



RAMP UP SALES WITH ROUSECO'S GOLDEN HARVEST

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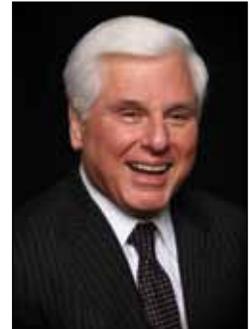
50 Retailers



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Profiting from Private Label
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The Wrong Side of History....



In 1942, Albert Camus published *Le Mythe de Sisyphe*, translated as "The Myth of Sisyphus". In his essay, Camus introduces his philosophy of the absurd: "Man's futile search for meaning, unity and clarity in the face of an unintelligent world." Realization of the absurd, Camus postulates, requires revolt. He compares the absurdity in human affairs to the mythological Greek figure Sisyphus, who was condemned to forever repeat the same meaningless task of pushing a boulder up a mountain, only to have it roll down again.

Advance Father Time's clock to 2011. The Institute of Medicine (IOM) committee now "urges the Food and Drug Administration (FDA) to impose a several hundred million dollar tax on any tobacco company before it can truthfully inform smokers that a smokeless tobacco product is less harmful than cigarettes."

The absurdity of this position comes into focus as leading professionals in the public health community, themselves anti-smoking proponents, weigh in.

Writing in the *Harm Reduction Journal*, Dr. Brad Rodu, professor of medicine at the University of Kentucky, concludes that while the FDA prohibitionists were overruled in court, they continue the fight by publicizing the supposed perils of e-cigarettes. Dr. Michael Siegel, a professor at the Boston University School of Public Health, said, "It boggles my mind why there's a bias against e-cigarettes among anti-smoking groups." He added, "It makes no sense to fret about hypothetical risks from minuscule levels of several chemicals in e-cigarettes when the alternative is known to be deadly."

"Mind boggling" and "absurd"...hear the similarity?

In 2007 the British Medical Association concluded: "If nicotine could be provided in a form that is as acceptable and effective as a cigarette substitute, millions of lives could be saved." Don't these findings summarize the essence of the debate between the FDA and the leading figures in the public health community? The FDA, in its passion to go beyond the limit of the law (which forbids the outright ban of tobacco), seeks to wiggle around the law by hampering the industry from introducing harm-re-

ducing tobacco products. The evidence, albeit anecdotal (with a big dose of common sense), favors a harm reduction strategy versus the tobacco cessation movement. Conversely, the anti position demands tobacco cessation be the de facto strategy.

The courts have spoken. Nicotine is a tobacco product, and a legal product. The absurdity of our industry having to push a boulder up a mountain only to have it roll down again will continue until the strength of our willingness to *revolt* brings forth a grain of reason in the debate between the seismic differences of cessation and harm reduction. Revolt in a democratic society demands honest debate, not autocratic impost. Revolt leads through the ballot box; the courts. Revolt requires peaceful demonstration. To our legislators we must scream, "Is anybody there?! Does anybody care?!"

A recent Centers for Disease Control and Prevention (CDC) survey states that 2.5 million U.S. adults reported using e-cigarettes in 2010, an increase of .6 percent from 2009. Awareness of this product doubled from 16.4 percent in 2009 to 32 percent in 2010. A prediction: The FDA will find themselves on the wrong side of history, potentially diminishing agency credibility on the important issues that they have been charged to oversee. The absurd and no less than "commercially pornographic" images sought to apply to cigarette packages suggests an agency out of touch, out of control and out to obviate legislation governing tobacco usage, a legal product. "If it looks like an absurd duck and quacks like an absurd duck, it must be an absurd duck."

Write your elected representatives...

We wish you a challenging and successful 2012. We've got your back!

Regards,

FDA WATCH

CRA Takes on FDA

Consumer rights advocacy group the Cigar Rights of America (CRA) filed registration papers to lobby Congress on proposed legislation that would exempt “traditional large and premium cigars,” including those wrapped in leaf tobacco with no filter and weighing “at least six pounds per 1,000 count,” from the Food and Drug Administration’s jurisdiction. The legislation was sponsored by US Rep. Bill Posey (R-Florida) and US Sen. Bill Nelson (D-Florida).

Petition No Go, Says FDA

E-cigarette advocates filed a White House petition to “Recognize electronic cigarettes as an effective alternative to smoking and support job creation in this new industry.” But while Dr. Lawrence Deyton, director of the Food and Drug Administration’s Center for Tobacco Products, said the FDA is taking steps to include electronic cigarettes within its regulatory purview, as authorized by the Family Smoking Prevention and Tobacco Control Act, he noted that the FDA will not recognize e-cigarettes’ harm reduction status. Deyton wrote that “in light of the lack of validated scientific data, including a lack of reliable indicators of nicotine and harmful chemical content, FDA cannot at this time conclude that electronic cigarettes are an effective alternative to smoking.”

HIGHLIGHTS

Altria Hosts Citizens for Tobacco Rights Site

New site offers information and advocacy opportunities.

To give tobacco users a voice and forum, The Altria Group (parent of Philip Morris USA, U.S. Smokeless Tobacco Co. and John Middleton tobacco operating companies) has launched a website for adult tobacco consumers interested in information and advocacy on tobacco-related public policy issues. “Citizens for Tobacco Rights” (www.tobaccorights.com) launched on Friday, Dec. 23. The company says it developed the site because it is important for adult tobacco consumers to make their voices heard on issues that affect them. Citizens for Tobacco Rights provides information, tools and resources to help adult tobacco users stay up to date on developments in the tobacco industry, as well as be more involved and active on tobacco issues, according to the website.

The website features sections on issues facing adult smokers (including a state-by-state tab), voter resources, and tips and tools for speaking out. It also features a news sections that contains national blog and state blog posts.

Citizens for Tobacco Rights site describes the Internet movement as “a group of adult smokers and dippers joining together to get active on issues they care about,” and pledges to:

- Provide information on important tobacco issues like taxes and regulations that affect adult smokers and dippers.
- Encourage adult tobacco consumers to be active and involved in the legislative and regulatory process.
- Provide opportunities for adult smokers and dippers to come together and make their voices heard.
- Promote the importance of voting and civic participation.



Ban on Flavored Cigars Sought

Senators seek FDA ban on flavored cigars.

U.S. senators Frank R. Lautenberg (D-N.J.), Dick Durbin (D-Ill.), Sherrod Brown (D-Ohio), Jeff Merkley (D-Ore.) and Richard Blumenthal (D-Conn.) are pushing for the U.S. Food & Drug Administration (FDA) commissioner to ban flavored cigars. "Cigars with candy-like flavorings such as strawberry, watermelon, vanilla and chocolate attract kids to smoking and help hook them on this addictive habit," the senators wrote in a letter to Commissioner Margaret Hamburg. "Congress helped protect young people from the harmful effects of tobacco by banning flavored cigarettes. But as youth cigarette use has fallen, cigars have become more popular among adolescents. ... We urge FDA to immediately close the current regulatory loopholes and prohibit flavored cigars in the interest of public health."

The Senators also criticized the FDA for not asserting its authority from the Family Smoking Prevention & Tobacco Control Act of 2009 over cigars. "On July 7, the Department of Health &

Human Services [HHS] indicated in its semiannual regulatory agenda that FDA intended to issue this regulation in October of this year," they wrote. "Since FDA missed its October deadline, an estimated two billion cigars, cigarillos and little cigars have been sold without appropriate regulation."

To counter that contention the International Premium Cigar & Pipe Retailers Association is urging members and supporters to sign a petition against FDA regulation of cigars that points out that regulation would "devastate my local shop, along with thousands of other premium cigar stores across the nation."

According to the petition, expanding FDA regulations to cigars could:

- Ban walk-in humidors, self-serve cigar displays and mail-order/Internet cigar sales.
- Ban all flavored cigars such as rum, cognac, bourbon, vanilla and coffee.
- Deface ornate, decorative cigar boxes with grotesque, graphic images.
- Ban cigar events with free cigars.

- Limit cigar advertising to black and white "tombstone" ads.

- Impose additional user fees (taxes) on cigars.

- Limit the availability of special release and small-batch cigars since all cigars would have to undergo extensive (and expensive) testing and be approved by the FDA.

- Limit nicotine levels in cigars to near zero levels severely impacting the flavor of cigars.

- Ban logo cigar merchandise like hats, shirts, jackets, cutters, cases and shopping bags.

The petition also supports a proposed law (The Traditional Cigar Manufacturing & Small Business Jobs Preservation Act of 2011 {HR 1639}) that would exempt "large and premium" cigars from FDA regulation.

A similar bill (S 1461) has also been introduced in the Senate. "Premium cigars are not like cigarettes and should not be regulated as if they were," the petition states, adding that stricter regulations would "devastate" local cigar shops across the country.

Retail Flier Was Flawed

FDA has rectified by specifying types of tobacco under jurisdiction

NATO recently requested that the FDA's Center for Tobacco Products correct a statement in the agency's yellow "Break the Chain" retail flier that states retailers are not allowed to sell or give away to adult customers an item that has a tobacco brand name or logo. Specifically, the flier states: "Do NOT sell or give away items, such as hats or t-shirts, with tobacco brands or logos." This, NATO's Tom Briant says, would confuse retailers since the FDA regulations only apply to cigarettes, roll-your-own and smokeless

tobacco—not all tobacco products.

Briant raised the issue because the agency's regulations actually only prohibit items from containing cigarette, roll-your-own and smokeless tobacco brand names or logos. The FDA responded by posting a new version of the Break the Chain retail flier on its web site with a clarification that reads: "Do not sell or give away items, such as hats, t-shirts, or lighters, with cigarette and smokeless tobacco brands or logos."

While incorrect version of the flyer had

previously been mailed by the FDA to retailers, Dr. Lawrence Deyton, the director of the FDA's Center for Tobacco Products, has assured NATO that the Center for Tobacco Products will now mail retailers an updated version of the flyer that reads: "Do NOT sell or give away items, such as hats, t-shirts, or lighters, with cigarette and smokeless tobacco brands or logos." For retailers, this means that items with a cigar or pipe tobacco brand name or logo can be legally sold or given away to adult consumers since the FDA has not at this time adopted any regulations regarding cigars and pipe tobacco.

Label Debate Heats Up

Twenty-four state AGs support new warning labels.

Not quite half of the state attorneys general got together to file a friend of the court brief in U.S. Court of Appeals in Washington expressing their support of the FDA's effort to mandate new graphic cigarette warnings included on all packs and advertising by September 2012. The brief was meant to strengthen the FDA's challenge of a lower court decision blocking the new warning labels, which would require a mix of graphic images and text on all cigarette packages.

In November, U.S. District Judge Rich-

ard Leon granted a temporary injunction blocking the rules requiring the new warning labels in response to a lawsuit filed by R.J. Reynolds Tobacco Co., Lorillard Inc., Commonwealth Brands Inc. and Liggett Group LLC opposing the new warnings on grounds the mandate violated the First Amendment.

The FDA has argued that the public interest in conveying the dangers of smoking outweighs the tobacco industry's right to free speech. The attorneys general are lending their voices to that argument by contending that the First

Amendment does not prevent the government from requiring "lethal and addictive products carry warning labels that effectively inform consumers" of the risks those products entail.

State AGs participating in the brief represented Alaska, Arizona, Arkansas, California, Connecticut, the District of Columbia, Hawaii, Idaho, Illinois, Iowa, Maine, Maryland, Mississippi, Montana, New Hampshire, New Mexico, Ohio, Rhode Island, South Dakota, Utah, Vermont, the Virgin Islands, Washington and West Virginia.

Toraño's Toy Drive a Success

More than 300 attended a gathering to benefit Neat Stuff for Kids.

Toraño Family Cigar Co. partnered up with media sponsors *Cigar Snob Magazine*, *Social Florida Magazine*, *South Florida Luxury Magazine* and local radio station 880 AM The Biz for the second annual Toraño Family Holiday Toy Drive on December 7. The toy drive benefitted Neat Stuff for Kids, a Miami-based nonprofit whose main focus is to provide brand new clothing to children from abused and underprivileged homes.

Toraño Family Cigar Co. hosted over 300 guests at Andalus restaurant located in the vibrant Design District in Miami. Guests were asked to bring an unwrapped toy to the gathering, which featured Toraño family's award-winning cigars and cocktails courtesy of Abuelo Rum and Chambord Vodka. Guests also enjoyed

gourmet fare courtesy of Andalus.

Toraño Family Cigar Co.'s Carlos Llaca-Toraño and Jack Toraño attended the event and provided a wide array of Toraño cigars to sample, including new release *Loyal*, on Andalus' smoker-friendly terrace.

