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DREW
RETURNS TO
LEAD THE
REBIRTH OF
AN ICON



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PREVIEW**

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We Mean Business

Each day, those who have a tobacco business are faced with the task of recreating their visions and reinventing their brands and companies to help them both move forward. The fear of stagnation and a loss of inspiration is what keeps many motivated—the success of these products and brands are your passion, your life and what inspires you to wake up every day and live your dream. It's too bad that in the pursuit of success and entrepreneurship we have our dear friend, the U.S. Food and Drug Administration (FDA), to also contend with.

Since the last issue of *Tobacco Business*, the FDA has issued a 90-day extension for many of its compliance deadlines. This is a topic we've been covering and reporting on extensively through tobaccobusiness.com because we know how important FDA regulation is to many of you and how it's changing how we all do business. This extension was brought on by the change in administration and the FDA needing additional time to review and respond to the lawsuit brought on by the International Premium Cigar & Pipe Retailers Association (IPCPR), Cigar Rights of America (CRA) and the Cigar Association of America (CAA). In addition to maintaining innovation and creating something customers and consumers will continue to buy, now we also have to work toward compliance and meeting the standards set by the FDA—as if we needed another challenge or obstacle in our daily grind.

Here's the truth of the matter: The FDA may have changed how many conduct business and it may have slowed new product releases, but it hasn't killed the entrepreneurial spirit. We saw it in full effect at this year's Tobacco Plus Expo (TPE) and expect to see it at this year's IPCPR show in just a few weeks. Manufacturers are continually working on complying with the FDA's deeming rules, but they aren't closing up shop and calling it a day by any means. To show that the premium cigar and tobacco industry is very much alive and well, *Tobacco Business* has an extra-special IPCPR show-themed issue for you this month.

This issue is jam-packed with editorial coverage from more than 13 different premium cigar and tobacco companies, including our cover feature with entrepreneur and visionary, Jonathan Drew, president and co-founder of Drew Estate and the recently launched John Drew Brands. We have a special interview with Mark Pursell, CEO of the IPCPR, where he discusses the current work and focus of the IPCPR beyond the trade show. Our spirits writer, Nick Douglas, writes on the timely topic of established heritage brands and why your store's humidor needs these cigars and products in stock. We also have a "Best of Las Vegas" feature that includes inside information on where to smoke so you can enjoy your favorite cigars after the IPCPR show or during your next trip to Vegas.

Tobacco Business and its parent company Tobacco Media Group (TMG) are serious about helping you stay ahead of the FDA and other challenges your business will face. Our magazine and trade show, the TPE, provide you with the information and resources needed to be successful in today's marketplace. Despite the FDA, we're excited about what's ahead. The magazine is breaking barriers, and we've got some exciting things planned for it and the TPE coming up—including the announcement that Jonathan Drew himself will not only be at TPE 2018 but will be our keynote speaker come January. Visit us at IPCPR Booth #2170 to learn more about the magazine and TPE 2018 and how you can be part of both. When it comes to helping you achieve success and navigate through all the changes happening to our industry, we mean business.

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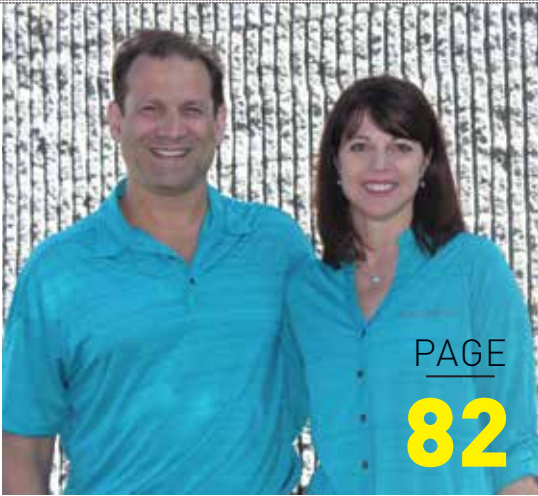


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ON THE COVER:
Photo by Candace West

CORRECTION:
In our last issue's profile of Tobacco Road, we misspelled Arlene Harkraeder's name as "Harkraeer," Arlene, our apologies.

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“

The ground war is at the state and local levels. If you are subject to new local regulations, they can impact you drastically.

”

BEYOND THE SHOW

Many think of the International Premium Cigar & Pipe Retailers Association (IPCPR) as just a show—and they're wrong. From educating retailers on how to improve their businesses to its work on the state and federal levels, *Tobacco Business* goes behind the scenes of the IPCPR.

The International Premium Cigar & Pipe Retailers Association (IPCPR) has a history that goes back to the 1930s. Since its beginning, this trade association has provided its members with business opportunities through events, annual conventions and shows. With the increase in anti-smoking legislation on both the state and federal levels, the IPCPR has taken an active role in advocacy efforts.

Mark Pursell, CEO of the IPCPR, is an avid cigar enthusiast and has worked with trade associations since 1995. A majority of his work has been on the trade show side of business, so when the IPCPR presented a chance continue that work but to also focus on government affairs, Pursell leaped at the opportunity. *Tobacco Business* recently sat down with Pursell to discuss the current work and focus of the trade association known for its annual trade show in Las Vegas that will begin on July 10.

***Tobacco Business*: What would you say has been the biggest change for premium tobacconists between this and last year's trade show?**

Mark Pursell: The fear level of the [U.S. Food and Drug Administration's] deeming rule. Uncertainty naturally breeds fear, so we are working overtime to repeal the rule—or at least the most egregious aspects.

What features or services outside of the trade show can members of the IPCPR benefit from?

They can look forward to more information. The IPCPR has sent out 70 alerts so far in 2017 as issues warrant. We have also added a quarterly webinar series to educate our members throughout the year.

The IPCPR's main focus in the past year has been fighting against the deeming rules and regulations set by the Food and Drug Administration (FDA). What's the latest update with the lawsuit?

Recently we received a three-month extension in the upcoming enforcement dates within the rule. This was a direct result of the lawsuit. It forced the Department of Justice and the U.S. Department of Health and Human Services to acknowledge the issues the rule contains.

With the lawsuit filed against the FDA, we saw the IPCPR partnering with other trade groups like Cigar Rights of America (CRA), the National Association of Tobacco

Outlets (NATO) and the Cigar Association of America (CAA). In what other ways is the IPCPR working with these other organizations?

We work with all three regularly. Currently we have partnered with the CRA and CAA on our industry litigation as we challenge the deeming rule in federal court. We work with NATO on local issues as they have a great record in the municipal arena.

The IPCPR works on the state and federal levels. To create real change, which do you think is more important?

Both. The federal issues, including the rule, affects everyone and can be seen as the air war. But the ground war is at the state and local levels. If you are subject to new local regulations, they can impact you drastically.

Let's discuss the trade show. How has or how will the FDA change this year's show?

The good news is that the rule allows business-to-business sampling, so the practical impact is little. However, uncertainty in any market is never good for business. We always have had the best products at our show and that will continue. We saw thousands of new releases last year as manufacturers got ahead of the Aug. 8 deadline. I think this year we will see real rollouts of many of those releases.

In sum, what can people expect from IPCPR 2017?

Great products only available at the show. Our best education lineup ever and wonderful special events. We've invested in education, bringing world-class speakers, and in helping our retailers improve their operations. We have also created some great networking events so peer-to-peer exchanges can happen. I encourage members to use our app and do some pre-planning to get the most out of their time at the show.

Besides the deeming rule, what do you see as the next big area of concern that people should be focused on?

If an import tax is proposed and has any legs, the federal issues will grow even more.

What's your vision for the IPCPR going forward?

More educational services and product partnerships that will help our retailers.

As a parting message before this year's show, what would you like to say to our readers?

Visit IPCPR.org once a week, check out the FDA toolbox and webinars, and make sure you join us today. **TB**

IPCPR PREVIEW



IPCPR Peek-a-Booth

Take a sneak peek at a few show floor highlights. BY RENÉE M. COVINO

Amidst U.S. Food and Drug Administration (FDA) filings and industry lawsuits, the show must go on! And with it, so do product unveilings, limited editions and company news.

