Featuring a dark Ecuador Habano wrapper with a Brazilian binder and



Counterclockwise from top left: Davidoff's most recent introductions include the Davidoff Nicaragua, Camacho American Barrel-Aged and—at IPCPR—Davidoff Escuro. The company also relaunched its Winston Churchill line.

Brazilian long-fillers, it is a medium-bodied cigar with plenty of complexity.

A COMMANDING CHANGE FOR CAMACHO

For Camacho, a strong brand that Davidoff had done little with since its acquisition, Davidoff developed the tag "Live Loud," which paid homage to the cigar's customer base. "Camacho appeals to individuals who live life boldly—a very different consumer profile than Davidoff," explains Young, who says the company

also redesigned the brand's packaging and trimmed its range. "Over the years, it had mushroomed to roughly 130 SKUs; we reduced that to less than 40 core lines."

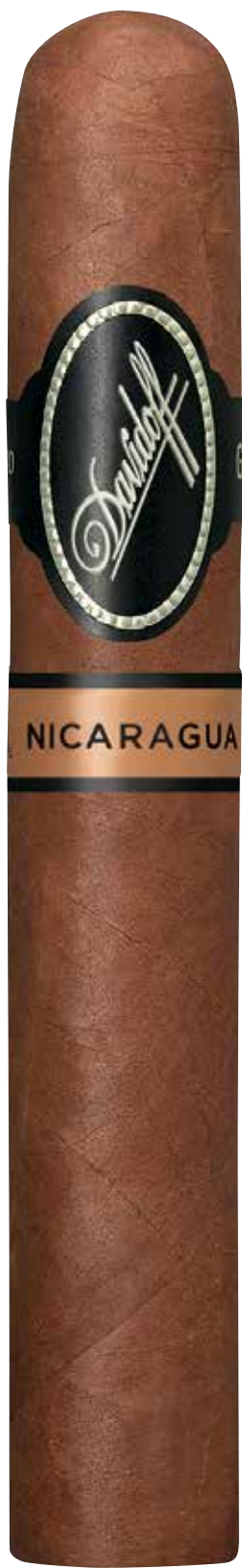
Packaging featuring new bold colors and a lacquer finish gives the cigars a retail presence consistent with the brand's personality—as do the events that the company sponsors on its behalf. "We wheel in a semi[-trailer] on the back of a Ford truck," says Young. "They are big and fun and geared toward people who love to live loud."

Under Camacho, Davidoff recently

introduced the American Barrel-Aged, a cigar with a wrapper of American broadleaf tobacco and one leaf of Camacho Corojo. "That leaf spends five months in a bourbon barrel, which softens the cigar and adds some beautiful notes," says Young, who notes that while the new cigar was well-received, the relatively full-flavored Camacho Connecticut remains a consumer favorite.

ADVENTURING WITH AVO

Long a significant part of Davidoff's portfolio, the AVO brand also needed



Davidoff Boutiques: Spectacular Showrooms

One of a handful of cigar makers with flagship stores, Davidoff has been growing its retail presence. Historically, the company has tended to open stores outside the U.S., where it currently has around 65 abroad. However, it is currently in the process of opening a second store in New York City, and already has locations in Atlanta, Georgia; Tampa, Florida; and Houston, Texas, as well as a handful of licensed shops in Las Vegas, Nevada.

"We will not do a never-ending string of store openings," promises Young. "But we wanted to put our flag down and provide the full Davidoff experience in a handful of places. We have a strategy to patiently identify promising locations."



attention. "Over the years, AVO had developed a role in the mail-order channel where it was heavily discounted," explains Young. The company solved that issue by relaunching the brand with a new price-protected commercial policy, a streamlined SKU count, and a change from 25-count boxes to 20-count boxes. AVO also got a new tagline, "Savor Every Moment," which was partially in homage to Avo Uvezian, who, at age 89, remains the face of the brand.

The focus on fine-tuning its portfolio of brands and bringing new, innovative introductions to market has proven effective. In an industry where sales are generally flat, Davidoff has been seeing

steady double-digit sales growth year-over-year.

Going forward, Young is optimistic about the company's ability to maintain that growth rate. "We've consistently been able to exceed the market growth rate and that in turn enables us to continue to support our brands with promotions," he says, noting that part of that support includes providing retailers with promotional support. "Any retailer looking for help merchandising our products will find us a company willing to provide them with that. We will continue to deliver big ideas that excite consumers, drive them into your stores and grow your business." **TBI**



EVENT SPOTLIGHT/IPCPR 2015

Highlights from the International Premium Cigar and Pipe Retailer Show



Held in New Orleans, this year's IPCPR show featured 329 vendors showcasing cigars, accessories and much more. The vast show floor was a virtual smorgasbord of all things cigar-related, but most of the talk swirling around the vast show floor was about the sheer number of new cigars being debuted. Many of the new releases were limited-edition cigars or cigars commemorating anniversaries—which means retailers will need to act quickly to get their hands on cigars like the Partagas Aniversario, which will be released in October, and the 85th Anniversary cigar from Nat Sherman, which has operated a storefront in Manhattan for 85 years.