"It is special when a local company like Toraño Family Cigar cares enough about the community to once again host this amazing event benefiting our charity which helps those children who need help the most," says Franklin Monjarrez, executive director of Neat Stuff for Kids.

"We appreciate the support we re-

ceive from our community here in South Florida and the best way to show that appreciation is to give back to those who need help the most," says Charlie Toraño, president of Toraño Family Cigar Co. "Neat Stuff for Kids is truly an amazing organization that touches the lives of underprivileged children every day. We are grateful to have had the opportunity to host this holiday event for the second time."



Boston Bans E-Cig Use

E-cigarettes will be treated like other tobacco products.

Until now, electronic cigarettes could be used wherever traditional cigarettes are banned. But in Boston that's no longer the case, thanks to the Boston Public Health Commission's Board of Health, which recently approved a proposal to treat e-cigarettes like tobacco products, including making them subject to workplace bans. Effective immediately, the rules restrict the sale of e-cigarettes to adults only and require retailers to get a permit to sell them.

To sell e-cigarettes or any

other nicotine product not approved by the FDA as nicotine replacement therapy in Boston, retailers must now apply for a permit through the Boston Public Health Commission's Tobacco Control Office. The new regulations also require that e-cigarettes be placed behind the store counter, like tobacco products, and that they not be sold to minors. E-cigarettes also will not be allowed in the workplace, which includes restaurant patios and decks, and loading docks.

The board also approved a re-

lated requirement that, as of January 31, cigars be sold in their original manufacturer packaging of at least four. That mandate is intended to prevent single-sales marketing to youth and thereby discourage their initiation into cigarette smoking. Finally, the fines for retailers found in violation of Boston's tobacco control regulations have doubled, rising from \$100 for the first offense and \$400 for the fourth offense in 12 months to \$200 for the first offense and \$800 for the fourth offense in 24 months.

RYO Shop Won't Fight Tax Charge

Faced with onerous legal battle, Island Smokes is shutting down.

Staten Island, N.Y.-based Island Smokes is conceding to pressure and giving up its effort to offer in-store rolling machines to RYO customers. Judging that the lawsuit filed against the shop by New York City would be too costly to fight, the stores' owners have decided to shut their store down.

At issue was Island Smokes business model of selling customers loose tobacco and tubes and then allowing them to use the store's equipment to produce their own cigarettes. According to the city's lawsuit, the store was taking advantage of a tax loophole by charging taxes at the rate set for loose tobacco, which is smaller than

the tax rate on a manufactured cigarette pack.

In December the owners of the store and the city signed a consent order calling for Island Smokes to "wind down" its business, liquidate its inventory, and "cease all business operations" under its current trade name.

Under the order, the owners agree to stop "manufacturing, possessing, advertising, offering for sale, selling, and/or distributing cigarettes that do not bear New York State and City tax stamps or which are not certified as fire-safe as required by New York law, including, but not limited to, by selling loose tobacco and pre-formed

cigarette paper tubes and providing customers with access to machines that produce finished cigarettes."

Island Smokes' legal representation told *The Staten Island Advance* that tax revenue money was at the heart of the city's action against Island Smokes.

What remains to be seen is whether stores offering similar services will band together and pool their resources if threatened or will also shut down. Many in the industry are also closely watching a legal battle between RYO Machine Rental, one of the makers of RYO machines, and the U.S. Department of Treasury now pending in the U.S. Sixth Circuit Court of Appeals.

Update on FDA Graphic Cigarette Warnings

By Thomas A. Briant, Executive Director, National Association of Tobacco Outlets



On November 7, 2011, U.S. District Court Judge Richard Leon issued an order granting five tobacco manufacturers a preliminary injunction and a stay against the implementation of the FDA's new text and graphic image warnings for cigarette packages, cartons and advertisements. The five major tobacco manufacturers that brought the lawsuit against the FDA include R.J. Reynolds Tobacco Company, Lorillard Tobacco Company, Commonwealth Brands, Inc., Liggett Group LLC and Santa Fe Natural Tobacco Company, Inc.

This past June, the FDA published a Final Rule requiring nine new text warnings and graphic images to be printed on a rotating basis on the top 50 percent of the front and back of cigarette packages, the left 50 percent of the front and back of cigarette cartons, and the top 20 percent of all printed cigarette advertisements. The new text and graphic image warning labels were to take effect by September 22, 2012.

However, in his opinion, Judge Leon ruled that the manufacturers demonstrated a substantial likelihood that they will prevail on "the merits of their position that these mandatory graphic images unconstitutionally compel speech, and that they will suffer irreparable harm absent injunctive relief pending a judicial review of the constitutionality of the FDA's rule."

COMPELLED SPEECH

Judge Leon determined that the tobacco manufacturers would likely prevail in the lawsuit for several reasons. The main reason is that the First Amendment to the U.S. Constitution protects free speech, including commercial speech such as advertising. This constitutional protection extends to both the right to speak freely and the right to not speak at all. When the government mandates that a person or company make a statement that the individual or business would not otherwise make if they had a choice, this type of speech is known as "compelled speech" and is presumptively unconstitutional. In this case, the judge found that the new text and graphic warning images were designed to compel the manufacturers to "speak"

to consumers so that they would quit or never start smoking, rather than to just simply provide factual health information.

IRREPARABLE HARM

The judge also found that the manufacturers would suffer irreparable harm as a result of the FDA's mandate for the graphic image warnings. This would occur because the companies would be required to spend approximately \$20 million to redesign existing packaging and incur thousands of employee hours to comply with the new warning requirements. Most importantly, the judge noted that the U.S. Supreme Court has ruled that the loss of First Amendment free speech rights, even for a short period of time, constitutes irreparable harm.

FDA APPEAL

On November 29, 2011, the FDA appealed Judge Richard Leon's ruling granting a temporary injunction against the FDA's graphic cigarette health warning images to the U.S. Circuit Court of Appeals. Generally, the appeals process for the U.S. Circuit Court of Appeals will involve the FDA and the tobacco manufacturers submitting appellate briefs arguing their respective sides of the case. Besides the briefs to be submitted by the FDA and the manufacturers, attorney generals from 24 states filed a "friend of the court" brief on December 23rd in support of the FDA graphic image health warnings. The attorneys general argue in their brief that the First Amendment does not prevent the FDA from requiring graphic warning labels on addictive products.

The U.S. Circuit Court of Appeals will schedule an oral argument for the FDA and the tobacco manufacturers to present their case in front of a panel of Circuit Court judges. This appeals process at the U.S. Circuit Court of Appeals level may take up to 18 to 24 months.

This means that there will be a delay in the scheduled implementation date of September 22, 2012 for the FDA's graphic cigarette labels. **TOB**

CIGAR SENSE



Pumped on Private Label

Stogies with store and co-branded labels are gaining in popularity and status.

By Renee M. Covino



Urbano Cigars offers retailers Naked Bundles, bundled cigars they can imprint with their own logo or label.

Imagine you sold a stellar cigar at an incredible value—one that your customers couldn't buy anywhere else. Welcome to the appeal of private label cigars—a growing niche for enterprising tobacco retailers and cigar manufacturers, such as newbie cigar player Urbano Cigars, based in Tampa, Florida.

Along with its three lines of Urbano cigars, the boutique cigar company also jumped on the cigar scene late last year with its Naked Bundles, packed in bunches of 25, available in five different sizes and five different wrappers—meaning a retailer can put his own logo or label on them and be in the private label cigar business immediately.

BUNDLING UP

“Quality bundles at affordable prices is a definite trend in this economy and one I want to help retailers offer with their own label,” company owner Matt Urbano

CIGAR SENSE

tells *Tobacco Outlet Business*. Urbano says he has been thinking about filling this niche ever since he was a young man working as a chef in New England and was priced out of premium cigars during the cigar boom.

"After cigars really took off, the premium segment skyrocketed in price and then was unaffordable to us 'everyday' guys—and it was so hard to find a good bundle product that had flavor and rolled nice," he states. "Now with the change in the economy, this niche for quality bundles is growing and growing."

Urbano says quality bundles are a win-win for customers and retailers. "I've got one retailer telling me he's making triple keystone off of these—he's buying them at \$1 and change a stick, selling them for around \$4 a stick."

Urbano offers a "completely flexible" private label program to retailers looking to get into their own cigar label offering, meaning "we don't have a minimum opening order—you can buy one bundle or 200," Urbano says. "In turn, a retailer can do with that bundle what he or she wants—some guys sell it as a house blend, some break it into five packs or ten packs and put their own stickers on it. I know that each store is different and I'm willing to accommodate whatever that shop owner is looking for."

Additionally, he stipulates that his are "better bundles, quality handmade long filler cigars made as first-runs, not seconds or damaged," rolled by the same people who roll his premium cigars, one cigar at a time, and all wholesaling for under \$3 a cigar (some under \$2). By the summer, he plans to expand his private label offering to short filler cigars, which "will also blow a lot of people away—they'll be able to make at least a full keystone on them as well."

The tobacco outlet industry's leading player—Smoker Friendly International—is a big fan of offering its own private label across tobacco categories, but it recently beefed up its selection of premium private label cigars, including bundles.

"Our premium cigar sales have been growing for the past five or six years at a good clip every year, and some products have done

so well in our stores that we wanted to come out with a comparable private label product with our name on it so customers would know exactly where to come back and buy it," reports Jeremy Weiner, sales and marketing manager for Smoker Friendly corporate stores.

Bundles represented 68 percent of the total 2011 year-to-date units (at press time in late December) for premium cigar sales at Collett Enterprises, a Smoker Friendly authorized dealer in Indiana. The company's private label bundles represented 33 percent of total unit sales for the same time period, according to Brian Powell, general manager at Collett. The company's overall premium cigar business was up 52 percent from 2010.

"We certainly appreciate the value of private value, it gives us the opportunity to offer a quality product to customers they can't get anywhere else," states Powell. "That's the key to SF premium cigars—they're of the highest quality at affordable prices."

Powell relays that SF bundles are typically merchandised at eye level or "the most attractive humidor position—we want to sell those," he says. He added that the private label products have especially picked up in the last six months, attracting more premium domestic cigar customers—and now they are also utilized by cashiers to suggestive-sell domestic cigar customers over to premium.

New SF private label items are the latest draw and keep the private label category fresh as any other. "These are cigar items with a history behind them—it's not like we're reaching out with something totally new to see if it will do well," says Weiner. "We like to choose cigars that have done well in our stores to give extra value to our consumers."

For instance, Rocky Patel's "The Edge" cigar is a good seller in SF corporate stores, so the tobacco retail giant teamed up with Rocky Patel to come out with its own version of the cigar—the just-launched SF/Rocky Patel co-branded cigar, which retails for about \$4.99 a stick in Colorado (with 40 percent OTP tax). "It's more of a value-branded Rocky Patel cigar, that's where we wanted to go with this," says Weiner.

SHORT AND SWEET

Another recent private label cigar launch at Smoker Friendly is the new Piglet cigar, a smaller version/ring gauge and shorter smoke of its Big Pig cigar, launched a couple years ago. It is ideal for cigar customers in colder climates and for those only able to enjoy cigars in a shorter amount of time, a growing trend, thanks to smoking bans and other restrictions on cigar smokers.



Smoker Friendly recently launched Piglet, a smaller, shorter version of its Big Pig private label cigar.

Enjoying shorter smokes is a growing private label cigar trend observed by ECMI Cigars, the only independent cigar manufacturer in Ireland, which focuses entirely on producing private label brands and wants to be the go-to company for retailers who want to develop their own private label cigar.

"Over the past decade or so, we've seen every country gradually shifting to smaller and smaller models," according to Aoife O'Dowd, the company's sales director. "With smoking bans coming into force across the U.S., smokers who traditionally smoked quality big cigars face huge constraints on their smoking time. So on a day-to-day basis, that smoker can enjoy a quality cigarillo that gives a good 10-minute smoke. People in the U.S. don't typically associate small cigars with that level of quality. But there is an area in between where I see huge potential for growth."

Overall in its corporate stores, Smoker Friendly aims to "provide a larger variety of cigars than most in the Denver metro area,

A FRIENDLY BUNCH OF STOGIES

Smoker Friendly is a big proponent and purveyor of private label tobacco products. Its cigar offering has recently been expanded on the high end but spans a complete range from filtered cigars to premium. Here are the various cigars that currently bear the SF name:

- **Filtered Cigars**—Manufactured by Swisher, these are offered in seven flavors: regular, mild, menthol, peach, strawberry, cherry and grape.