Whether you're looking to plan out your time on the show floor a little better before you head to Vegas or you want to see what you might be missing, *Tobacco Business* presents a few booth highlights from this year's International Premium Cigar and Pipe Retailers Association (IPCPR) trade show:

Arango Cigar Co.

(Booth 3140) will have the wares of a familiar partner in its booth this year: Music City Marketing. Actually, about a month before the show, Arango acquired certain assets and exclusive U.S. distribution rights to Music City Marketing, which included everything but the Dunhill line, according to Arango president Michael Gold. Therefore, Arango is the new U.S. distributor for Falcon Pipes, Butz-Choquin, IM Corona Lighters, certain Sutliff Pipe tobaccos and some private-label Zippo lighters.

What it means for tobacconists? "It means they will have a bigger, better and faster shopping opportunity for all pipes, pipe tobaccos and related accessories," Gold tells *TB*. "This puts us in a stronger position to service the market needs."



It means they will have a bigger, better and faster shopping opportunity for all pipes, pipe tobaccos and related accessories.



According to Arron Sissom, president of Music City Marketing, "It was a fantastic fit. Mike and Arango have the facility, the infrastructure and the staff to take on this venture. In one way, shape or form, Arango has been associated with Music City Marketing for many years; they really take care of their customers and work hard to develop relationships."

Talking specific products, Arango Cigar Co. is featuring Erik Nording's novel "Sailor" product line of value-priced pipes in its pavilion at IPCPR 2017. Arango is the exclusive U.S. distributor for all Erik Nording products.

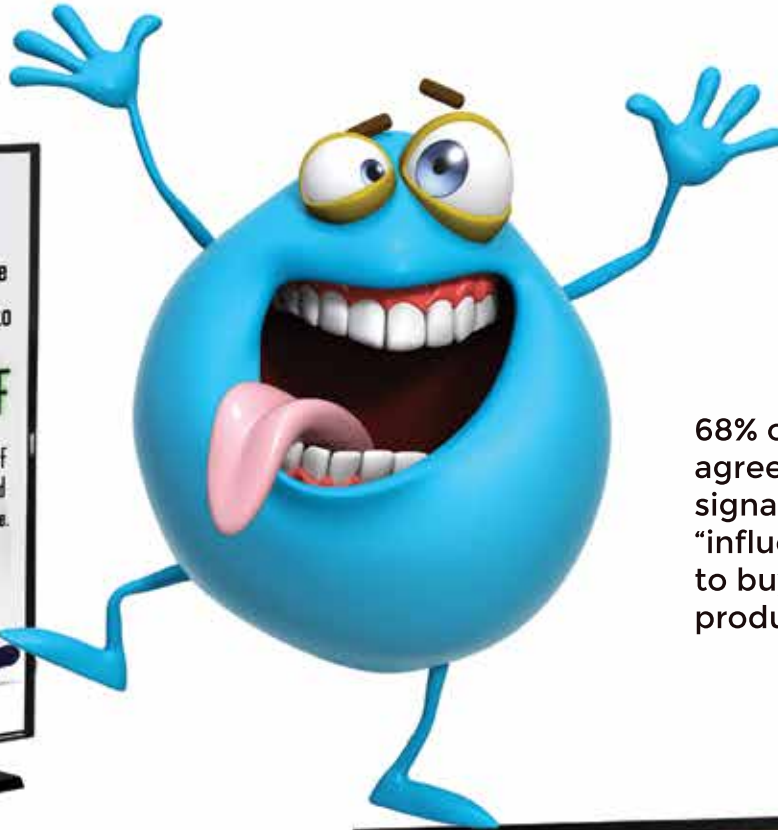
Sailor consists of a briar bowl that is encased in a polished aluminum sleeve. The assembly is permanently attached to the black plastic base, which covers the sleeve's lower half. The base's open bottom reveals a stamped logo and "Made in Denmark." The aluminum sleeve and matching stem colors are red, blue, black, silver and gold. It comes with a five-inch aluminum stem and black plastic bit, with an optional 10-inch stem/bit available separately in all colors. Smokers can swap stem colors and lengths as desired.

"Danish master carver Erik Nording is a pioneer and leading promoter of the Danish free-hand style of connoisseur/collector briar pipes," states Gold. "His successful expansion into this area of the marketplace targets entry-level and budget-minded pipe lovers, who can now enjoy the distinction of owning Nording pipes."

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D & R Tobacco

(Booth 1333) will be featuring an extensive line of premium pipe tobacco blends and its premium Tabacalera cigars.

Its latest product extension, the “Blender’s Bench,” is a series of 30 specific leaf varietal types for the hobbyist and personal blender, according to Mark Ryan, Daughters & Ryan’s president. “These varietal tobaccos allow the pipe enthusiast to create blends and learn leaf characteristics,” he says.

The company also considers itself a leader in cigarette tube varieties and the make-your-own accessories market, providing retailers with first-tier options for their tobaccos and related accessories, Ryan says. “Our product selection gives customers the option to trade up, builds more customer loyalty and improves profit. We have responded to consumer demand for variety, quality and personalized tobaccos and accessories.”

JM Tobacco Co.

(Booth 515) has the spotlight on “Española,” the company’s first full-premium cigar, at the 2017 IPCPR show. When John Mahroukian (“JM”) founded the company in 1996, Española was his first offering to cigar lovers, and so its date of inception and production fully qualifies it to be grandfathered in accordance with FDA regulations.

Española continues in its four original wrappers: Gold Label (Ecuadorian-grown Connecticut), Red Label (Sumatra), Green Label (Connecticut Shade) and Black Label (Maduro). They are still available in four classic Cuban shapes: Corona, Robusto, Toro and Churchill. The cigars are cello-tubed and presented 25 to the coffin-style Spanish cedar boxes.

“Any product coming to the market is really valuable to the cigar industry because consumers are always looking for something good and different, especially if it’s a limited edition.”



My Father Cigars

(Booth 1930) is featuring Jaime Garcia Reserva Especial Limited Edition 2017 and Vegas Cubanás, which is an expanded line to the national market because this is an existing line. Nowadays, “any product coming to the market is really valuable to the cigar industry because consumers are always looking for something good and different, especially if it’s a limited edition,” says Alcides Montenegro, general manager and creative director of the My Father Cigars.

Vegas Cubanás is said to be “a symbol of a traditional handmade cigar.” It is the result of a careful selection and elaboration of Nicaraguan fillers and binders grown in the Estelí and Jalapa regions of Nicaragua. This cigar is dressed with a Corojo wrapper that has been chosen and optimally matured for a medium-bodied smoking experience.

The brand name comes from the name given to tobacco fields in Cuba: “Vegas.” It is packaged in a Cuban-style dressed box of 25 cigars.

This year the company will also unveil the Jaime Garcia Reserva Especial Limited Edition 2017, six years after its first edition.

It is very different from the regular Jaime Garcia Reserva Especial. This full-bodied cigar has a Nicaraguan binder and strong Cuban-seed Nicaraguan filler tobacco, including the Pelo de Oro. Three thousand boxes, each containing 16 of these 6.5x52 Toro cigars, were produced. The cigars bear a suggested retail price of \$17 (depending on state taxes).





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The Serino Cigar Company

(Booth 2748) announced that Wayfarer will be in full production and distribution at this year's IPCPR. The blend has become known as Carson Serino's "personal cigar," previously sold naked as "The Wayfarer" to select retailers and handed out as an event exclusive. The blend will initially be available in three vitolas and will later be expanded to five. Two will be special releases.

Wayfarer is Carson Serino's first journey into the cigar industry after learning and growing with his family's business for the past 20 years. "I'm very thankful to have grown up around this beautiful industry," Serino says. "I've met some great people over the years that have shown me what it takes to produce an exceptional blend. For my first cigar, I wanted to create something timeless and classic, a cigar that can be enjoyed at any hour of the day and one that is accessible to all palettes. Medium-bodied, complex yet balanced, The Wayfarer blend is the culmination of everything I have learned from this industry—this is my journey."