We won't attempt to list them all, but here are a few highlights.

- Drew Estate released a line extension of Undercrown made with a Connecticut Ecuador wrapper, giving the cigar smoker a more medium-bodied experience. Blended by Willy Herrera, it features a binder from Sumatra over long-fillers from the Dominican and Nicaragua. Also from Drew is the Herrera Esteli Norteno Edicion Limitada, only available as a 7x48 Prensado.

- At the Altadis booth, there was the Montecristo White Vintage Connecticut, which also featured a Connecticut Shade wrapper, this one a vintage 2008. The filler is Dominican, Nicaraguan and Peruvian tobaccos.

- Perdomo offered up the Perdomo Factory Tour Blend, available in three wrapper varieties: Connecticut, sun grown and Maduro, each available in four sizes.

- From Padron comes a lighter, milder

cigar in a Connecticut-seed wrapper named for Jose O. Padron's grandfather Damaso. Highly anticipated, the Padron Damaso is a less robust take on a traditional Padron.

- Macanudo got its share of visitors—and for good reason. Plans call for producing just 1,800 boxes of its Macanudo Estate Reserve—which features an oily 10-year-old Connecticut Broadleaf wrapper called Silver Tongue said to be the most expensive long-filler leaf in the world.

- As mentioned above, Partagas also debuted a limited-edition cigar—the Partagas Aniversario, featuring ligero and viso leaves from Nicaragua and the Dominican Republic, a binder of Connecticut Habano and a sun-grown Cameroon wrapper.

Also be sure to check out our feature story on Davidoff in this issue (p. 58) for information about their new releases.

The photos on the pages to follow showcase more highlights from the IPCPR show, which will move back to Las Vegas next year. Hope to see you there!



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Inter-Continental Trading USA: Investing in Innovation

By Jennifer Gelfand

New machinery is boosting capacity and efficiency at this made-in-the-USA-oriented company.

Delivering quality products at reasonable prices has always been the central mission of Inter-Continental Trading USA. Fulfilling that mission, of course, requires state-of-the-art equipment—which is why the company continually invests in upgrading its manufacturing facilities, says Kate Conneely, a spokesperson for the Mount Prospect, Illinois-based company.

“We recently brought in new machinery that boosted our production level by more than 50 percent,” she reports. In addition to greater capacity, the equipment improved manufacturing efficiency, enabling the

company to maintain stable pricing, despite a more costly operating environment. “We are able to produce a lot more product at lower cost, which helped us to keep prices low despite tax hikes,” explains Conneely, who says the new equipment was primarily for the company cigarette tubes, OHM filtered cigars, OHM pipe tobacco and other tobacco products.

However, Inter-Continental is also investing in its growing vapor product business, including electronic cigarettes, e-liquids and e-hookahs. “We are switching to American-company-produced e-liquid, because all our tobacco is American-made and



Each of Inter-Continental Trading USA's E-Luminate e-liquid juices is handcrafted and uses only the finest ingredients to make high-grade juices in 25 flavors.

“Instead of following the market, we try to be a market leader—that’s what our R&D is all about.”

we want the e-liquid line to follow that,” says Conneely.

The company maintains a vibrant research and development department that looks to anticipate consumer needs and develop new products to meet them. “Instead of following the market, we try to be a market leader—that’s what our R&D is all about,” says Conneely, who says the industry can expect to see some new introductions from Inter-Continental Trading USA next year. “We have a few new products that will be hitting the market in 2016, but we’re not ready to talk about them just yet,” she confides. **TBI**



Inter-Continental's E-Luminate brand also features an electronic hookah with zero percent nicotine.



Drew Estate Introduces ACID Cigarillos

Swisher International and Drew Estate are looking to replicate the ACID Cigar experience in a premium infused cigarillo, which will be sold via c-stores and other retail channels.

"ACID Premium Cigarillos contain the legendary ACID sweetness and aroma for a one-of-a-kind smoking experience," says a spokesperson for Swisher. Available in Blue (mellow, with a light natural wrapper), Red (bold, with a dark natural wrapper) and Green ("untamed," with a natural Candela wrapper).

Packaged one cigarillo to a pouch, they can be ordered either pre-priced at 99 cents or with no marked price. Swisher International, 800-874-9720, acidcigarillo.com/Trade

Drew Debuts Liga Privada Único Serie Ratzilla

Drew Estate has announced Liga Privada Único Serie Ratzilla as a limited release to retailers participating in Drew Estate's Drew Diplomat Retailer Program.