- **Cigarillos**—Manufactured by Swisher, these are offered in three flavors: natural, grape and strawberry

- **Grande**—Manufactured by Swisher, the natural flavor Grande is presented in a box of 50 sticks.

- **It's a Boy/It's a Girl**—Manufactured by Swisher, these celebratory Dominican handmade long filler cigars come in a box of 20 in pink or blue.



- **Red Label Bundles**—Manufactured by Altadis, these are a Dominican Gold series developed by a master blender in the Dominican Republic and are the smoothest blend of cigars. They are offered in Toro (Maduro), Churchill (Maduro), Toro (Connecticut) and Churchill (Connecticut).

- **Blue Label Bundles**—Manufactured by Altadis, these are a Honduran Gold series developed in factories from Danli. They are high-quality, strong tobacco cigars for those with more experienced tastes. The Blue Label is available in Robusto, Double Corona, Toro and “A.”

- **Black Label Bundles**—Manufactured by Cusano Cigars, these offer Dominican grown tobacco combined in a long fill cigar and are made by the same master blender/roller who makes Davidoff—Henke Kelner. The product range is Robusto, Corona, Toro and Churchill.

- **White Label Bundles**—Manufactured by Altadis, these Nicaraguan Gold, handmade, premium long filler cigars are the newest of the “color” labels, available in Corona, Robusto, Toro and Churchill.



- **Big Pig Cigar**—Manufactured by Inter Cigar S.A., these come five per pack/five per sleeve. Styles include: Sandwich Dominican Handmade and Premium Dominican Longfill.

- **Piglet Cigar**—Manufactured by Inter Cigar S.A., these just-launched smaller “pig” cigars also come five per pack/five packs to a sleeve. Styles include: Dominican Handmade Medium Fill and Premium Dominican Longfill.

- **Cuban Castaways**—Manufactured by Santa Clara and recently introduced, these premium handmade Nicaraguan blend cigars have imperfections, similar to “factory seconds,” offered at a great price. They are available in flavors of Natural and Maduro, in sizes of Churchill, Torpedo, Robusto and Toro, either in a 50-count box or a 10-pack.



- **SF/Rocky Patel Cigar**—Co-branded with Rocky Patel, this just-launched SF private label cigar is similar to Rocky Patel’s “The Edge” cigar, available in the Toro size in three wrappers: Connecticut, Corojo and Maduro. It is a premium cigar displayed in a tray, but can also be purchased by the bundle.



that’s been our focus,” according to Weiner. “We’ve been adding lounges and walk-in humidors—giving a better shopping experience to purchase cigars.”

Private label cigars are part of this and purposely promoted. “When customers shop our walk-in humidors, we steer them towards our private label,” Weiner says.

“We stand behind them, we know they’re good quality and they are offered at value prices—that is definitely driving the market these days.”

The company is also specifically promoting its Big Pig and Piglet brands with a reward program—customers write their name and phone number on the back

of those cigar bands and a raffle is drawn on the 15th of every month, with first, second and third cigar prizes. A grand prize raffle will also be awarded at its next Rocky Mountain Cigar Festival (in August) with bands from the entire year entered and eligible for a five-day Florida vacation for two. **TOB**

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My Childhood Perspective *of a* Pipe-Loving Father

Bill Doherty, TOB's new pipe columnist and head of market development for Daughters & Ryan, Inc., tells what it was like to grow up with a pipe-smoking dad 50 years ago.



When I was growing up in the 1960s, pipe-smoking was not a hobby; it was just what most gentlemen did commonly in public. And men didn't have pipe collections back then, they had pipe rotations. After all, when you smoke a pipe all through the day, every day, they tend to absorb a lot of moisture. Therefore, smokers would let a particular pipe dry out before smoking it again. Pipe smokers often had one style of pipe they stuck with, so they would buy several of the same kind and rotate them.

My father, Bill Doherty Sr., was one such pipe-smoking gentleman and for the most part, he puffed on Straight Billiards. This made gift-giving very easy for us. Prior to his birthday, Fathers' Day and Christmas, I recall walking with Mom and my little brother three blocks to the neighborhood drug store in our town of Weirton, West Virginia. There, hanging on the wall on a big board display next to the soda fountain was what we were after—Kaywoodie pipes. The more expensive pipes were at the top of the board, and one year we bought one from the top row at \$24.95. We were so

proud of that—we thought that was an incredible amount of money—but my dad was worth it.

On the tobacco side, my dad was a Prince Albert fan and the basement of our house was filled with empty metal cans from Prince Albert tobacco. Every father back then used empty metal tins to store nails, screws, nuts, bolts, and all manner of hardware. My dad used empty Prince Albert cans for this purpose and he would label what was inside with a Magic Marker.

While antique hunting somewhere, he found an early American crock jar. It reminded me of an early American pub pickle jar, and that's what he kept his tobacco in as a centerpiece in our living room.

THE PIPE REPRIMAND

But what was it really like, from a kid's perspective, to grow up with a pipe-smoking dad of the '60s? That pipe represented a lot of things, not the least of which was a reprimand. On numerous occasions, when we were naughty, my dad would knock my brother and I on top of our heads with it to reprimand us

or stop us from doing something. It was never that hard or while lit, but our heads would fill with a hollow “knocking” sound, a stinging sensation, and it would stop us in our tracks immediately.

THE HUMOROUS ACCIDENTS

When you grow up with a pipe-smoking father, you’re bound to witness a few accidents involving a pipe. So the pipe also represented some funny incidents—at my dad’s expense:

Tamping and the Black Thumb

My dad carried his pipe everywhere in a leather pouch—I think he even put it in his pajama pocket—but he didn’t always carry a pipe nail, used to tamp the tobacco with one end. So more than a few times, especially while smoking and driving, he’d reach up and tamp the pipe with his thumb, and all of a sudden, remove it violently and scream “ouch!” That’s when we knew he burned his thumb. He’d pull it out, sucking and blowing on it, and we’d all laugh like heck.

Sitting Down is Bad for Stems

As I mentioned, my dad perpetually had his pipe with him; he’d keep his wallet in his left back pocket and his tobacco pouch, with the pipe, in his right pocket. Despite that it was almost always back there, he’d periodically forget and sit down hard, breaking the pipe right where the stem meets the bowl. It would snap right off, which was more cause for our laughter.

Blazing Pockets

Our family would habitually go to a store together and while walking from the car to the store, my dad would be puffing on his pipe like always. When we’d get to the door of the store, it was common courtesy to put it out, so he’d tamp out the pipe with his thumb and stick it in his side coat pocket. Now, truth be told, I can’t swear that his coat actually caught fire, but after we got inside the store, we’d be walking down one of the aisles and little

puffs of smoke would start billowing out of my dad’s coat. Mom would yell, “Bill, you’ve set your coat on fire again!” This was another accident that happened on more than one occasion—and also to the tune of our never-tiring laughter.

Bowl Burn-Outs

When you smoke a pipe for years on end, the coal will burn more and more of the wood away until one day, it could actually burn a hole through the side of the wood. I can remember twice when my father burned a bowl out while smoking it. A shower of sparks would fall from the pipe and land on his lap; he would

of yelling “Get the net, I got one,” the pipe would fall out of his mouth—before he could even complete his sentence. In other fishing incidents, he’d smoke one bowl and put the pipe in his breast pocket before deciding to reload and smoke another bowl. Of course, that’s inevitably when he’d catch another fish. When he’d lean over the boat to net the fish, his pipe would fall out. In conclusion, many of my dad’s pipes went to their watery grave at the bottom of Lake Wallenpaupack.

Now that I’m a grown man smoking pipes of my own, I look back fondly on those childhood memories of my pipe-smoking father. My father is still alive

“...my dad perpetually had his pipe with him; he’d keep his wallet in his left back pocket and his tobacco pouch, with the pipe, in his right pocket.”

consequently start slapping at his legs. It was amazing that he didn’t set himself on fire! It is crazy what pipe smokers will put up with.

Lost at Sea

Some of my fondest memories are fishing with my brother and my dad in a little rowboat on Lake Wallenpaupack in Pennsylvania. The minute we’d row away, my dad would load his pipe. There would be gentle puffing heard in the darkness as he’d wait for a bite. Once or twice, he caught a big fish and in his excitement

smoking pipes, but my mother is deceased, and I inherited her photo albums. I look back at the early ones, and in every picture my dad has a pipe in his mouth. There are snapshots that my mom took of him holding me at my kid birthday parties—he is never without a pipe!

Just the smell of Prince Albert tobacco—there’s one guy in my pipe club that smokes it—makes the pipe memories of old come flooding back. There I am, with my brother, howling at my dad yet again for seemingly setting his coat afire. **TOB**

Cautiously Seizing

Growth, Opportunity

RESILIENT as ever, the **TOBACCO** outlet industry's **TOP 50 CHAINS** are collectively on **TOP** of **growth** and the latest category **opportunities**, despite their continual **BATTLE** against escalating **REGULATIONS**.

By Renee M. Covino

The numbers don't lie—tobacco outlet retailers at the top are a resilient bunch with store counts in a growth phase for 2012. The *Tobacco Outlet Business* Top 50 chains by store count together comprise 2,144 stores, a steady three percent increase from last year's 2,080 tally and reversing its downward trend.

Two retailers grew their store count by double-digits: the industry's leading chain, Boulder, Colo.-based Smoker Friendly International, by 13 stores, but perhaps even more surprisingly, Smoker's Outlet in Birmingham, Mich., grew by 14 stores this year, jumping the tobacco retailer up from its No. 15 spot to No. 11, now with 37 stores. The growth was a result of both acquisitions and new-store openings; the chain is presently in the process of changing its store names over to "Wild Bill's Tobacco," all with a Western theme, as the name implies.

But Smoker Friendly and Smoker's Outlet are not alone—they merely top a very substantial list this year—44 percent to be exact—of *TOB* Top 50 chains that took advantage of real estate and acquisition opportunities to grow by one store or more since last year's survey; those two chains also lead the impressive 26 percent of Top 50 chains that increased by more than one store.

No change in store count is also seen as a positive these days—or as they say in the industry, "flat is the new up." This same-

store-count group also represented 44 percent of the *TOB* Top 50 chains, which means that a whopping majority—88 percent—either kept a consistent store count or increased it. That is up 18 percent from last year's tally.

Only five chains experienced store declines—and of those, four closed only one store, the other closed only two stores—and these could be viewed as positive moves to keep their chains more profitable moving forward.

One chain is out of business since last year's Top 50, but it was a tobacco outlet chain within the convenience store industry—Speedway Super America's Smokes For Less in Enon, Ohio, formerly with 19 stores.

Of course, these numbers just tell part of the story. In addition to the stifling industry restrictions, complex FDA legislative changes are underway—and while they are certainly a very serious matter to tobacco outlet retailers, they have not thwarted their growth efforts; if anything, they have toughened them with valuable survival skills and cautious enthusiasm for seizing growth opportunities.

So in the face of numerous business challenges, here is some positive news and advice from top players:

There is opportunity for growth in both acquisitions and in building new stores from the ground up, according to Darren Collett, owner, Collett Enterprises Inc., Seymour,

TOB's Top

50

Ind., which jumped five places to No. 21 in the Top 50, now with 22 stores, from No. 26, with 19 stores, in 2011. Collett Enterprises “did it both ways,” last year, says Collett. “The acquisitions are there, but also, especially in a market that is not already adequately served, we can do it ground up.” He notes that another reason there is more room for tobacco outlet store growth is that traditional merchandisers—convenience stores, drugstores and big box retailers—have shrunk their tobacco category mix, “leaving opportunity for us in the markets we serve.”

Smaller towns offer new store growth opportunity, finds Andy Whitaker, vice president of operations for TRO of North Carolina Inc., Lakeview, N.C., now with 22 stores and at No. 20, up from 20 stores last year, but at the same ranking, thanks to others growing their store counts, too. “It depends on the area, but we closed one store in a larger town and opened up new ones in smaller towns, finding there’s not as much retail competition from the big-box guys that sell cigarettes,” he says. “We also looked at the draw in the smaller towns and if the county seat is good. A good county seat draws small business to it and promotes good traffic.”

Cautious store expansion makes for the best store expansion, relays William Grantz, owner/partner of Cox’s Smokers Outlet, Louisville, Ky., at No. 29, with 19 stores. “I believe you really need to be conservative

when thinking about opening a new store from the ground up,” he tells *TOB*. “Always be totally sold on the location and do plenty of research on your competition.” Grantz, who added one store to his chain last year, adds, “We will keep expanding but only in locations where we can combine the cigarette, tobacco and liquor store combinations.”