Serino's isn't the only journey Wayfarer represents. It also embodies the traveling of traditions. This project was created by Carson Serino and Luis Omar González, son of famed Cuban master blender Omar González-Alemán.

"For this project we wanted to create a traditional Cuban styled cigar with new-era branding. We implemented traditional Cuban rolling methods and used original Cuban molds, including the very 109 mold that has crafted some of Cuba's most memorable cigars."

The Wayfarer blend will be offered in the following vitolas:

- ★ Wayfarer Corona Gorda w/ Cuban triple cap (6x46), \$7.70 MSRP (Boxes of 20, \$154)
- ★ Wayfarer Robusto w/ Cuban Perilla cap (5x52), \$8.50 MSRP (Boxes of 20, \$170)
- ★ Wayfarer "The 109" cap Toro (6.25x50), \$9.20 MSRP (Boxes of 20, \$184)
- ★ Wayfarer Corona (51/8x44), \$6.95 MSRP (Boxes of 20, \$139) ** Future Release
- ★ Wayfarer Dalia (6.75x43), MSRP TBA ** Future Release

The Serino Royale line will also be showcased at this year's IPCPR show. The line is offered in four different blends: Connecticut, Medio, Maduro and Maduro XX. This blend is special due to its 5.5-year aged filler and two-year post-roll aging process.

More Stogie Quick Takes:

Altadis U.S.A. (Booth 2308) and **Ortega Premium Cigars** have become the first premium cigar brands to be included in the FDA's grandfathered tobacco product list.

Oettinger Davidoff AG Davidoff of Geneva USA, (Booth 2008) recently unveiled the Avo Syncro South America Ritmo cigars, the third in the Avo Sancro series and the first to contain tobacco from different countries. It is available in four sizes: Robusto, Toro, Special Toro and Torpedo Largo.

General Cigar Company (Booth 2630) recently introduced its new Cohiba Blue cigar, calling it "a value-priced" and "more affordable version" of its Cohiba brand.

Gurkha Cigar Group (Booth 1115) recently announced it will acquire American Caribbean Cigars after partnering for more than five years. Gurkha CEO Kaizad Hansotia said that owning its own factory "is a natural transition and the next strategic step in being able to continue to satisfy the needs of Gurkha fans worldwide."



Ventura Cigar Company

(Booth 2144) will be featuring all of its cigar lines, with an emphasis on the flagship brands PSyKo, SEVEN and Archetype. It will also be showcasing its premium bundle cigar, Slaughterhouse, said to be "crafted for premium flavor at an attractive value price point."

Last year, Ventura Cigar Company announced the Case Study cigar project, and this year, it is rolling out the first full production run of lines 1–5. The back story on this project begins during a period from 1945 to 1966 when *Arts & Architecture* magazine commissioned the rising stars of mid-century architecture to design and build a series of inexpensive, efficient model homes for the post-World War II generation. In total, 26 homes were built, mostly in the Greater Los Angeles area, by renowned architects including Richard Neutra, Charles and Ray Eames, Pierre Koenig and Eero Saarinen. These now-iconic homes were designed with a minimalist, modern aesthetic and have been prominently featured over the years in Hollywood films, advertising campaigns and photo essays.

The Case Study cigar project from Ventura Cigar pays homage to this triumph of modernist design. Numbered from 1 through 26, each exclusive Case Study blend features a range of vitolas that have been hand-blended by some of the top Master Blenders in the business.

The company will also be introducing its Hugo Chairman series cigar, which was a partnership between Ventura Cigar and Rocky Patel, who blended this cigar in honor of Hugh Cassar, Ventura's chairman and the man who started parent company Kretek, so many years ago. It's an iconic cigar that features a Mexican San Andres wrapper and offers a medium-full smoking experience.



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Lighting Up in Vegas

Heading to Las Vegas for the IPCPR show? You'll want to check out these four standout cigar lounges and bars.

BY ANTOINE REID



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Limited Editions

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Vegas Cigar Lounges Continued



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While many cities are cracking down on cigar bars and lounges, there are still plenty of places to smoke throughout Las Vegas. With so many smoker-friendly trade shows and conventions occurring in Vegas each year—from the Tobacco Plus Expo in the winter to the International Premium Cigar & Pipe Retailers Association show (IPCPR) in the summer—knowing where exactly you can go to not only purchase a great cigar, but also to smoke it without many restrictions is important. Here are a few places throughout Las Vegas where you can enjoy your smoke.

In Caesars Palace, the **Montecristo Cigar Bar** is one of Vegas' newest cigar bars. Barely a year old, the Montecristo Cigar Bar is a 100-seat bar, lounge and gaming area that offers visitors a place to enjoy a selection of libations and small bites in a 4,000-square-foot space. In addition to offering plenty of seating in its lounge areas where you can enjoy a cigar, smaller gatherings can be held in the bar's Vault Room. The walk-in humidor is stocked with a selection of familiar brands, including Romeo y Julieta, Ashton, Montecristo and Rocky Patel, among many others. With more than 135 different bourbons and whiskeys, Montecristo Cigar Bar has a lot of offer for any person or group of people looking for a place to relax and spend their leisure time.

"Here you can game, you can drink, you can smoke, and you can eat. In most places, you can only do a few of those," says Chelsea Ryder, public relations manager at Caesars Entertainment Corporation. "People can camp out here. It's a nice, secluded space."

If you want to get away from the gaming aspect of Vegas but still want to be in the middle of the action, there's **Casa Fuente**, also located within Caesars Palace. Casa Fuente has been a destination for many cigar enthusiasts since it opened in 2005. Though it only carries Fuente products, its spirits selection is worth stopping in for as well—we definitely recommend trying a mojito while you're here. According to Michael Fayerverger, Casa Fuente's general manager, 100,000 people from around the world pass by this Vegas cigar destination on any given day.

"We're in the most expensive mall in the country. We get

all types of people: male, female, young, old. They walk in, they relax, have a nice drink and will have a cigar. We've become a destination spot," says Fayerverger. "There are plenty of machines out on the strip. You don't have to worry about gambling here just come in and relax."

If you are looking for a place to enjoy a cigar and a drink that comes with a view, head to the **Davidoff of Geneva Cigar Bar** at Fashion Show shopping mall. Located alongside the famed Las Vegas Strip, the Davidoff of Geneva Cigar Bar isn't like many of the cigar bars you'll find in Vegas. Encased in glass with a fully stocked bar as the center focus of the lounge area, a walk-in humidor modeled after a curing barn and an outside lounge area, this business caters to those who are looking for hard-to-find cigars that are a bit more high-end.

"When we did our initial market research after being open for 60 days, we saw that cigars over \$40 and the high-end cigars were what we sold most," reveals Rich Wilson, assistant general manager and cigar ambassador at the cigar bar. "We already had a tremendous amount of high-end stuff, but as soon as we saw that was the trend we started pushing to find even more and make sure that we had it, because if you could get the stuff in along these margins, then why wouldn't you want to do that?"

In planning the launch of the bar, those at Davidoff wanted to align it with the company's overall brand and motto, which is "time beautifully filled." When thinking of what kind of clientele they wanted the cigar bar to attract, they decided it was those who wanted the highest echelon of not only cigars but spirits as well. Since its opening over a year ago, Davidoff has attracted those patrons and also seen many of them become repeat customers.

Finally, where do the Vegas locals like to smoke? Ed Munn, owner of Dig This Las Vegas, recommended En Fuego Cigars & Lounge. Reviewers of En Fuego have described it as comfortable, relaxing and welcoming. Noted as having a knowledgeable and friendly staff and great customer service, En Fuego is another great lounge for cigar enthusiasts to visit during any trip to Las Vegas. **TB**

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International Premium Cigar & Pipe Retailers Association 85th Annual Convention & International Trade Show Schedule Las Vegas, Nevada / Las Vegas Convention Center

MONDAY, JULY 10:

9 a.m.–5 p.m.

Registration Open

SEMINARS

(All seminars will be held in the Westgate Paradise Event Center)

1–2 p.m.

Turn New Customers into Repeat Customers

3–4 p.m.

How to Survive and Thrive as a Tobacconist Today

5–6 p.m.