"The Ratzilla is one of the most sought-after blends in the Liga Privada Único Serie line and has only seen a handful of retail releases to date," says the company. "The Ratzilla, presented in a 6.25x46 parejo vitola, is a favorite among collectors and this new launch will mark the largest release to date."

"There are many blends of diverse tobaccos that have been created throughout the years, which have never been sold nationally," says Jonathan Drew. "Ratzilla, Velvet Rat, Piglets, Black Rat, [and] Royale With Cheese are just a few examples of hundreds that we have on file—to be used when the time is right, or to be left as relics of the past. The think-tank energy at Drew Estate continues to evolve like killer bees around the hive."

The Liga Privada Único Serie Ratzilla, produced at La Gran Fabrica Drew Estate in Estelí, Nicaragua, features a Connecticut River Valley Stalk Cut and Cured Sun-Grown Habano Wrapper, a Plantation-Grown Brazilian Mata Fina Binder, and Nicaraguan and Honduran fillers. The new batch of Ratzillas will be available in 10-count boxes emblazoned with the Único Serie branding. The MSRP for the 10-count boxes will be \$154.50, and the first shipments are slated for August 2015. Drew Estate, drewestate.com



Debuts From Davidoff

At IPCPR, Davidoff of Geneva introduced the Davidoff Escurio, a spicy, sweet follow-up to the Davidoff Nicaragua that features a dark Ecuador Habano wrapper with a Brazilian binder and Brazilian long-fillers. Under Camacho, Davidoff also recently introduced the American Barrel-Aged Cigar, featuring a wrapper of American Broadleaf tobacco and one leaf of Camacho Corojo. More on Davidoff and its new cigars can be found in the feature story on page 58. Davidoff of Geneva, davidoff.com



J. Grotto Goes Petit

A new Petit Corona is the first line extension for the J. Grotto Silk boutique premium cigar from Paul Joyal's Ocean State Cigars. The Silk, named for its lustrous sheen and delicate texture, debuted at the 2012 IPCPR trade show. The 4.25x41 Petit Corona is a departure from the extra-ring-gauge Robusto (5x52), Gran Toro (6x52), Churchill (7x50) and commanding Gordo (6x60).

The Petit Corona features the same blend as the original Silk offerings, with minimal fine-tuning. A Honduran and Nicaraguan filler is doubly bound in Indonesian- and Honduran-grown Criollo 98 leaves. The cigar is then given its tactile and cosmetic silken finish: an Ecuadorian shade-grown Connecticut-seed wrapper. The four-nation blend's tobaccos are factory-aged a full three years, and the finished cigars rest another eight months in Ocean State's climate-controlled humidor.

"The Silk line greets the smoker with its delicate flavor and subtle fragrances typical of Connecticut Shade cigars," Joyal notes. "But it soon bursts into an unexpected fullness of lush flavor and body. Add the even progression of the razor-thin burn zone plus the tactile and cosmetic appeal of the silky-smooth wrapper, and you have a superlative smoke."

The Petit Corona is individually cellophane-wrapped and presented in 20-count high-quality Spanish cedar boxes. The graphics and striking colors distinguish it as part of the J. Grotto brand. The J. Grotto Silk Petit Corona is now available from Ocean State Cigars for \$5.99. Ocean State Cigars, West Warwick, RI, 401-822-0536, Paul@OceanStateCigars.com



Celebrating With Maya Selva Cigars

As a part of Maya Selva's 20th Anniversary celebration, the company announced the release of a limited-edition Flor de Selva lancero cigar, the "20 Años." It will be sold in the U.S. as an elegant box of 10 cigars. There is a limited production of 15,000 sticks for this cigar.

In response to demand by American cigar fans, Maya Selva also produced and released a new vitola in the Flor de Selva line, the "Toro," in both natural and Maduro wrappers. Both Toros are a classic 6x52 size. The natural Toro features a Honduran Connecticut wrapper and Honduran binder and filler for a true, medium-bodied puro featuring the classic aromas and flavors of the company's award-winning brand. The Maduro features a naturally fermented Honduran Habano wrapper, Brazilian mata fina binder, and Honduran filler, providing a well-balanced, medium-to-full-bodied cigar. Maya Selva, mayaselvacigars.com



Avail Vapor and IdeaStream Consumer Products created VaporVaultz, a locking case that allows e-cig users to protect, store, organize and transport their e-cig investments. The heavy-duty nylon zippered case, featuring a combination lock, also prevents accidental exposure to children and pets. VaporVaultz cases retail for \$25. "Our customers invest in our personal vaping devices and our liquids," says James Xu, co-founder of Avail Vapor, "and we want them to protect that investment. This affordable case is a great way to keep your vaping materials organized and secure. And as a person who travels frequently, I can attest that it's also a great travel companion." Avail Vapor, Richmond, Virginia, availvapor.com