COMBO CONVERSION

Expanding into tobacco combination stores is working for some top chains, such as Cox’s Smokers Outlet, which is having success with its liquor combination formats, mentioned by Grantz, above. Kwik Trip’s 39 Tobacco Outlet Plus stores, in LaCross, Wis., at No. 10, are also having niche combination success. “We purchased an old stand-alone c-store and converted it into one of our [tobacco] stores with a gas operation,” explains Terry Schmitz, zone leader for Tobacco Outlet Plus. “We also sell dairy, breads, sweets, produce, grocery items, fountain and coffee, and our premium cigar business has grown. We are also always adding new items, in-and-outs, to help the business.”

Gary Tapley, owner of Smoke Shop in Dyer, Ind., No. 14 with 29 stores, has also

“converted some of my stores to a c-store-like demeanor,” he tells *TOB*. “Some are strictly tobacco stores where they have to be 18 to come in, but in some I use pop and coffee and such somewhat as loss leaders to attract people to come inside. I also sell some bread and milk, with the margins on those marked very low. I’ve also expanded into new areas like dog treats—a lot of smokers have dogs I’ve discovered. If I can make 10 percent on something non-tobacco, I’m happy. Tobacco is still 80 percent of my profits, but I’m dedicating a little more space to non-tobacco.”

And for Town Crier, in Mandeville, La., No. 48 with 9 stores, the FDA mandate for tobacco to go behind the counter opened up its square footage for alcohol, according to Randy Drott, owner. “Cigarettes still make up the majority of our volume, dollar-wise, but square-footage-wise, we are now mostly alcohol,” he says. “The behind-the-counter restrictions opened up our floor space for something else.”

Being ready to get out, if a location doesn’t work, is good business practice, advises Whitaker. “If we find the right location, we’ll open a new store and try it out. We’re always looking at different markets. But

Continued on page 36

Tobacco Outlet Business's Top 50 for 2012 by Store Count

BE SURE TO VISIT THE
TMGI BOOTH FOR
AWARD RECOGNITION.

1. **Smoker Friendly International**,
Boulder, Colo.; 760 total authorized
dealer locations, 86 of them company-
owned under The Cigarette Store Corp.
2. **Admiral Discount Tobacco**,
Coopersville, Mich.; 173 stores
3. ***Tobacco Central dba Low Bob's**,
South Bend, Ind.; 129 stores
4. **Tobacco Superstores Inc.**,
Forrest City, Ark.; 85 stores
5. **Discount Smoke Shops**,
St. Louis, Mo.; 48 stores
6. **Smokers Choice**,
Rock Hill, N.Y.; 48 stores
7. **Cheap Tobacco**,
Cincinnati, Ohio; 42 stores
8. ***Brookshire Brothers (Tobacco Barn)**,
Lufkin, Texas; 41 stores
9. ***NBS Inc.**,
Parkersburg, W.Va.; 39 stores
10. **Kwik Trip (Tobacco Outlet Plus)**,
LaCross, Wis.; 39 stores
11. **Smokers Outlet dba Wild Bill's
Tobacco**, Birmingham, Mich.; 37 stores
12. **TBM Management**,
Pearl River, La.; 30 stores
13. **Smokin' Joes**,
Waymart, Pa.; 30 stores
14. **Smoke Shop, Inc.**,
Dyer, Ind.; 29 stores
15. **Puff-n-Snuff**,
Lock Haven, Pa.; 26 stores
16. **Shop Rite/Tobacco Plus Discount
Outlet**, Crowley, La.; 24 stores
17. ***CLTS Inc./Dot Discount/Cigarette
City**, Newark, Del.; 24 stores
18. **A&K Wholesale (Discount Tobacco
Outlets)**, Murfreesboro, Tenn.; 22 stores
19. ***Kebob (Tobacco Connection)**,
Nampa, Idaho; 22 stores
20. **TRO of North Carolina Inc. (Tobacco
Road Outlets)**, Lakeview, N.C.; 22 stores
21. ***Collett Enterprises Inc.**,
Seymour, Ind.; 22 stores
22. **Carolina Discount Tobacco**,
Clintwood, Va.; 21 stores
23. **Big Smoke, LLC**,
Boise, Idaho; 21 stores
24. **Smoke 'N' Go, LLC (Cheap-O-Depot)**,
Abbeville, La.; 20 stores
25. ***Smokes 4 Less**,
Poughkeepsie, N.Y.; 20 stores
26. ***Delta Distributors, LLC/Discount
Tobacco Outlet**, Andalusia, Ala.; 20 stores
27. **Fast Lane Discount Tobacco**,
Lovely, Ky.; 19 stores
28. ***Cigarette Outlet**,
Davenport, Iowa; 19 stores
29. **Cox's Smokers Outlet**,
Louisville, Ky.; 19 stores
30. ***Kocolene Mktg. LLC (Smokers
Host)**, Seymour, Ind.; 18 stores
31. **Puff Discount Cigarettes, Inc.**,
Mill Hall, Pa.; 18 stores
32. **Gateway Marketing, Inc./Tobacco
Station USA**, Texarkana, Ark.; 18 stores
33. **Louisiana Discount Tobacco
(Discount Tobacco Outlet)**,
Shreveport, La.; 17 stores
34. **Tobacco Shoppe/Save-A-Lot**,
Bowling Green, Ky.; 16 stores
35. **William & Taylor Tobacco**,
Mullins, S.C.; 16 stores
36. **Tobacco Road Inc.**,
Jermyn, Pa.; 16 stores
37. ***Cigaret Shopper**,
Brewer, Maine; 16 stores
38. **Tobacco Depot**,
Tampa, Fla.; 15 stores
39. ***JC's Cigarette Outlet**,
Elizabethtown, Ky.; 15 stores
40. **Ross-Lab Marketing, Inc. (Nothin'
Butt Smokes)**, Lubbock, Texas; 15 stores
41. ***Klafters Inc.**,
New Castle, Pa.; 14 stores
42. **Bo's Smoke Shop**,
Elizabethtown, Ky.; 13 stores
43. **Dirt Cheap Cigarettes & Beer**,
Fenton, Mo.; 13 stores
44. **Tobacco Discount**,
Picayune, Miss.; 12 stores
45. ***MGN Tobacco**,
Raleigh, N.C.; 12 stores
46. ***Redi-Mart Tobacco LLC**,
Elizabethton, Tenn.; 11 stores
47. ***Truax 2 LLC (formerly James
Trenary Inc.)**, Salem, Ore.; 10 stores
48. **Saver Group Inc.**,
Campbellsville, Ky.; 10 stores
49. **Town Crier Inc.**,
Mandeville, La.; 9 stores
50. ***High Times Liquor Mart/Smoker's
Outlet/Tobacco N More**,
McCook, Neb.; 9 stores

Continued from page 33

when we open one, we usually give it a year. If it's not profitable by then, we shut it."

RYO is picking up nicely, according to several players. For TRO of North Carolina, sales are increasing every week, according to Whitaker. "You certainly can't just depend on cigarette sales anymore," he says. "The profit now lies in the store as a whole. We expanded our RYO department a little bit and the volume is growing. We don't have the rolling machines, but we might try them this year."

At Collett Enterprises, RYO sections have been expanded by 40 to 50 percent in each store, based on customer demand, according to Collett. "It was the best change we made," he says.

E-CIGS ON THE RISE

E-cigs are now the most profitable category in Cox's Smokers Outlet stores, according to Grantz, and so the chain continues to grow it. "We have an advantage over our competition, especially the convenience stores as they were late getting into the business and their staff is not educated on the product," he says. "We are always looking to add any product line that relates in any way to our base business."

Phil Metzinger, vice president of tobacco operation for Brookshire Brothers' 41 Tobacco Barns, based in Lufkin, Tex. at No. 8, also reports e-cigs as being "huge" for us. "There's a doctor [nearby] who is sending smokers to our outlets for e-cigs; we're blowing the doors off of them," Metzinger says. The chain is also doing well with alternatives such as Smokey Mountain snuff. "I see this as a point of responsibility for us—moving to safer forms of tobacco use," he adds.

Inventory control and inventory management can help a tobacco chain achieve new highs. Just ask Darren Collett, of Collett Enterprises who tells *TOB* he has "built a business on it." He credits inventory control and handling for his chain's recent category expansion in RYO. He adds, "We monitor it very closely, not only

shrink, but we control the inventory—it's the biggest thing we're doing moving forward."

An upscale image is in, at least in part, say several top chains. "We have upgraded some of our stores with remodels to improve their image, reports Schmitz from Tobacco Outlet Plus.

"With the mix of products that most of our stores stock, especially the stores that have liquor and wine, we try to portray more of an upscale look," agrees Grantz from Cox's. "To attract the female customer, especially the wine drinkers, we feel we need to portray that image. We have a tag line we use in our print and TV advertising—'Here's to the Good Life.' We feel that the products we sell make people feel that they are enjoying life."

Collett Enterprises presents a discount image "but with a classy flair," according to Collett. "The majority of our customer base is a discount shopper, but we have a classy flair with walk-in humidors in half of our stores, a premium cigar offering, and some upscale items as well."

Tailoring stores with a micro-marketing approach can do wonders for the bottom line, agree several retailers. "I think each of our stores tries to assimilate to the demographics of the area," says Randy Silverman, president, Klafers Inc., New Castle, Pa., No. 41, with 14 stores. "For the more affluent areas, we try for a more upscale approach with a larger humidor and a cigar lounge when space is available. For some of the more modest areas, we may not have as large of an investment in our humidor or the amount of products that we sell. RYO and generic cigarettes seem to do much better in stores where the income demographics are lower."

"I'm not—and you can't be—a cookie cutter operation in this business today," adds



Tapley. "You have to tailor and diversify because all the c-stores and your other competitors are doing it. You have to mix it up inside depending on the market."

Customer service is really in, and, in fact, at Cox's Smokers Outlet, "our store customer count has remained the same or increased in our locations, even with the decrease in smoking," Grantz proudly reports. He also tells of his best customer anecdote last year: "I had a customer personally call me and let me know he was going to be a lifetime customer of ours," Grantz relays. "His reason was that one of our managers went beyond the call of duty to find him a hard-to-find product that he was searching for. It makes you realize that your constant reminders about customer service [to employees] do sink in if you keep beating the drum."

Moving forward this year, the typical and new challenges still abound, but most top chains are taking it day-by-day. "With the FDA now, you just never know what's going to happen with this business," says Whitaker. "It can change every day, so you have to just roll with it."

"I think every tobacco retailer is wise to survey the landscape and the communities they serve because there are still lots of opportunities out there for new locations, new lineups and increased variety," adds Metzinger from Tobacco Barn. "There are people that truly enjoy this category and there always will be." **TOB**

Welcome

TOB would like to extend a warm welcome to the retailers, wholesalers and exhibitors hailing from the U.S. as well as nations around the world who will be joining us in Las Vegas at TPE 2012 Feb. 1–2. This year's show, themed "It's All About Tobacco Business," promises to be the most successful yet, jam-packed from start to finish with business opportunities.

Whether you're looking to find that next blockbuster item for your store shelves or to promote your products and business you'll find TPE 2012 the ideal venue to achieve your goals. The first day's morning program of conference sessions will cover the latest news and trends driving the tobacco

industry, as well as offer information and ideas to help attendees work smarter and boost revenues. In response to feedback received from last year's attendees, the trade floor will open immediately following the first day's seminar agenda and at 8:30 a.m. the following morning to help you make the most of both the exhibition and your Vegas trip.

TPE 2012 will also offer some great opportunities to mingle with industry peers and exchange ideas and industry insights. The Super Bowl-themed opening night reception at the Las Vegas Hilton Hotel will help you kick off your trip with an opportunity to socialize

and network with your colleagues in the tobacco industry. Even the trade show floor offers a chance to relax and recharge while forging connections at the newly expanded cigar lounge, which will be well-stocked with complimentary beer, wine and soft drinks.

In short, everything about this year's show is geared toward helping exhibitors and attendees place orders, network and participate in the educational sessions to learn better business strategy that will increase their bottom lines. At TPE 2012, it truly is All About Business!

Be sure to stop by *TOB's* booth at the show and say hello. See you at the show!

me

Welcome to ...