2017 FDA Regulatory Compliance Update

6:30–10 p.m.

Opening Reception (Westgate Paradise Event Center)

TUESDAY, JULY 11:

8–9:30 a.m.

Opening Breakfast & Annual Meeting w/ Keynote Speaker Rudy Giuliani—Principled Leadership: In the Face of Change and Crisis (Westgate Paradise Event Center)

9:30–10:30 a.m.

Trade Show Open for PAC VIPs

10:30 a.m.–5 p.m.

Trade Show Open for All Attendees

11:30 a.m.–2 p.m.

Lunch Available (Food Court on Show Floor)

12:30–1:30 p.m.

Lunch Time Learning Series—The Welcomer Edge: Unlocking the Secrets of Repeat Business (On Show Floor)

WEDNESDAY, JULY 12:

10 a.m.–5 p.m.

Trade Show Open for All Attendees

11:30 a.m.–2 p.m.

Lunch Available (Food Court on Show Floor)

12:30–1:30 p.m.

Lunch Time Learning Series—Retailers Best Practices Panel (On Show Floor)

Evening State Association Cocktail Reception (in PAC VIP Booth)

THURSDAY, JULY 13:

8–9:30 a.m.

AMAB Meeting (Room TBD)
10 a.m.–5 p.m.: Trade Show Open for All Attendees

11:30 a.m.–2 p.m.

Lunch Available (Food Court on Show Floor)

12:30–1:30 p.m.

Lunch Time Learning Series—Cigar Aficionado Manufacturers Panel (On Show Floor)

7–10 p.m.

IPCPR Cigar Bash (The Light Nightclub at Mandalay Bay)

FRIDAY, JULY 14:

9 a.m.–1 p.m.

Trade Show Open for All Attendees

★ Day 4 \$10,000 Prize Drawing (Lunch Time Learning Theater on Show Floor)

[Schedule subject to change. Visit ipcpr.org for the latest schedule, and download the IPCPR App on iTunes and Google Play.]

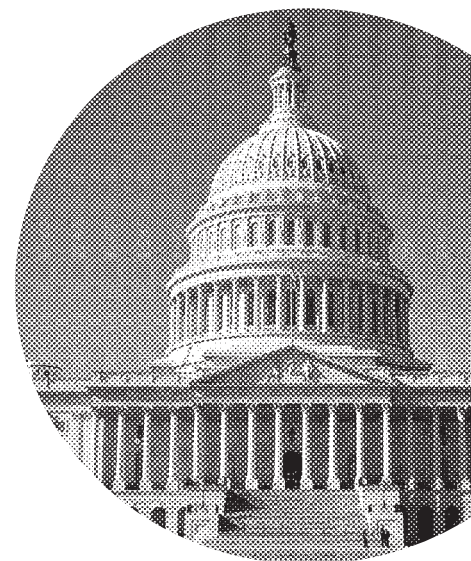
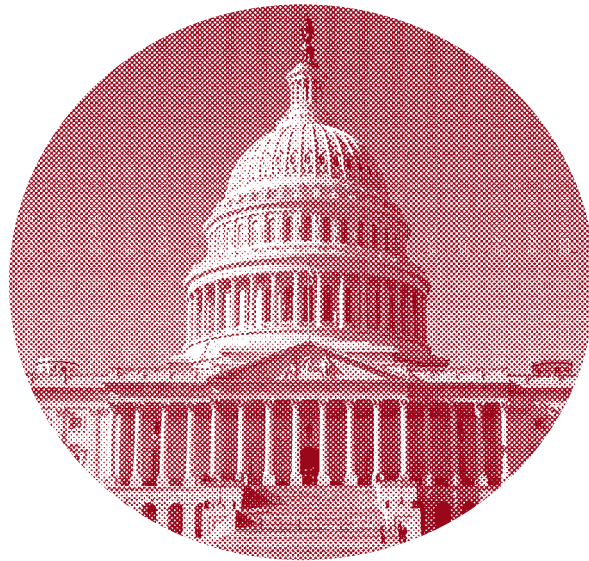


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What You Need to Know About **Federal Regulation**

Retailers and manufacturers alike should be watching these five hot-button regulatory issues.

BY NOAH STEINSAPIR, GENERAL COUNSEL, KRETEK INTERNATIONAL

WITH SO MANY DIFFERENT governmental bodies (i.e., federal, state and local) regulating tobacco, we are often asked which mandates concern us the most. We closely scrutinize all the laws, rules and regulations to ensure that we are compliant, but some have more serious ramifications than others. Below is a list of the top five federal level issues that concern both tobacco manufacturers and retailers.

DR. SCOTT GOTTLIEB APPOINTED TO HEAD THE FDA:

Perhaps nothing is more important to manufacturers and retailers than the recent appointment of Dr. Scott Gottlieb to head the U.S. Food and Drug Administration (FDA). Everyone is reading the tea leaves attempting to determine how Gottlieb will impact the current regulatory scheme and, in particular, the deeming regulations. Some of Gottlieb's opinions of how the FDA should regulate tobacco are well-documented. For example, in August 2012, Gottlieb authored a *New York Post* article wherein he claimed that the FDA deeming cigars to fall under the 2009 Family Smoking Prevention and Tobacco Control

Act: (1) would be an overreach of the FDA's power (2) misses the mark, as the FDA has refused to accept that alternative tobacco products pose a much lower health risk than cigarettes and (3) would needlessly result in loss of tens of thousands of jobs due to regulation. Gottlieb also purportedly has an interest in a vapor-related entity, which he has promised to divest from. Time will tell the impact of this appointment.

PENDING LITIGATION AND CONTINUATION OF COMPLIANCE DATES:

On July 15, 2016, the Cigar Association of America (CAA), Cigar Rights of America (CRA) and the International Premium Cigar and Pipe Retailers Association (IPCPR) jointly filed suit against the FDA challenging the core of the deeming regulations, including requiring any covered tobacco product not on the market as of Feb. 15, 2007, to undergo the overly burdensome and costly premarket review process in order to remain on the market.

On Feb. 13, 2017, the three groups filed a motion for summary judgment seeking a determination of various issues presented in the

case. In response, the Department of Justice, with a deadline of May 1, 2017, to file an opposition to the group's motion, stated that they required more time to respond. As a result, on May 1, 2017, through an order jointly filed by the three groups and the Department of Justice granting a 90-day continuance, the FDA announced that it was extending and deferring enforcement of all upcoming compliance deadlines relating to the deeming regulations by three months to permit new leadership, including Health and Human Services Secretary Tom Price, to fully assess and consider the issues presented in the lawsuit.

The FDA has agreed to roll back the enforcement of all compliance deadlines occurring on May 10, 2017, or later by three months. As such, the new upcoming compliance deadlines under the deeming regulations are **Aug. 10, 2017:** submission of rotational warning plans for cigars; **Sept. 30, 2017:** deadline for registration of domestic establishments and product registration; **Nov. 8, 2017:** deadline for listings of ingredients for tobacco products and deadline to submit substantial equivalence exemption requests;

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Legislative Matters Continued

May 8, 2018: deadline to submit substantial equivalence reports; **Aug. 10, 2018:** implementation of labeling requirements for tobacco products and retailer point-of-sale warning statement requirements for cigars sold individually and without packaging; **Nov. 8, 2018:** deadline to submit premarket tobacco product applications; **Nov. 8, 2019:** deadline for submission of listing of harmful and potentially harmful constituents (HPHCs).

COLE-BISHOP AMENDMENT UPDATE:

On Feb. 16, 2017, Reps. Tom Cole (R-OK) and Sanford Bishop (D-GA) introduced into Congress H.R. 1136, more commonly known as the FDA Deeming Authority Clarification Act of 2017. The act provides for regulation of vapor product batteries and advertisements of vapor products, but it also amends the deeming regulations to move the grandfather date for all covered tobacco products from Feb. 15, 2007, to the effective date of the deeming regulations, Aug. 10, 2016, which would prevent certain vapor and tobacco products from having to go through the premarket review process. The act was left out of the agricultural appropriations bill passed by Congress in May, but there will still be an opportunity that the bill could be revived when Congressional Federal Budget negotiations resume in October.