For those who want the experience of social vaping without the nicotine, tar or tobacco, E-luminate offers an electronic hookah with zero percent nicotine. Featuring a contemporary, sleek appearance, this hassle-free e-hookah does not require recharging of batteries, replacing filters or attaching atomizers. Inter-Continental Trading USA. ictusainc.com



Altria Group is introducing Green Smoke, the vapor product line it acquired last year, to select c-store chains, according to COO Howard Willard. As an independent brand, Green Smoke gained a following while primarily distributing online. Altria plans to extend the brand's market by moving it into retail stores. Altria Group, greensmoke.com



Arty Introduction by TOP

RYO/MYO distributor Republic Tobacco has introduced a limited-edition art deco-style collectible tin. Measuring 7 inches wide by 7 1/4 inches high, the tin has a footprint that easily fits on the counter or a shelf. Stand-up tins will hold 100 booklets of cigarette papers, which have the highest markup and generate the highest profit per square inch in the OTP category. Republic Tobacco, Glenview, IL, 800-288-8888



MarkTen Moves Up

Altria Group subsidiary Nu Mark is prepping the launch of MarkTen XL, which reportedly features twice the liquid and battery strength currently offered by MarkTen. Nu Mark is also prepping two new flavors—Fusion and Winter Mint—for the line. Parent company Philip Morris International also plans to begin distributing MarkTen in international markets within six to eight months. Altria Group, altria.com



Silver Sensation

Republic Tobacco has introduced new silver cigarette filter tubes for its Gambler, TubeCut and TOP families. Available in 100mm and king-size, these premium-quality products have filled a consumer demand for goods backed by well-established brands. The silver style products are for consumers who prefer a more airy, clean taste.

All Republic Tobacco cigarette filter tubes work with any handheld or tabletop cigarette injector machines including Top-O-Matic, Top-O-Matic T2 and MikroMatic, as well as the new Poweroll or Poweroll 2 electric injectors. Republic Tobacco, Glenview, IL, 800-288-8888



Premier: Quality and Service Specialists

Premier Manufacturing uses only the highest-quality U.S.-grown tobacco to produce their value-priced cigarettes, RYO tobacco, filtered cigars and pipe tobacco. A subsidiary of U.S. Tobacco Cooperative, Premier Manufacturing's mission is to provide retailers and their customers with the "finest quality tobacco from seed to store." Its North Carolina manufacturing facility processes, blends and manufactures its various brands, including Wildhorse, 1839, Shield, 1st Class, Ultra Buy and Traffic. Its cigarettes, filter cigars, pipe tobacco and RYO tobacco products provide customers with a total solution for their tobacco centers. Completing the company's portfolio are the Wildhorse and 1839 brand cigarette tubes. Available in two lengths and made in the USA, they are a great complement to Premier's quality tobacco for retailers' RYO customers. The company's experienced sales staff can provide expertise in maximizing your tobacco center margins and profits. Premier Manufacturing, 800-272-8656

Showcase YOUR product in TBI

Do you have a new product or product news you'd like to see in our magazine? Send your announcement and a photo to us at editor@tobonline.com.



Duran Brings Out "Big Jack"

Roberto Duran Premium Cigars, a boutique cigar company, unveiled a line extension for the Neya F8 Ligerio Typhoon at the IPCPR trade show in July. The new size (7x70) is named "Big Jack" after Jack Torano, the company's representative.

"As we all know, Jack Torano has a larger-than-life personality, so I figured that it was a natural fit to name the Neya F8 7x70 after him," explains Robert Pelayo Duran, owner of Duran Cigars. "He had been pushing for the bigger size because there is a growing segment of cigar consumers that enjoy not only a full-flavored cigar, but a larger-sized cigar as well. We look forward to presenting the Big Jack and feel that this new vitola will really impress those looking for the ultimate in size and strength."

"Never in my wildest dreams did I think that I would have a cigar name inspired by me, but what better cigar than the Neya F8 7x70?" says Torano. "The Neya F8 has been a smash hit for us. There are many consumers that are looking for a full-size-strength cigar and this one delivers. It's well-balanced with complex flavors and it packs a punch! I'm very excited about it and I really look forward to introducing the Big Jack at the IPCPR [show]."

The Neya Premium Cigar Brand was introduced during the 2014 IPCPR show and it comes in a cedar 20-count cabinet. Both the filler and binder are Nicaraguan, while the wrapper is a Habana Ecuadorean. The Neya F8 Ligerio Typhoon, which is a full-bodied version of the Neya Classic, is currently available in six sizes. The Big Jack will carry the same blend as the Typhoon but will pack an extra punch for those looking for that bigger size and strength. Duran Cigars, robertodurancigars.com