TPEX 2012

TPE 2012

Schedule

Wednesday February 1, 2012

- 7:30 a.m. Registration opens for conference attendees*
- 8:00 a.m. Continental breakfast served in conference area*
- 8:30 a.m. KEYNOTE SESSION:
Seth A. Mailhot, Special Counsel
Food & Drug Law Group
Sheppard Mullin Richter & Hampton LLP*
- 9:45 a.m. Premium Cigar Panel:
Glynn Loope, Moderator, Cigar Rights of America*
- 11:00 a.m. Exhibit Hall Opens
Cigar Bar & Lounge
Spin & Win Prize Wheel*
- 5:00 p.m. Exhibit Hall Closes*
- 5:30 p.m. Opening Night Reception at the Hilton Hotel Ballroom E
(ticket required)*

TPE 2012

Schedule

Thursday February 2, 2012

- 8:00 a.m. Registration Begins*
- 8:30 a.m. Exhibit Hall Opens
Continental breakfast is served*
- 5:00 p.m. Exhibit Hall Closes*



INTER-CONTINENTAL: Taking on Tube-Making

Known for its pipe tobacco, this Illinois-based manufacturer is making a bold move into tube manufacturing.

By Jennifer Gelfand

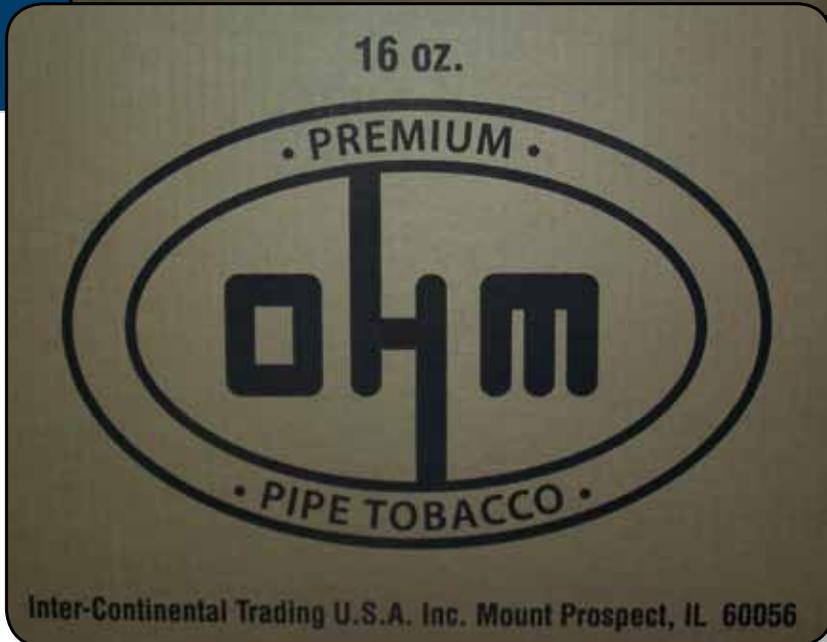
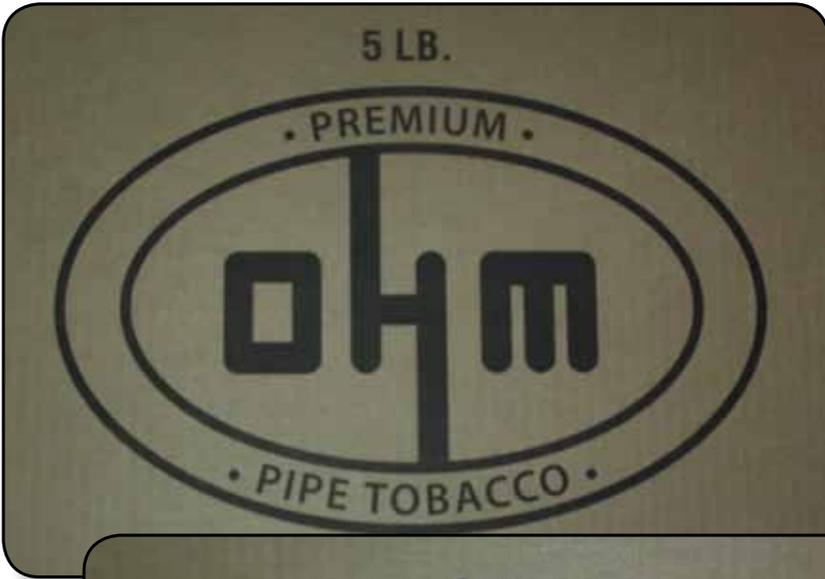
In the nearly eight years Shargio Patel has owned and operated Inter-Continental Trading U.S.A., Inc., his company has grown from a small RYO importing company to a major supplier of RYO tobacco, cigarette rolling machines and accessories. Most recently Patel has expanded into manufacturing Shargio Cigarette Tube products by installing state-of-the-art machinery at his Mount Prospect, Illinois plant.

“We see RYO becoming more prevalent in the industry as cigarette prices rise and smokers look for ways to save money,” says Shargio. “Inter-Continental has invested significantly by outfitting our production facility with cigarette tube-making machinery. Our company has been developing and refining our cigarette tube manufacturing capabilities for the last full year and we are now fully operational.”

Inter-Continental’s Shargio Cigarette Tubes have a strong appeal for smokers who are looking to switch from traditional cigarettes to RYO/MYO. Notes Shargio, “When we were doing



Shargio Patel, president and founder of Inter-Continental Trading U.S.A.



test marketing of cigarette tube products, we found that people wanted the taste of their roll-your-own cigarette to be as close as possible to those of a manufactured cigarette. Our tubes have longer filters, which means they will taste more like a manufactured cigarette than those of any of our competitors.”

While replicating the manufactured cigarette smoking experience has always been the primary goal of Inter-Continental Trading, OHM Pipe Tobacco and Shargio Cigarette Tubes also deliver value from a monetary standpoint. “Our products are 10 to 15 percent

cheaper than our competition's," Shargio asserts. "We deliver good quality products at a reasonable price."

"This same philosophy applies to Inter-Continental's other popular products," he adds. "Earlier this year

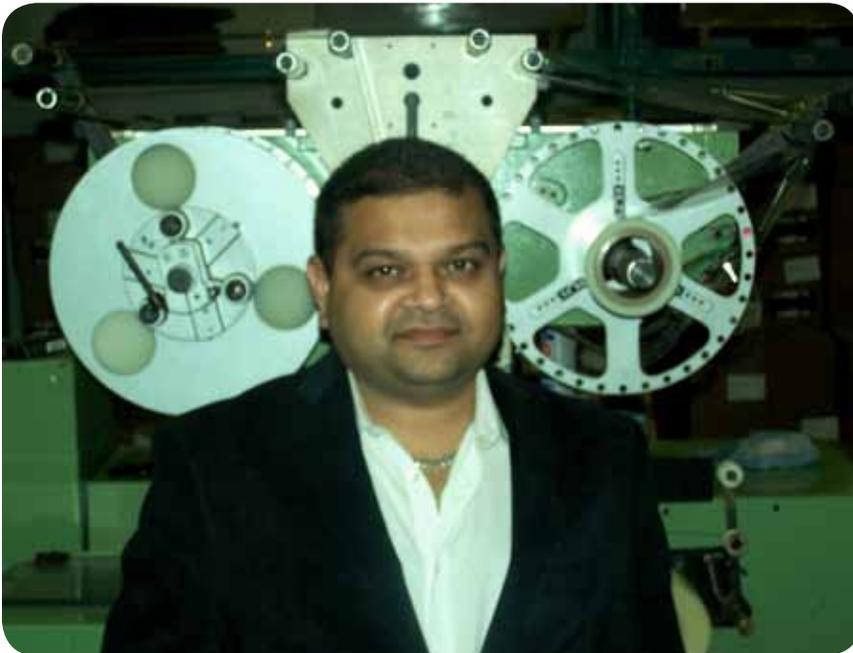
our company began manufacturing OHM Filtered Cigars. Packaged in a flip top box, our cigars come in five different flavor blends—red, blue, menthol, cherry, and vanilla. Like the Shargio Cigarette Tube line, our filtered cigars offer a

great value, too. They are very competitively priced and have been well received by the retail community."

Inter-Continental also offers OHM Pipe Tobacco, a premium blend of American tobaccos, which is available in a variety of flavors and several different sized bags. All of Inter-Continental's products are manufactured at their Illinois facility. "On-site manufacturing enables ICT to deliver quality and value to our customers," says Shargio.

"We use the finest ingredients and everything is made in our state-of-the-art facility under very tight quality control. We are able to produce affordable products for our customers because we do our own manufacturing."

Moving forward, Inter-Continental Trading U.S.A. will continue to develop new products for the pipe tobacco and RYO marketplace. "We will expand our presence through innovation and by providing affordable, high quality products for our tobacco customers." **TOB**



"We are able to produce affordable products for our customers because we do our own manufacturing."

CIGARS: Then, Now and Forever

By Dick DiMeola

A cigar lover and industry veteran offers a cornucopia of history, anecdotes, and general cigar lore that makes you want to relax and stay a while.

Carved in birch bark annals of the Huron Indian Tribe is this ancient legend that the Indians say recorded the creation of tobacco:

Eons ago, there was a time when the earth became barren and the people were starving. In answer to their prayers, the Great Spirit in the Sky sent a goddess to the planet to save humanity. She roamed every corner of the world. Wherever she touched the earth with her right hand, there grew potatoes; and wherever her left hand dug into the soil, there grew corn. Finally, after a long, arduous journey, Earth was once again rich and fertile. Afterward, upon finishing in the Americas, the goddess sat down on the ground to rest. When she arose, there grew tobacco.

HISTORY OFFERS PERSPECTIVE

After anchoring off the coast of China, a party from Christopher Columbus' expedition went ashore to find and greet the Chinese emperor. Instead, they found indigenous natives, many of whom were burning rolled up leaves, fired at one end, producing smoke from their mouths. The landing party never found the Chinese emperor; they were in Cuba.



**The landing party NEVER
FOUND the Chinese emperor;
they were in CUBA.**



...the townsfolk thought he had become a crazed demon, so they threw him in jail.

the millennium, when I started in the cigar business (c.1956), the company I worked for, Faber, Coe & Gregg, the country's most eminent importer of fine Cuban cigars, was on a public relations campaign promoting cigar smoking etiquette, part of which implored smokers not to carry a lighted cigar in an elevator, particularly

if it was crowded, and to be

mindful of fellow diners in a restaurant.

The company's headquarters was smack in the middle of Manhattan's Garment District, probably the most prolific square mile of real estate in the world for cigar

The sailors consorted with the natives and some of them took to their cigar smoking custom. One shipmate, Rodrigo de Perez, became an inveterate smoker and, when he returned to his hometown in Spain with his newfound obsession, the townsfolk thought he had become a crazed demon, so they threw him in jail. By the time he was released, seven years later, cigar smoking had become a growing pleasure throughout Europe.

Fast-forward about five centuries. Today, if you get caught smoking on a sidewalk in Great Neck, New York, you can be sent to jail and suffer a fine. It's okay to smoke in the streets of Great Neck, but not on the sidewalks. Similar punishment is imposed on the beaches of California and New York or in New York City's Times Square and other places around the world; a sixteenth century redux.

Forty-four years prior to



smoking at the time. Virtually every office building had a newsstand in the lobby that offered full assortments of fine Clear Havana and Imported Cuban cigars.

As corporate executives left for lunch, they'd stop by to select their favorite smoke to be enjoyed in the restaurant over coffee. But they didn't have the luxury of being able to linger 30 or 40 minutes, so rather than waste their 70-cent investment (the second-most expensive cigar of the era), they'd bring it, still afire, back with them to their offices. How did they get back to their offices? Why, on elevators, of course.

Try that today!



Today, if you get caught smoking on a sidewalk in Great Neck, New York, you can be sent to jail and suffer a fine.



HISTORY CAN BE REWRITTEN

One of the most prominent cigar smokers the world has ever known was Winston Churchill. There's a museum in London dedicated to Churchill, called The Churchill Museum and Cabinet War Rooms. A photographic mural of the great man in his naval uniform is permanently stationed above the entrance.

The original photo pictured Churchill with the ever-present cigar in his mouth, but in the mural over the entrance the cigar has been removed. It's as if the fiery Winnie, The British Bulldog, as he was known, had one of his appendages stolen.

Take a look at this before and after:



“Smoking cigars is like falling in love, first you are attracted by the shape, you stay with it for the flavor, and you must always remember, never, never let the flame go out.”

—Winston Churchill

BUT CIGAR LOVERS PERSEVERE

Churchill loved his cigar. Almost every existing premium trademark contains a large size in it called Churchill, and there's even a Winston Churchill brand made by Davidoff. Winston Churchill revealed how he felt about cigars when he said, “Smoking cigars is like falling in love, first you are attracted by the shape, you stay with it for the flavor, and you must always remember, never, never let the flame go out.”

some time to think of what he was going to say next, he'd pause, taking a puff on his cigar.