A LACK OF CLEAR GUIDANCE ON THE SUBSTANTIAL EQUIVALENCE PROCESS:

Under the Family Smoking Prevention and Tobacco Control Act, tobacco products (cigarettes, roll your own [RYO] tobacco and smokeless tobacco) that were not grandfathered were required to go through a premarket review process, including the filing of a substantial equivalence report showing that any differences between a covered tobacco product and a grandfathered predicate product did not present “a different question of public health.”

The deeming regulations require all covered tobacco products that are not grandfathered to go through the same premarket review process. Though the FDA released guidance in 2011 on filing a substantial equivalence report relating to cigarettes, RYO tobacco and smokeless tobacco, they have not provided any new or updated information on what is required for substantial equivalence reports for newly covered tobacco products, including cigars, pipe tobacco and e-cigarettes/vapor products. With substantial equivalence reports for each product likely to require numerous hours of work and cost hundreds of thousands of dollars (at least) to prepare, the FDA's delay in issuing updated guidance of the substantial equivalence process for these newly deemed tobacco products puts manufacturers at a severe handicap in trying to navigate the premarket review process.

FDA FIELD INSPECTIONS OF RETAILERS TARGETING MINIMUM AGE REQUIREMENT TO SELL DEEMED TOBACCO PRODUCTS:

Ensuring that tobacco products are sold exclusively to those of legal age is one issue the entire industry agrees on. In recent industry presentations, the FDA has informed the industry that it has conducted thousands of field inspections and the target appears to be retailers selling to minors under the legal age for purchasing tobacco.

As with almost every state and local law,

the deeming regulations also prohibit retailers from selling deemed tobacco products in any medium (including mail order as well as the internet) to any individuals under 18 years of age. In addition, the FDA mandates that retailers physically check the photo identification of all customers under the age of 27 who attempt to purchase a cigar. We have also recently received an influx of notifications from our retailer partners concerning these inspections. All retailers should remember to request the proper age verifying identification prior to selling tobacco products. **TB**



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California Tobacco Flavor Bans

IN THE PAST SEVERAL MONTHS, a growing number of California cities and counties have considered local ordinances that would ban the retail sale of flavored tobacco products, including menthol cigarettes and menthol, mint and wintergreen tobacco products. These California localities include Contra Costa County, Oakland, San Francisco and San Leandro.

There are serious concerns that the National Association of Tobacco Outlets (NATO) is raising with the studies, data and reports relied upon by these local governments and advocates to support the flavor bans. These proposed ordinances often claim that 90 percent of adults began smoking by age 18 and that the majority of middle school and high school students that use tobacco products started with flavored tobacco products.

For the state of California, this data should no longer be relied upon to support additional restrictions and prohibitions on the retail sale of tobacco products because the studies were conducted based on a legal age of 18 to purchase and use tobacco products. With the legal age to purchase now 21 in California, the ability of anyone under the age of 21—and, in particular, anyone under the age of 18—to obtain tobacco products is even more severely curtailed.

In 2016, the U.S. Food and Drug Administration (FDA) issued the initial findings of a major study titled the “Population Assessment of Tobacco and Health (PATH).” The PATH study confirmed that the majority of youth under the age of 18 obtain tobacco products from what are called “social sources.” Social sources are older friends, adult siblings, parents and even strangers who purchase tobacco products legally and then provide them to underage youth.

With the age 21 law now in place, high school students will no longer be able to rely on 18-year-old seniors to legally purchase and then provide them with tobacco products. This reduction in availability of tobacco through social sources is referenced in another study sponsored by the FDA and conducted by the Institute of Medicine, which concluded that raising the minimum legal age to 21 would mean that those who can legally obtain tobacco are less likely to be in the same social networks as high school students.

The point is that because the proposed ordinance has a goal of protecting the health of underage youth, local lawmakers in California need to allow the age 21 law to increase the difficulty for anyone under age 21 to obtain tobacco products instead of banning the sale of legal, flavored tobacco products to everyone who is 21 or older.

The proposed ordinance also cites a recommendation contained in a report by the FDA’s Tobacco Product Scientific Advisory Committee that menthol cigarettes should be removed from the marketplace. Local lawmakers cannot and should not rely on this report to support passage of the flavored tobacco product sales ban.

In July 2014, the United States District Court for the District of Columbia ruled in a lawsuit filed against the FDA and the Tobacco Product Scientific Advisory Committee that members of the committee had conflicts of interest and that the findings and the recommendations of this report are “at a minimum, suspect, and, at worst, untrustworthy.” With this case now on appeal, it would be inappropriate for the city of Oakland to adopt a ban on menthol-flavored cigarettes and to rely on this report, even in part, to support adoption of the ordinance.

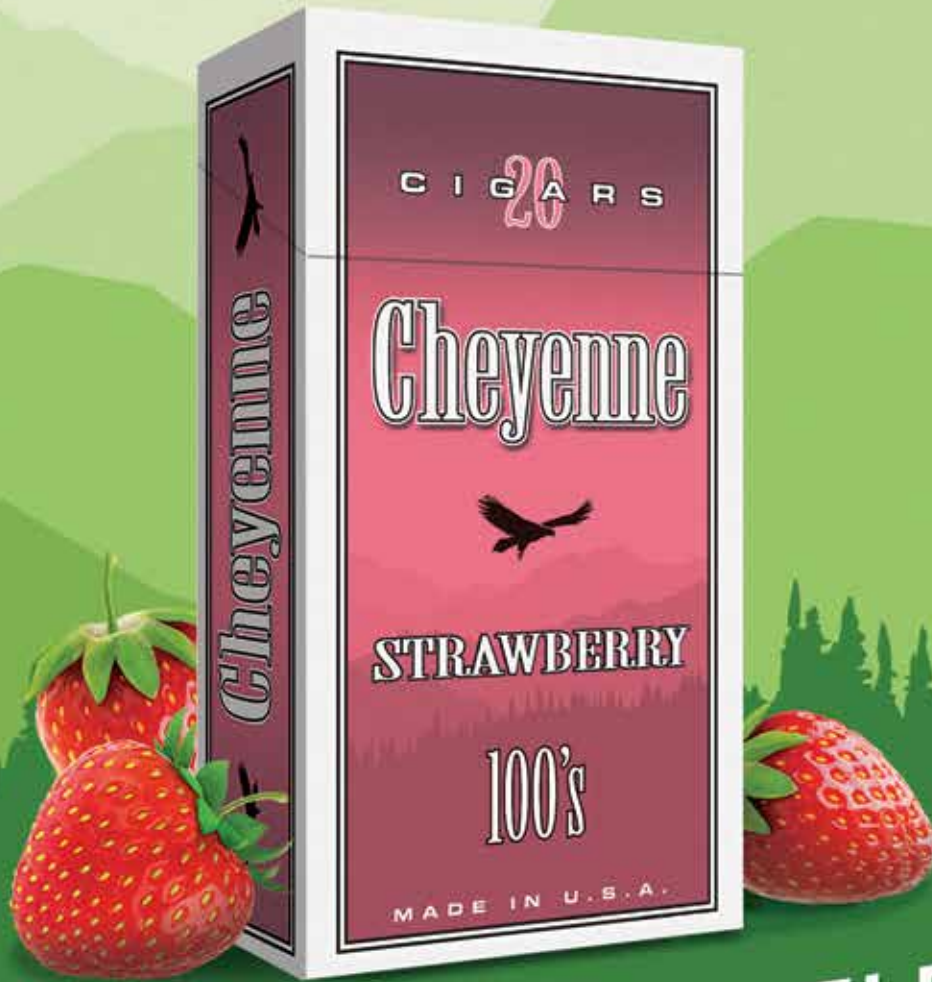
According to industry sales data, a complete ban on all flavored tobacco products, including menthol cigarettes, flavored cigars, pipe tobacco, electronic cigarettes and vapor products and flavored moist chewing tobacco, would result in the average convenience store located in Oakland losing \$83,626 in annual net income on lost tobacco sales alone. The \$83,626 in net income can make up a significant portion of a store’s annual profit because the business model for a convenience store relies on gasoline sales at the outside pumps, plus tobacco sales making up 36 percent of in-store sales.