George Burns died at age 100. When he was in his 90s, someone asked him what his doctor said about all the cigars he smoked. George replied, “My doctor's dead.”

There were many other colorful cigar lovers of yesteryear, like Rudyard Kipling (“A woman is only a woman, but a good cigar is a smoke”); Sigmund Freud

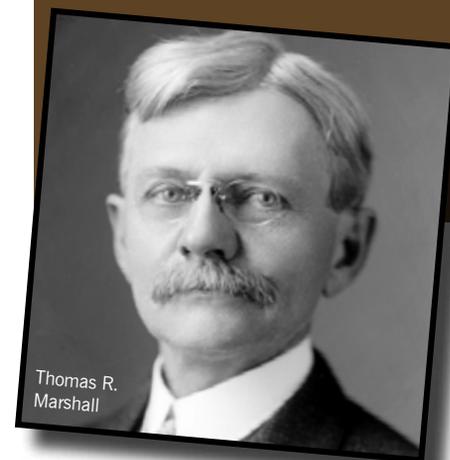
Lots of prominent people still smoke fine cigars: celebrities, actors, singers, comedians, politicians/gangsters (forgive me, the terms aren't really synonymous)—you can find them on the covers of *Cigar Aficionado* magazine—they just don't do it publicly so much any more; cigar smoking has become too asocial.

When I think of celebrity cigar smokers, I can't help but remember George Burns, comedian, actor extraordinaire. George Burns smoked El Producto cigars, a mass market variety made with homogenized tobacco wrappers and binders and chopped up filler. He liked them because they never went out when he was on stage. He used his cigar as a prop. When he needed



“What this country needs is a good five-cent cigar.”

—Thomas R. Marshall



(“Sometimes a cigar is just a cigar”); and the 28th vice president of the U.S., Thomas R. Marshall (“What this country needs is a good five-cent cigar”), to name just a few.

But the father of American literature, Mark Twain, is credited with some of the most memorable quotes: “I smoke in bed until I have to go to sleep. I wake up in



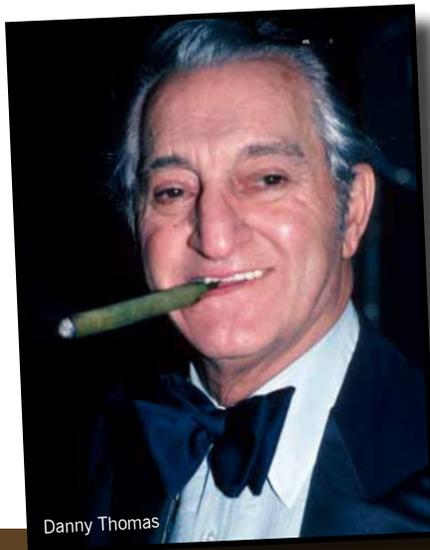
I don't remember the first cigar I ever smoked. It couldn't have been a very good one though, otherwise the first fellow who had it wouldn't have thrown it away so soon.
—Mark Twain



the night—sometimes once, sometimes twice, sometimes three times—and I never waste any of these opportunities to smoke.” Then there’s my favorite: “I don’t remember the first cigar I ever smoked. It couldn’t have been a very good one though, otherwise the first fellow who had it wouldn’t have thrown it away so soon.”

And today? Well, you don’t see anyone smoking on television anymore, as did Ernie Kovacs, Sid Caesar and Danny Thomas, and having an actor smoke in a movie is virtually taboo, even if it would more accurately depict a scene or an era.

Some famous people, like Bill Clinton, won’t allow themselves to be photographed smoking. (I have a picture of Bill with a cigar in his mouth,



but it’s not lit.) And just try to catch Barack Obama sneaking a Marlboro on the White House balcony.

The days of smoking cigars in public are waning. When the FDA switches attention from cigarettes and smokeless tobacco to the king of the leaf, will the enjoyment of a fine cigar be destined for the ash heap? Passage of two bills in

Passage of two bills in Congress, H.R. 1636 and S. 1461, would exclude premium cigars (not the cheap stogies) from FDA control and could save us from that unhappy fate.

Congress, H.R. 1636 and S. 1461, would exclude premium cigars (not the cheap stogies) from FDA control and could save us from that unhappy fate. Let us pray!

BUT WAIT! ... NOT SO FAST

A fascinating and important spread of cigar lounges has been happening over the past 15 years. The opening of New

...having an actor smoke in a movie is virtually taboo, even if it would more accurately depict a scene or an era.



...you can't smoke practically anywhere in public, not without being stared at... except in a cigar lounge.



York City's Macanudo Cigar Bar in 1996 was one early entry to the field, and the cigar lounge trend has only accelerated over the last decade.

Why are lounges so key? Well, you can't buy good cigars at building stands

anymore. In most places you can't smoke them inside any public building or even within 100 feet of the entrance. In fact, you can't smoke practically anywhere in public, not without being stared at... except in a cigar lounge.

If you're a tobacconist or any retail purveyor of fine cigars, you'd better offer your customers a place to use your product, or they'll buy elsewhere whenever they can. Easy chairs, flat screen TV's, maybe a wine bar, certainly a coffee machine—all promote the camaraderie and relaxation that men all over the world crave. It is the stimulation for the cigar lore of tomorrow.

Whether it's a "Good ol' Boy" joint in the back woods or a highfalutin' urban parlor, if you provide a comfortable place for men to buy a good cigar, gather, watch a sporting event, smoke and converse with each other over a Robusto and a nipperkin, they will come.

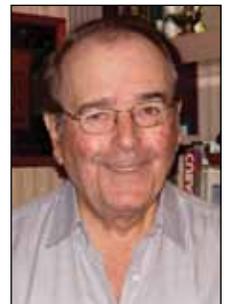
All over the world, from sections

of retail tobacco shops converted into smoking corners, to 3,000-square-foot cigar emporiums, we revel in the pleasure of the aromatic leaf that began spreading centuries ago, as that forlorn sailor from Columbus' crew discovered when he fired up his first cigar after leaving prison.

Put succinctly, tales of the coming demise of cigar smoking are greatly exaggerated. Man's love affair with a good cigar is and will continue to be alive and thriving.

Pass the cutter! Invite the FDA! **TOB**

Richard DiMeola, retired EVP and COO of the largest cigar company in the world, has been active in the tobacco industry for 55 years, with primary focus on premium cigars.



S&M Brands' Cigar Debut

A tobacco-farming family turned cigarette maker is now turning its attention to cigars.

By Jennifer Gelfand

In America, where anything more than a century old is a rarity, the Bailey's family business stands out. This Virginia family has been in the tobacco business for more than a century. Early on, the business centered around tobacco-farming:

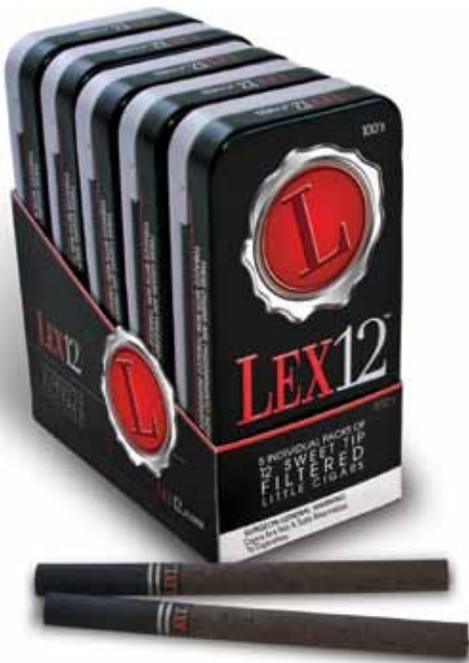
sowing seeds, nurturing growth, harvesting tobacco, and selling it at auction. "My family has been growing tobacco since the late 1800s within a two-mile radius of where I'm sitting right now," Bailey told *TOB* recently from his offices in Keysville,

Virginia, noting that his father, Mac, extended the family business into manufacturing in the '90s. "As a farmer, my father was always at the mercy of what the big tobacco companies were willing to pay him for the tobacco he had sweated over for a year. It got to the point where he wanted to put that tobacco into his own product and control his own destiny."

The decision proved prescient. Malcolm Bailey started Golden Leaf Tobacco Company in 1980, and that company continues to supply tobacco to processors and manufacturers today. About a decade later, he called upon his son Steven to develop a cigarette blend. The result was Bailey's: a blend of 40 different types of 100 percent American-grown flue and burley tobaccos with a touch of Oriental tobacco that come together to provide a rich, satisfying flavor. The family formed a sister company, S&M Brands, to market the cigarettes in 1993. The timing was serendipitous—Bailey's cigarettes hit the retail marketplace in 1994, just a few years prior to the Master Settlement Agreement that reshaped



Steven Bailey, CEO, with Tricia Lynch, Principal Profit Partner



the tobacco market landscape. As the major manufacturers hiked prices to make the payments mandated by the settlement, the Baileys were able to offer smokers a lower priced, quality alternative to the major premium brands on the market.

“Our business grew in leaps and bounds between 1998 to 2004. We were shipping between 12 million and 13 million cartons of cigarettes a year,” recounts Steven Bailey, who serves as president of the company. Over time, the need to participate in the MSA along with various legislative developments have whittled away at the cost advantage S&M Brands enjoyed in those early post-MSA years.

But the company has continued to build on its legacy of delivering quality, all-American tobacco products. In 2000, S&M introduced Tahoe, which is now its biggest seller, and in 2009 it developed Riverside, a conventional fourth-tier brand.

“We are absolutely committed to the cigarette business long term. All three of our brands meet the needs of specific price niches that exist in the industry now,” notes Bailey, who says that consumers are increasingly seeking value-priced alternatives.

“We are seeing consumers mass move to lower priced products.” Manufactured at the company’s Virginia plant, all three of S&M’s





PIPE POTENTIAL

In addition to cigarettes and cigars, S&M Brands has been faring well with its pipe tobacco; a category that has soared since the passage of the SCHIP legislation when roll-your-own customers turned to pipe tobacco as a way of avoiding onerous cigarette tobacco taxes. But like many in the industry, Steven Bailey sees the pipe tobacco boom as a revenue train that will eventually sputter to a halt. "I am semi-committed to the category," he says. "I fully anticipated Congress closing that loophole, but at the same time, with where we are in the election cycle, I would be surprised if Congress does anything between now and next February, so I'm actually more committed to the category than I was two or three months ago."

S&M currently sells pipe tobacco in 16-ounce bags and several different styles. "We will be introducing another pipe product that we will push on a national scale," adds Bailey. "It's all a price proposition. At some point the loophole will be plugged, but until then consumers are looking for an alternative to paying \$30 for a carton of cigarettes. So there is an opportunity to make money in the pipe business until something changes."



"It's all a price proposition. At some point the loophole will be plugged but until then consumers are looking for an alternative to paying \$30 for a carton of cigarettes."

— Steven Bailey

cigarette brands are now firmly entrenched in the Southeastern states in which they're sold (Virginia, West Virginia, North Carolina, South Carolina, Maryland, Delaware, Tennessee and Kentucky).

APPLYING INNOVATION IN CIGARS

While cigarettes remain at the very core of the company, more recently the Baileys have turned their attention to cigars. That journey began two years ago, when Steven Bailey began seriously considering the idea of developing a cigar product. "One of the things I have a great deal of passion for is creating

tobacco products," he says. "There's no telling how many hours I have spent pacing the floor at night and trying to solve problems in tobacco land."

In the case of the cigar market, Bailey saw two problems that dovetailed together nicely. First, to compete in the crowded cigar marketplace he knew he would need to offer something different. Second, he felt that one of the biggest issues facing smokers of both cigarettes and cigars is odor. "My observation over time has been that those of us who smoke tend not to recognize or care much about the odor we leave behind—which is not the case for nonsmokers. So the question was: how do you create an aroma that won't bother a nonsmoker in the room?"

To achieve that goal, Bailey drew on his knowledge of the cigarette industry to create a cigar that was smooth and pleasurable to smoke and that also

left behind an aroma that was not just inoffensive, but actually pleasant. Like the rest of S&M's brands, the cigars would be machine-made and contain American-grown tobacco. "We don't consider the tobacco we produce here on the level of a \$10 cigar," says Bailey. "Our product is different in that we are using several U.S.-grown varieties of tobacco to produce this blend, which then goes through a complex process unusual to the cigar industry," he says. "It is a good smokable product that has a great taste and leaves a wonderful aroma. I have tested and retested this over the last two years and concluded that if my grandmother walks into a room where one of these is being smoked, she will not turn up her nose. We've gotten rave reviews in every test market we've done."