This significant decline in net income will be exacerbated because of the loss of other product sales, including gasoline, snacks and beverages when adult customers simply drive a short distance to an adjacent city to buy their preferred tobacco products and make other purchases. These supplementary purchases of gasoline, snacks and beverages are very important revenue sources for a retail store to remain profitable. The severe impact on sales means that many family-owned retail stores would no longer remain profitable enough to remain in business.

This potential outcome is why local retailers need to become engaged in the public debate on these kinds of local ordinances to protect their right to sell tobacco products and the right of their legal-age customers to purchase tobacco products. **TB**



Thomas A. Briant is executive director of the National Association of Tobacco Outlets (NATO).



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OTP PIPES RYO



Kelly Michols, President of STG Lane

PIPES UNLIMITED

Scandinavian Tobacco Group Lane Ltd.'s use of research and data helps the company sell products in tobacco categories that are in a state of decline. That same data can help your retail business prosper in today's business landscape.

BY ANTOINE REID

The history of Scandinavian Tobacco Group Lane Ltd. (STG Lane) is decorated with successful, well-known heritage brands, while the company itself is anything but traditional. STG Lane is a progressive, forward-thinking tobacco company that focuses most of its attention in three categories: roll your own tobacco, traditional pipe tobacco and filtered cigars. STG Lane faces a rather formidable challenge in selling and marketing these products: each of these are traditional tobacco categories that are in a state of decline. Regardless, each category remains an important part of STG's overall business plan.

STG Lane is driven by more than financial numbers. The company looks at data and sees something many other manufacturers selling products in the same categories don't: potential and opportunity. Using data to fuel their marketing, strategy and relationships with retailers and other business partners, STG Lane remains competitive and important to today's tobacco business landscape.

DATA-DRIVEN STRATEGY

Kelly Michols, president of STG Lane, and others at his company acknowledge that there are some categories of tobacco products in decline. "There are parts of these segments that we're seeing some growth in—particularly the premium segments—and some building excitement that we hope bodes well for the future," says Michols. "The mainstream segments are still vital to the overall tobacco business but they're not the hottest segments in terms of growth right now."

To support these lower-growth categories, the company tries to take a more modern approach to how they market items. STG Lane has gathered consumer and market data research over the years that has enabled it to develop effective strategies for retailers and its customers. The company is constantly trying to understand and think aggressively about the market from more of a category management standpoint rather than what's going to be best for STG Lane, an approach that's

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We have the support of a really strong global organization, which also helps us from a resource and a creativity standpoint because we don't have to drive all of our ideas just on what's happening in the U.S.

helped STG Lane move products and remain viable as a business. Besides strategic thinking and planning, STG Lane relies heavily on its parent company, Scandinavian Tobacco Group, and all of its resources and data.

“We have the support of a really strong global organization, which also helps us from a resource and a creativity standpoint because we don't have to drive all of our ideas just on what's happening in the U.S.,” explains Michols. “We can look throughout the world and see what could potentially work here.”

DATA-FUELED RELATIONSHIPS

Another area where STG Lane's data plays a big role is in its relationships with its retail partners. The company works with retailers of all types because of the variety of its product lineups. STG Lane's products can be found in convenience stores, premium tobacconists, specialty tobacco outlets and food stores, and each venue requires a different approach in order to maximize results. As with the other parts of STG Lane's business, what the company likes to do is partner with retailers and use data to create a buzz and turnover for its products.

“Being able to sit on the same side of the desk as the retailer and really talk about their tobacco business overall using the data we've invested in and we feel like we're good at working with—that's when we really get excited,” says Michols. “We've made a big investment over the years in trying to be that trusted resource for data. When we can use that data and see the benefit for the retailer with increased business and increased sales—not just on our products but overall in the product category—then that's when we see a partnership start to develop, and that's when we really start to see success from the retailer.”

The company is interested in working and partnering with retailers of all kinds, from traditional brick-and-mortar stores to online business outlets. Michols says the company strives to be creative and flexible enough to help all of its business partners, and the true proof of its abilities lies in how successful its campaigns and relationships are

in terms of helping move STG Lane products off store shelves and into the hands of consumers.

“We have ongoing efforts with our brick-and-mortar partners, whether they be a premium shop or a convenience store, and we try to create programs that are specific to them and their needs,” he says. “We participate in online businesses as well with a number of different retailers. We try to customize our approach with all of our business partners specifically because they all have different requirements and opportunities.”

A DIVERSE PRODUCT PORTFOLIO

Besides data, STG Lane's diverse product lineup also keeps the company thriving in a tough marketplace. While there are declining categories of tobacco products, the company has brands within each with long histories that are still very popular with its customers. Take Captain Black, for example, a pipe tobacco brand with global recognition that remains one of the company's most popular products. Michols says he and others at STG Lane are seeing one trend that has them excited: the growth of premium tobacco products. This growth is one that STG Lane sees as viable and is one they believe they can create a future for with their products.

“While, overall, some segments may be slipping, we've got the premium segment, which is actually showing some nice, strong growth, and we believe that's driven by the desire for the consumer to have an elevated experience when they choose to smoke,” explains Michols.

Another trend the company is watching is that of age 21-plus millennial smokers having an interest in experimenting with and trying new things. When millennial smokers try new products, they are seeking quality, premium experiences. The premium areas of STG Lane's business excite Michols and his team and are viewed as new opportunities and challenges. Another new opportunity STG Lane will be capitalizing on to expand its product portfolio is that it will soon begin selling and distributing Cricket Lighters. Seen as a product that fills

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a missing piece in terms of tobacco-related products, Cricket Lighters will present a new challenge for STG Lane's sales and marketing team as they attempt to revive a once-popular brand in the U.S. market. As with any of the products it sells, STG Lane has a plan to keep its customers interested and engaged with Cricket Lighters and all of its other products.

"Once we've introduced them to our products, what we try to do is work closely with our retailers to create as much of an appropriate presence for those products in store. We also do as much one-on-one consumer engagement as we possibly can," Michols explains. Staying connected to consumers and gathering their information through its websites is a key part of the company's overall marketing strategy. This enables STG Lane to maintain an ongoing dialogue with the customers and ensure they stay interested in its products. It also gives them another chance to add to their valuable research and data to improve future marketing and sales. With the FDA deeming rules, the launching of new products is uncertain, which makes it important for them to be able to understand how their older and current products are perceived and performing in stores.

"At the end of the day, unless things change, the rules are the rules, and what we've got to do is be smart enough and creative enough to work within them to find ways to continue to move the business forward," says Michols. "Rules don't mean 'stop,' they mean you've got to do things a certain way, and we've got to apply our intelligence and creativity to find a way to do that and that's our plan."

For its historical products that are already on the market, STG Lane will be looking at how each can perform

better in stores and how it can create some new excitement and buzz around those products. The company is fully prepared to work within the new rules as defined by the U.S. Food and Drug Administration (FDA), but it doesn't plan on letting those new rules and regulations slow down its progress or innovation. Michols and his team are constantly reviewing the FDA regulations and any new developments, as they would like to be able to take full advantage of any changes, especially if they are for the better.

"It's sort of the beauty of being smaller and more flexible—we can move and groove based on what these regulations dictate," Michols explains.


A POSITIVE FORECAST

When asked what STG Lane's plans are going forward, Michols has a very simple answer: STG Lane will continue to be a trusted resource for retailers, wholesalers and other business partners. Whether it be with data, or information about regulations, taxes and rules, Michols and those at STG Lane want to be a source of valuable information and data that can help businesses flourish in today's market.

"We feel very excited about the future. For us, we have the benefit of not being alone in this," says Michols. "We've got this big company that lets us do our thing based on what's appropriate and what's required in the U.S., but we've also got this global organization that we can draw ideas and inspiration from and support each other, which gives us even more confidence in where we're headed. I expect STG Lane to be around for a very long time and to be an influencer in terms of what will happen with tobacco down the road." **TB**

“Rules don't mean 'stop,' they mean you've got to do things a certain way.”