Dubbed LEX12 (12 stands for the number of sticks in each package), the



cigars will be debuted at the Tobacco Plus Expo International in Las Vegas in February and also be shown at NATO, AWMA and IPCPR later in the year. “They will be packaged in a sealed tin, which is unique for a mass market cigar,” says Bailey, who notes that the marketing of the cigars will be a departure for the company, which has historically focused on distribution in the Southeast. “We recognize that compared to cigars the volume of cigarettes is massive, so if we were going to get into the cigar market we would need to do it on a national scale.”

As with S&M’s other products, the cigars will be produced entirely in Keysville, Virginia, where Bailey will be able to keep a close eye on production and quality control. While the company plans to work primarily

through wholesalers and traditional distribution channels rather than sell directly to retailers, Bailey is highly committed to meeting the needs of the retail marketplace. “With what’s going on in today’s market, I believe retailers are looking for foot traffic and margins,” he says. “While we have no way to dictate pricing, we feel this product can be priced at the level of clove cigars and easily support a 30 percent margin. At the same time, it offers retailers an opportunity to differentiate themselves in the marketplace by offering something no one else has.”

Ultimately, he adds, that’s what S&M is all about. “I would like the retail community to know that we firmly support their profitability because if they’re not profitable, they won’t stay in business—and neither will we.” **TOB**

Back to the FUTURE

**Tinder Box's
Craig Cass' crystal ball sees cigars and cigar lounges leading the way to profitability.**

Some people choose to get into the tobacco outlet business. Others—like Craig Cass, president of Tobacco Trader, vice president of Cassco, and the owner and operator of six Tinder Box of the Carolinas stores—are born with it in their blood.

Cass first became a tobacconist back in 1986 when his father asked him to help out at their flagship tobacco shop in Winston-Salem, North Carolina. "I thought it would be fun for a while," recalls Cass, who had been a business major in college and loved selling and marketing.

The single store that opened as Cass' father's hobby back in 1973 is now a powerhouse chain, with Cass a driving force behind its growth. "It's been an epic run," he says. "The business has evolved a lot. In the '80s we were predominantly pipe



stores, then in the '90s tobacco usage dropped, so we moved into masculine giftware, and then later it turned back to cigars. I remember in the late '80s thinking there would be no future, but we're still here."

"I've had a wonderful run, and business is still good," he says. "In retrospect, we were well positioned for the boom, and I took advantage of it in every way I could, but I didn't

“We do have an online presence, but we don’t focus on doing lots of Internet sales. Instead, we offer great value, service, convenient locations and a staff that genuinely cares.”

anticipate Internet growth and how that’s been such a challenge for brick-and-mortar stores and will continue to be going forward.”

To keep pace with online retailers, Cass’ stores are aggressively promoting their products and their services via traditional print media. “We do have an online presence, but we don’t focus on doing lots of Internet sales. Instead, we offer great value,

service, convenient locations and a staff that genuinely cares. And we’re also big on boutique and limited edition products because it’s something [that] the Internet guys can’t stack 50 boxes high in their warehouses.”

Smart retailers deliver on all of the aforementioned as a minimum standard, he says, because there are so many customers out there who still want to touch, feel and taste a product before they buy it.

CIGARS POISED FOR ANOTHER BIG RUN

Cass, who is a past president of the Tobacconists Association of America (TAA) and the current second vice president of the International Premium Cigar & Pipe Retailers association (IPCPR), has seen everything under the sun happen in the business, and today he sees pleasure and value fueling the resurgence of interest and



intrigue in cigars. “Look at this economy,” he says. “Cigars are still an affordable luxury. People like tobacco, and there are so many quality cigars available. Where else can a guy buy an hour of pleasure for \$5 an hour?”

Cigars still offer consumers a great escape, he says. “They’re a symbol of celebration and a sign of relaxation. They’re like wine...people are curious, and there are lots of entry points. Some people like something light and mild, others like something that’s rich and complex...it’s like choosing a creamy chardonnay or a big cabernet.”

Cass’ stores range from 600 square feet on up to 2,200 square feet, but big or small they’re all focused on selling major and boutique cigar brands, pipes and pipe tobacco. “We also sell RYO and imported cigarettes,” explains Cass, “and an assortment of related giftware such as cutters, humidors, leather goods and so on. But premium cigars are clearly the fuel that runs the engine.” Premium cigars account for a whopping 76 percent of Cass’ business. “This product class creates a strong sense of customer loyalty, and the dynamics of new product introductions keep the consumers coming back to sample and purchase additional brands,” he asserts.

Cass says limited edition cigars

“Without proper ventilation you’re shooting yourself in the foot. Don’t just clean and recycle the air... smoke eaters and charcoal filters won’t do the job. In my experience, you have to turn the air over.”

have become an explosive category because manufacturers can create unique blends in limited runs and the consumers love to snap them up. “People of our generation are inclined to love the best-selling brands of the past 30 to 50 years, but when they walk into a wine store or a restaurant, they’re used to being told what’s hot and what’s special,” he says. “When they walk into a humidor, deciding what’s special is almost subconscious, so it’s critical for us to buy new releases. It can be a short-run product, maybe 1,000 boxes of a really unique brand, a unique wrapper, or a unique package. Cigars are special, something that is shared, and you don’t always have them by yourself.”

FREE ADMISSION CIGAR LOUNGES WITH ALL THE COMFORTS OF HOME

Cass is a believer in the power of monthly events—not free ones, though, because they attract too many freeloaders. “We hold events with

interesting manufacturers and their representatives,” he says. “They can work really well, and we hold them with an associated cost of entry to eliminate the poseurs.” His stores also plan some giveaways of new releases and conduct meet-and-greets with certain manufacturers, but the cornerstone of his cigar strategy is in-store lounges. “Our lounges are critical to our business...they are what keeps consumers onsite, and they are what creates a loyal buying environment,” he says.

While Cass says that lounges with amenities are essential to success in the category, the right in-store location is the key. “They have to be located in the back of your store,” says Cass. When a lounge is in the front of the store, the shopping experience is brutal from the get-go, he explains. “Customers don’t see the best side of the product, and you are actually hindering impulse traffic in your store. When they walk right into a lounge—rather than walking through your store

to get to it—the customers will end up engaging other customers, which means you lose that opportunity to interact with them.”

Furthermore, no one wants to walk in the front door and push through a crowd of people in tears from the cigar smoke. “Cigars are wonderful, smoke is not,” says Cass, and he does his best to keep smoke levels in his lounges down to a minimum by investing heavily in exhaust systems. “Without proper ventilation you’re shooting yourself in the foot. Don’t just clean and recycle the air...smoke eaters and charcoal filters won’t do the job. In my experience, you have to turn the air over.” Cass says his equipment turns the air over in his lounges approximately 15 to 20 times an hour.

“Ultimately, your lounge needs to be a place that customers are attracted to again and again,” he says. “I want my lounges to look and feel like a home—a home where you’re proud to invite guests in. Our lounges are spotlessly clean, with nice leather chairs, slate



floors, rugs...they're all very nice, very comfortable, they have wireless internet, and I never charge for access to them. If you buy a cigar, that's the daily price of membership."

THE CHALLENGES AHEAD— CARVING OUT A NICHE FOR CIGARS

Cass' roles in the TAA and IPCPR give him particularly keen insight into how mounting attention from governmental regulatory bodies is potentially changing taxation and legislation for cigars and the tobacco business in general. "The FDA has the ability to put us all out of business, so retailers must be engaged with their legislators to keep the government out of our stores," he says. "Through IPCPR, we have a bill in the House (HR 1639) that will carve out an

exemption for premium cigars so that they don't get lumped into the same FDA oversight that sees cigarettes and smokeless through the same generic 'tobacco' lens. But we need lots of co-sponsors and [we] need tobacco retailers to stay engaged not only with their state officials, but also [with] legislators at the federal level."

"State tobacco taxes are, or will be, a killer for lots of stores," says Cass. On a state level, he says the IPCPR is encouraging state associations to get involved in the fight against the FDA. There are at least 15 associations in the country in states like New York, Texas and Virginia that are all doing a nice job, according to him. "Many manufacturers are involved. We're doing 'walk the halls' in Congress in Washington, D.C., where we've knocked on doors, [and] met with

staffers and members. Rocky Patel, Marvin Samel of Drew Estate, J.C. Newman, Jorge Padron, and others have been very active behind the scenes. They're spending their time and their dollars on the Hill trying to tell the story about the artisan cigar business--all of the small business jobs that would go away, and the collateral damage that would be inflicted on third world countries."

"If we're active and involved," Cass says of the IPCPR, "we can keep everyone else involved. Lots of guys want to sit on a stool and puff, but we all need to be out front. It's a wonderful growth category with a tremendous amount of college-age and mid-twenties consumers who enjoy the pastime. They're not looking to be smokers, and they enjoy lounges... and that makes me feel optimistic about the future." **TOB**



Reving Up BIC

BIC has launched a lighter collection that showcases jaw-dropping custom bikes from one of the world’s premier builders of custom motorcycles, Orange County Choppers. In addition, the lighter series includes the OCC logo and images of OCC owner Paul Teutul Sr.

“BIC is very excited about this lighter series, as it is certain to appeal to a core group of consumers: men between the ages of 19 and 44,” said Adam Blumenthal, brand manager of lighters for BIC Consumer Products USA. “This target audience is most likely familiar with the hit TV show *American Chopper: Senior vs. Junior*, which highlights the OCC business and its custom-made bikes.”

There are 10 designs in the lighter series, one of which features an image of the custom-made bike produced for BIC and themed after the BIC Flex4 men’s razor, which OCC built on-air for an episode of last season’s *American Chopper: Senior vs. Junior*. This series has a suggested retail price of \$1.79 per lighter. BIC USA, 800-546-1111 ext. 2461, biclighter.com

A Special Social

S&M LEX12 is a new social little cigar—12 sweet-tipped, black-filtered little cigars available in 84’s and 100’s, packaged in an embossed tin similar in size and shape to an iPhone. The product will be debuted at the 2012 TPE Show in Vegas, and will also be featured at AWMA, NATO and IPCPR shows in 2012.

Test marketing conducted by S&M Brands has proven LEX12 to be a bridge product that appeals to both those who enjoy cigarettes as well as cigars. “Many products try to make this claim, but the flavor and taste of this product are exceptionally rich and more like a hand-rolled that is pleasantly aromatic, market-tested and delicious beyond other little cigars currently available in the marketplace,” explains Steven Bailey, president of S&M Brands. S&M Brands, Inc., Keysville, VA, 800-766-5342, info@LEX12.com, www.LEX12.com



Commemorating 1874

The year 1874 saw the establishment of what would become one of the world’s largest cigar manufacturers, the 7-20-4 Cigar Company, built on the motto: “Quality Still Impels Its Growth.” The Manchester, New Hampshire company flourished until the Cuban Embargo closed it and many other world-renowned premium cigar labels. But Kurt A. Kendall, a successful New Hampshire cigar retailer, acquired the defunct trademark in 2009 and is determined to return the brand to prominence. When asked the origin of the company’s name, he explains that “it was the original factory showroom’s address at 724 Elm Street. All 7-20-4 boutique premium cigars are now hand made from 100 percent long-filler tobaccos in Danli, Honduras and Esteli, Nicaragua.” The 1874 Series offers three shapes: a 6” x 46 Corona Especial, a 5-1/4” x 52 Robusto Especial, and a 6” x 54 Torpedo Especial. The complex blend consists of a filler from Nicaragua’s Jalapa Valley and the nearby cigar-making capital of Esteli, an Indonesian binder, and a Jalapa-grown Habano wrapper. The cigars are individually cellophane tubed, and presented 20 cigars to a high-quality cedar cabinet with a MSRP of between \$8 and \$10. 7-20-4 Cigars/Vintage Cigar Distributors, Londonderry, NH 03053, 603-965-4493, kurt@7-20-4.com



Extending the Legend

Zander-Greg has added two new shapes to its existing Cuban Legends premium cigar lineup: Churchill (7.5" x 52), Torpedo (6" x 54), Toro (6" x 56), and Robusto (5" x 54). The new shapes are the #4, a 4" x 58 parejo, and the #4T, a 4" x 58 torpedo. Like the other sizes, both come in Cuban-seed Rosado wrappers, in Natural and Maduro. Cuban Legends are made in Nicaragua, with a Nicaraguan filler blend. Presented 40 cigars to a box, the suggested retail pricing for the existing shapes ranges from \$2.15 to \$2.60 each. Zander-Greg, Pasadena, CA, 626-791-2794, ZanderGreg.com