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BY JENNIFER GELFAND ★ PHOTOGRAPHY BY CANDACE WEST

THERE'S NO DENYING THAT JONATHAN DREW is a maverick. He and his partners at Drew Estate broke virtually every unspoken rule in an industry defined by tradition to create a cigar that won a cult following. Then they parlayed that stronghold into a powerhouse brand whose success galvanized the cigar industry to rethink flavored cigars. And that was just the beginning.

The subsequent launches of Liga Privada and Chateau Real cigars proved that the relative newcomer was a rising star with staying power. By the time the company was acquired by Swisher International in 2014, Drew Estate boasted a broad product portfolio, ranging from smaller, tinned smokes to full-bodied double coronas. Jonathan Drew spent the ensuing years traveling the country—and the world—as a brand ambassador, but early this year Swisher reinstated him in the role of president of the company he built and charged him with recapturing the roots and core values on which it was founded. In the interview that follows, Drew walks us through the company's inception and early years, shares his views on the state of the industry and discusses his plans for the “rebirth of Drew Estate.”



DRILLING DOWN ON DREW ESTATE

Tobacco Business: For the readers who might not be familiar with the origins of Drew Estate, can you tell us how you entered the business?

Jonathan Drew: My partner and I, Marvin Samel, started Jonathan Drew Inc. in 1995 as a premium cigar retailer in the World Trade Center [WTC] in Manhattan, pretty much right after the 1993 WTC bombing. We closed shop so I could move to Nicaragua a few years prior to the 9/11 disaster—then the world changed forever. [There's a] good chance I would have been there that day.

Jonathan Drew evolved into the firebrand Drew Estate after I moved to Nicaragua and we transitioned from the retail space to the manufacturing business.

Moving from New York City to Nicaragua wasn't easy, as the country was arising from the Sandinista revolution and civil war. Nicaragua was a war-torn country—bullet holes in every single house, brother versus brother kind of drama. Very rough, painful and often heartbreaking.

I never could have imagined that Drew Estate would play such a major role in the transformation of our city, Esteli, Nicaragua—but we did. Step by step, without much of a plan, one tiny company was able to help change the destiny of almost 100,000 people. It was a blessing to be part of the Nicaraguan cigar movement that now rivals Havana, Cuba.

Premium cigars are an industry where the legacy and heritage of established names are highly prized, yet your ACID line of cigars was a breakout success. Why do you think they were such a sensation?

Heritage brands have an important designation in the humidor, but they really don't expand the industry. It takes a market disruptor or category killer to change the game. ACID cigars by Drew Estate broke the mold and ushered in a new era in premium cigars; it's factual and historic. We created a cult brand because we were not cut from the same cloth as our predecessors—we were an organic movement with our middle finger raised high. We were straight wildin' out, riding free, with a posse of believers who demanded to be heard.

What inspired you to build your own factory in Nicaragua, and what barriers did you face as an American doing so?

As you know, there are thousands of cigar brands on the market today. The main reason we decided to create our own factory and roll our own cigars was the authenticity factor. While we lacked the textbook marketing skillset at the time, we had [a] vision of building a company that was distinct, something to change the world. To accomplish those goals we knew that we had to produce our own cigars.

Additionally, making your own cigars gives you a much tighter control of the process: You select and



JD, an avid art collector, in his condo in Miami.

“Being the first and fourth president in the company’s history is something I never take for granted.”





purchase your own tobaccos, you age them yourself, you care for them like they are your children, you feed and nourish them. The end result is art and not a commodity; it's extremely gratifying and soulful.

As an American in Esteli, everyone thought I was completely crazy, and Orlando Padrón named me "The Crazy Gringo." All the older, respected, Cuban cigarmakers thought I was a nut job as well: "There's Gringo Loco walking the streets and playing Wu Tang Clan at his factory loud enough for the whole street to hear."

Interestingly, those unique attributes were some of the earliest building blocks that galvanized the company at the genesis level with its "think different" attitude and swing-for-the-bleachers mentality. We go hard and don't look back—because we know that there is only one Drew Estate and we must represent it every day.

THE ART OF CIGAR MAKING

Everything from your marketing and packaging of cigars, to the Drew Estate website design, to the look of your factory reflects a passion for art. Is art a personal passion for you? Beyond cigars, what hobbies and interests do you enjoy?

Art is definitely my passion and forever built into the DNA of Drew Estate. Art is expression and culture and time. It's what makes us human and is a powerful ally in whatever war you are personally fighting. Any enemy can destroy the physical, but nobody and nothing can stamp out the lifeblood of music and food and imagery and prose.

Every brand of Drew Estate had a reason to be born and was a rebirth of cigar culture, time and time again. Our products are not commodities—they are art, living and evolving. We are presently in "The Rebirth of Drew Estate" time period as an organization right now.

"The Rebirth of Drew Estate" is about reinvention, but from a structural and infrastructural standpoint. It's about going back to our roots and highlighting our core competencies, while at the same time defining best practices for our retail and distribution partners. We are branching out, diving deeper into technology and institutional attributes with data, for example, that we can bring to the table in creating value for our strategic retail partners.

On a personal level, non-business, I collect 1980s street art, mostly the early graffiti scene, which included the movements of hip hop, CBGB's, Blondie, Madonna, Basquiat, Andy Warhol and Rammellzee.

Here we are, 20 years since the birth of Drew Estate—what trends or preferences have you observed among cigar smokers?

From the aspect of cigars themselves, big ring gauges, small ring gauges, limited editions, commemoratives and collaborations.

From the aspect of retailing, there are four important aspects to highlight: digital prowess, merchandizing solutions, cigar bars and new packaging solutions, such as the G-Fresh pouches that we have brought to market with our partners at Swisher International. G-Fresh creates more access points for consumers to pick up their favorite sticks and develop new opportunities for mass market operations to realize the high margins of premium cigars.

Would you say that those retail paths are where we should expect to experience growth potential within the cigar industry at this point?

Yes, 100 percent, no question.

In 2014, we launched the ACID G-Fresh packaging solution for the convenience sector, hoping to birth a new "top shelf" for premium cigars at convenience and DTO locations across the country. Even though the success

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has not been fully realized, I am still confident about the sector. As a matter of fact, we are doubling down on it in 2017. Readers should contact their Swisher International representative or call the home office.

Retail chains are continuously trying to find ways to attract more premium-minded consumers to their stores due to their potential for higher margins. I believe premium cigars will eventually play a distinct role in this evolution.

It's evident that craft beer has made substantial inroads in that journey—and even changed the way many convenience stores are laid out. I think the new program that Swisher International is about to offer the mass market trade is about to explode in a big way. They have learned a lot of valuable lessons over the last two years and truly listened to their retail partners to make the correct changes to the G-Fresh program. It's a commendable program, and Drew Estate is proud to be the production partner for premium solutions.

In addition to the new and updated G-Fresh rollout, the Drew Diplomat Retailer Program speaks directly to the topic of digital strength, connectivity between final consumers to the premium cigar brands they identify with. We currently have approximately 500 retail operations across the country, representing almost 1,000 retail doors participating in our digital world, and receive rebates of up to 7 percent per year on the business that we do together, plus other perks. This has proven to be a game changer and benefits all sides of the [industry].

[40] TOBACCO BUSINESS [JULY / AUGUST | 17]

Speaking of Swisher International, following the acquisition you spent a lot of time on the road. What was that like? Did you come away with any revelations from the experience?

I love the road and spending time with our hard-working and passionate sales force. It's a challenging occupation to be a company representative, and I respect and value their efforts greatly. I never want to lose touch or disregard the pulse of our retailers either, as oftentimes they are the direct link between Nicaragua and the consumer. Their role is vital in the ecosystem.

Additionally, and probably most impactful to me, I have such a deep love for our premium cigar consumers. I genuinely love spending time with everyone who made Drew Estate what it is today, our "extended family" as we like to call it. Cigar culture is so near and dear to my heart, and I consider myself as much a cigar ambassador as I do a "tobacco man."