Counting Up

GIZEH of North America, Ltd.'s Menthol Filter Tubes are now also available in a 200-count box. Like the 100-count box, the new 200-count box is also individually cellophane wrapped to insure that the tubes remain fresh until the consumer opens the box. The 200-count box is packed 50 per case. In addition, in response to customer requests, the company's Twister Air Tubes now have a white filter tip. GIZEH of North America, Ltd., 888-989-4662, info@gizehna.com or East Coast Master Distributor, Daughters and Ryan Tobacco, Inc., 866-942-7364, gloria@daughtersandryan.com

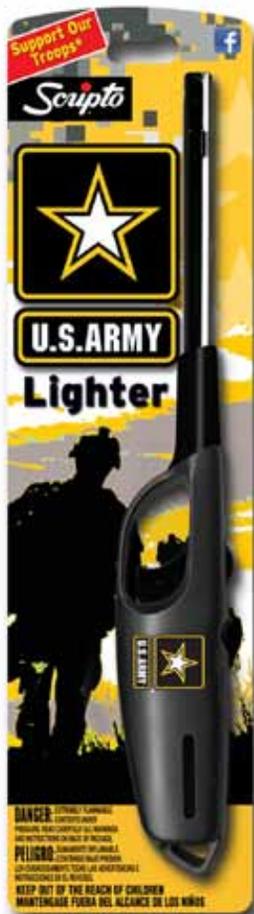


Sensational Shisha

Daughters & Ryan announces its new line of 12 DR. Shisha Fusion Tobaccos. Six of the DR. Shisha fusion blends are Virginia tobacco and honey-based blends: Summer Picnic (watermelon and blueberry), Sunrise Smile (citrus mint), Romantic Blush (pomegranate and peach), Tropical Jive (mango and melon), Southern Breeze (peach and mint) and Homecoming Morning (white grape and blueberry). The other six are dark tobacco and molasses-based, for a smooth yet full-bodied fusion blend: Under the Bleachers (chocolate, cherry and raspberry), The Fox's Reach (black grape and cherry), Newton's Dreams (apple and caramel), Drive-In Memories (cola, rum and lime), Mellow Evening (cappuccino and caramel), and Car Hop Serenade (root beer and vanilla ice cream).

"Shisha is the fastest growing pipe tobacco segment in the United States and is a style of tobacco smoked in hookahs," explains owner Mark Ryan. "These are high quality fusion blends made with the finest tobaccos. None of the DR. Shisha blends contain any colors or dyes. We carefully developed the DR. Shisha family using input and feedback from Shisha smokers, hookah house owners and national and international experts who were provided samples to evaluate. Our complete DR. Shisha lineup truly provides premium fusion Shisha blends at a reasonable price."

Daughters & Ryan, 919-284-2058 or Gloria@daughtersandryan.com



Scripto Celebrates Heroes

Ontario, California-based Scripto is proud to announce its new line of officially licensed U.S. Army Utility Lighters. Built with Scripto's dedication to quality and safety, the U.S. Army Utility Lighter delivers the reliability and performance that resonates with Americans when they think of the U.S. Army. The lighters will be available in two colors, yellow and black, will feature the trademarked U.S. Army Gold Star Logo, and be packaged in attractive U.S. Army-branded blister cards depicting the image of a valiant soldier. Perfect for lighting campfires, grills, candles, and fireplaces, the lighters are available in a variety of display vehicles such as floor displays, clip strips, counter displays, open stock, and display-a-trays. Offered in single packs with a suggested retail price of \$5.99, the U.S. Army Utility Lighters will be available as of January 2012. Scripto, 800-LIGHTER, customerservices@calicobrands.com or www.calicobrands.com

New Vision Hunter

Lil' Brown Smoke Shack is introducing its Vision Hunter Turkish blend pipe tobacco in a new size—a five-pound bag. Available in Earth, Air, Fire and Water flavors, Vision Hunter also comes in 6 ounce and 16 ounce packages. Lil' Brown Smoke Shack also offers a line of Vision Hunter filtered cigars in the same flavors. Lil' Brown Smoke Shack, 800-706-2480, sales@lilbrown.com



Seven Styles from Zig-Zag

Three new Zig-Zag cigarillos are now available in re-sealable, two-cigar foil packets. Sweets, White Grape and Strawberry complete the family of seven styles, which also includes Grape, Mango, Peach, and Straight Up. Zig-Zag Cigarillos are priced to sell with an every day low price. National Tobacco Company, 800-331-5962, customerservice@nationaltobacco.com

Get the Blues

Extending its product lineup with a new flavor, Swisher has introduced the Swisher Sweets Blueberry Cigarillos, with special introductory pricing. The new flavor joins Swisher's existing lineup of Wine, Peach, Grape, Strawberry, White Grape, Chocolate and Original Sweet Cigarillos. Like all Swisher Sweets Cigarillos, the new blueberry flavor will come in Swisher's Sealed Fresh individual foil wrappers, which ensure freshness, and will be available in three-packs, box-60s and 25-count impulse displays. Swisher International, 800-874-9720.





D & R's 100mm Tubes

Daughters & Ryan will introduce three new 100mm tubes at the 2012 TPE tradeshow; Ramback Red 100, Windsail Blue 100 and Wingate Menthol 100 are now in stock and available for distribution. All of the company's 100mm tubes are custom manufactured to exact standards to ensure that customers receive a premium, high quality tube. Ramback Red 100 and Wingate Menthol 100 are brown-tipped, full flavor tubes, while Windsail Blue 100 is a white-tipped, smooth tube. All three have a 25mm filter for maximum comfort, transparent taste and complete fill. The D & R Tobacco family of high quality cigarette tubes also includes Ramback (full flavor and smooth), Windsail (full flavor and smooth) and Wingate Menthol in king-size tubes. Like all D & R tubes, Ramback Red 100, Windsail Blue 100 and Wingate Menthol 100 are refined luxury tubes by every measure. Daughters & Ryan, 919-284-2058, gloria@daughtersandryan.com



Skulls from Scripto

Scripto's new Skulls Designer Series features five assorted artistic skull designs inspired by tattoo artwork. Scripto Skulls Designer Lighters are available in a 50-count display-a-tray, two-pack open stock, and two-pack clip strip. The lighters have a manufacturer's suggested retail price of \$1.19 per lighter in a DAT and \$2.18 per two-pack. Calico Brands, 800-LIGHTER, www.calicobrands.com.



Wicked Comes This Way

Beach Cigar Group, makers of the super premium cigar brand Gurkha, released their new Wicked Indie cigar in November. The Wicked Indie is the first cigar release under the East India Trading Company, a subsidiary of the Beach Cigar Group/Gurkha, and also known as one of the oldest registered trademarks in the world. Housed in rustic and authentic 50-count wooden boxes, the Wicked Indie is a medium to full-bodied all Nicaraguan Puro that provides an exceptional combination of flavor and strength that is a must try for any cigar enthusiast.

"We are very excited about the new Wicked Indie, which is a fantastic blend at a great price point," says Gary Hyams, president and CEO of Beach Cigar Group. "We are proud that this is the first cigar release under the East India Trading Company."

The Wicked Indie blend is comprised of an oily Habano, Nicaraguan wrapper, a carefully selected Nicaraguan binder combined with rare, three-year aged Nicaraguan fillers. It will be available in 4 sizes: a 5" x 52 Robusto, a 6" x 54 Toro, a 7" x 50 Churchill and a 6" x 60 XO, with suggested retail prices ranging from \$4.79-5.90. This cigar encompasses a rich and complex taste profile, full of sweet spice and nuttiness that evolves to a long and cool finish.

The Beach Cigar Group/Gurkha, www.gurkha cigars.com, on Facebook at Gurkha cigars and on Twitter: @Gurkha cigars.



Harvest the Golden

Rouseco’s line of Golden Harvest products offer quality you can count on, at a price you can afford. Golden Harvest Filtered Cigars are available in 100mm Boxes and eight flavors: Full Flavor, Light, Menthol, Blackberry, Vanilla, Cherry, Grape and Sweet. Golden Harvest is also continuing its tradition of quality pipe tobacco products with new additions to its line, including Buoy Pipe Tobacco in five flavors: Robust, Mild, and Natural, available in 6-ounce and 16-ounce bags. Also G2 Blend expanded pipe tobacco with three blends: Red, Blue and Green, available in two sizes: 3 ounces and 8 ounces. The company’s Golden Harvest Core brand packaging has been updated and is now available in 12-ounce and six ounces in Robust, Mild, Silver, Mint and Natural. 1-ounce displays are also available in Robust, Mild, Mint and Natural. Golden Harvest Tubes are available in Red, Blue and Green, King and 100s. Rouseco, Kinston, N.C., 800-372-8622, sales@rousecoinc.com

Live Fresh or Be Free

Red Man Moist Snuff is offering a money-back guarantee on its new Flavor Fresh Lid. If your can of dip isn’t fresh, it’s free, says the company, which created a web site (www.freshorfree.com) to fulfill the promise. Red Man Moist Snuff is made from a blend of high quality tobacco and is available in long-cut wintergreen, fine-cut natural and long-cut straight. Swedish Match U.S., www.swedishmatch.com



Everyday Premium Pleasure

Urbano Cigars has debuted its new 100 percent long-filler, handmade Urbano Economy Bundles—a line meant to meet every smoker’s criterion for variety, satisfaction, and affordability. Mild- to medium-bodied New Urbano Economy Bundles are premium cigars made by hand from 100 percent long-filler Dominican tobacco and are available in five shapes (Robusto, Torpedo, Toro, Churchill, and the company’s new 6” x 60 shape) and five wrappers (Connecticut Shade, Sumatra, Habano, Corojo and Maduro). Each cigar is individually cellophane-sheathed, and packaged in plastic-wrapped bundles with 25 cigars to the bundle, except for the 6” x 60, which comes 20 to a bundle. MSRPs for the Connecticut and Sumatra start at \$48 (Robusto) and top out at \$55 (6” x 60). The Corojo, Habano and Maduro-wrapped cigars retail for \$48 (Robusto) to \$60 (6” x 60). Urbano Cigars, Tampa, Florida, 813-967-7826, Matt@UrbanoCigars.com

Smoking With Sobranie

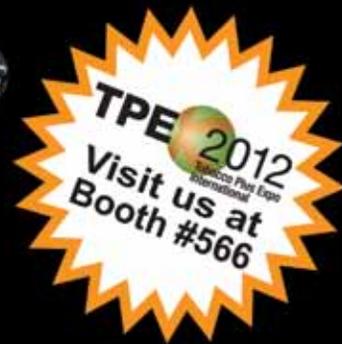


The legendary Balkan Sobranie Original Smoking Mixture has now been reintroduced by Arango Cigar Company. The once top-selling brand disappeared in 1998, when the Gallaher Group withdrew its tobacco products from the United States market, but is now returning with Arango Cigar Company as the exclusive U.S. distributor. J. F. Germain & Son Ltd. is manufacturing the brand using the original recipe. Sobranie Original Smoking Mixture was founded by a Russian family in 1879, making it one of the world's oldest tobacco companies. The English mixture's Virginia tobaccos mellow the Latakia, while Oriental and Cavendish leaves add balance and a "round" flavor. Smokers delight in its medium-to-robust body, incense-like aroma, and satisfying taste. It is available in 50-gram (1.76-ounce) tins, with a suggested retail price of about \$12. Arango Cigar Company, 800-222-4427.

Fresh From White Owl



White Owl announced the launch of the hottest new flavor to hit the cigarillo market, White Owl FoilFresh Silver Cigarillos. The newest addition to the White Owl Cigarillo product line is in stores now. "Small Unflavored HTL is the fastest growing segment in the industry, almost doubling in size in 2011," says Katherine Macomber, White Owl brand manager. "White Owl is the first major brand to invest in this segment, catering to the consumer who wants a smooth, uncomplicated and great tasting smoke." White Owl is also using its innovative FoilFresh technology for the latest addition to the portfolio, guaranteeing each Silver Cigarillo is as fresh as the day it was made. White Owl will support the launch with slick custom point of sale displays and four special offers, including the introductory 2 for 99 cents deal, three for two pouches, five for four packs and bonus box offers. White Owl Cigars, www.white-owl-cigars.com



A full-service distributor of smoking accessories and adult novelty items.