FOCUSING ON THE FUTURE

Going forward, how will Drew Estate maintain the edge it is known for while operating within a larger entity?

We are simply going to continue to have fun, kick ass and ultimately spread the Drew Estate virtues everywhere we can, like always. We are still a family business, and we don't have a high turnover rate. Our people, culture and brands are stronger than ever, and we continue to challenge ourselves to raise our game. We are the people's champ of the cigar world, and that's not going to change.

You recently shifted back into an executive role in what the company described as "recapturing the roots and core values on which Drew Estate was founded." What are your goals for 2017 and beyond?

At our core, we are a creative company, and I think we have the imagination to reinvent how this industry moves and shakes as we help define the retail and distribution landscape and experience. Being the first and fourth president in the company's history is something I never take for granted. I report up to the CEO, Glenn Wolfson, who is mentoring me in various skillsets.

Every day I wake up with the passion to hustle hard, bring the swagger and connect the dots, no matter how complicated things become. This time around, however, I'm spending a lot of time learning new business paradigms with the executives at both Drew Estate and Swisher.

There's a lot to learn and experience with these professional women and men at both companies. I really appreciate the opportunity to learn and also teach some of those lessons. I truly feel blessed here at Drew Estate.

What do you think the cigar market will look like in five years?

As I noted in your earlier question, I think that one of the cornerstones for the future in cigar retail will be cigar bars.

Cigar bars are a distinguishing factor in retailing, as they provide a service value that the consumers are demanding today. They are a watering hole and a comfortable place to smoke combined in one—the best of both worlds. I think if you're looking to the future as a local retail owner, it is absolutely mandatory to build out your on-site bar.

You spend a lot of time traveling. What are some of your favorite places to visit?

I love going back to New York and Brooklyn. The city is electric, and it's where I rediscover myself in many ways. However, Nicaragua is my second home, so I try to spend at least 60 to 90 days per year there. I also find shelter at the Wynwood Safehouse in Miami, Florida.

You've entered into the premium spirits industry with John Drew Brands recently, and there seems to be a strong buzz on the street. Tell us about that business. How did it come about? What have you introduced thus far and what are you planning? What is your role in developing products?

John Drew Brands is a truly disruptive company. I've been planning this since 2012, two years prior to the acquisition of Drew Estate.

The journey with Bob, Nancy, Frank, Richie, Joey and Sam has been a dream come true. We are launching in Florida and Illinois toward the end of summer, and then we will go state by state, coast to coast. I love developing products that people enjoy every day. Brixton Mash Destroyer, John Drew Rye and Dove Tale Rum are our initial spirits offerings, and they are each very special. You can view them on the www.johndrewbrands.com website, along with other loads of propaganda.

In a lot of ways, John Drew Brands feels like time traveling back to the early years of Drew Estate, only this time we don't have to worry about not being able to pay the electricity or payroll bills. **TB**



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General Cigar's Macanudo: The Evolution of an Icon

The story of Macanudo begins with Edgar M. Cullman, a brilliant entrepreneur with a great vision, who built Macanudo to become one of the world's most successful and enduring handmade cigar brands. Raised by a family of well-respected tobacco dealers, Cullman's father, Joseph M. Cullman, began growing tobacco in Connecticut in the early 1900s. It was Joseph M. Cullman who pioneered tobacco growing in Connecticut. At one point, the Cullman family cultivated more than 1,800 acres of fine wrapper tobacco there. This very tobacco would later become the foundation of Macanudo.

Edgar Cullman was educated at Yale University and served in the military in Washington, D.C., for the Alien Property Custodians. After his service, learned to roll cigars in New York City in 1944, coincidentally not far from where Macanudo's luxury cigar lounge, Club Macanudo, is located today.

Fast forward to 1961. Edgar Cullman teamed up with a group of investors to purchase General Cigar Company for \$25 million. The rest, as they say, is history.

In 1968, the Cullman's General Cigar Company purchased the Temple Hall factory in Kingston, Jamaica.

Temple Hall owned a small brand called Macanudo that was produced for the British market. That would soon change in a big way.

As Legends Would Have It

The world's most respected tobacco men were in Edgar Cullman's employ, and he leveraged their expertise to the hilt to establish Macanudo as the finest cigar available in the U.S. market. Enter Alfons Mayer, an unsung legend of the handmade cigar business and the first player in Edgar's dream team.

Like Edgar Cullman, Alfons Mayer was born into a prominent tobacco family. While Edgar Cullman received an Ivy League education, Mayer's story took a decidedly different turn. The German occupation of Amsterdam forced him out of high school. He narrowly escaped the Nazis in Holland and spent his time during World War II teaching American soldiers to avoid imprisonment by the Germans.

After the end of World War II in 1945, Mayer was sent by the Dutch prime minister (a friend of his family) to Buenos Aires, Argentina, where his father had been



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selling tobacco. Feeling that he wasn't learning the business enough by selling tobacco, Mayer set off for Cuba in 1952 to learn everything there was to know about making cigars by working nonstop, to the point of having open sores on his hands from moving bales. His determination ultimately paid off, when he later rose through the ranks at General Cigar to become the company's head tobacco buyer.

Mayer's extensive tobacco knowledge led Edgar Cullman to charge him with leading blend development for Macanudo. Edgar Cullman wanted a cigar with an aged wrapper—something none of the other cigar makers were doing at that time—and Mayer delivered the goods.

With access to tobacco from all over the world, Mayer selected Dominican, Jamaican and Mexican tobacco for the Macanudo blend. He crowned it with a special Connecticut wrapper cultivated, harvested and processed by General Cigar's Culbro division. The wrapper was aged three years, had a subtly sweet flavor and instantly appealed to American cigar smokers.

An Icon is Born...

Once the blend was firmly established, Edgar Cullman set his sights on quality and consistency, turning to legendary Cuban Cigarmaster Ramón Cifuentes. Cifuentes owned Partagas cigars in the pre-Fidel Castro heyday and had been working for the Cullmans since his exodus from Cuba. Cifuentes had a reputation for meticulous attention to detail and was not shy about his rabid devotion to flawless construction. With Edgar Cullman's blessing, Ramón set forth the exacting standards required for Macanudo cigars, and these methods are still in play today.

With the blend and its standards set in stone, General Cigar began selling Macanudo in 1971, focusing distribution on the best restaurants in the country. The cigars sold extremely well and a market for Macanudo was born. Impactful advertising platforms also started in the 1970s, with magazine, newspaper and radio ads promoting Macanudo as "the ultimate cigar." Soon, new sizes were added to the Macanudo Café line, and the brand continued its rapid ascent.

As the brand was evolving, Edgar Cullman expanded

his team. In the 1970s, he saw great promise in Daniel Nuñez, a young graduate of Texas A&M University who was developing tobacco for the government of the Dominican Republic.

When Cullman met Nuñez in 1974, the two bonded almost instantly. Cullman was anxious to experiment with growing Connecticut Shade in the Dominican Republic. Seeing enormous potential, he hired Nuñez that year.

From 1993 until 1999, Nuñez spent one week per month at General Cigar's Jamaican factory where he and another idol of the handmade cigar business, Benji Menendez, worked together to uphold the utmost quality of Macanudo.

In 1988, Edgar Cullman introduced Nuñez to Ramón Cifuentes. Nearing retirement, Cifuentes devoted countless hours to teaching Nuñez everything he knew about cigar making. Cifuentes selflessly gave Nuñez six months of his time, six days a week, teaching him exactly what a Macanudo should be. Nuñez spent the next several years concentrating on Macanudo and releasing a succession of well-received blends.

Just as Edgar Cullman, Ramón Cifuentes and Alfons Mayer devoted their time to mentoring the next generation of cigar makers, Daniel Nuñez devoted himself to training the team that stands behind the success of Macanudo today. In 1998, after decades in the business, Nuñez identified his protégé in Jhonys Diaz. An American-educated Dominican, with an incredible attention to detail and a passion for learning, it can be said that Diaz mirrored a young Nuñez. Through Nuñez, Cifuentes' relentless devotion to quality would be at the heart of everything Diaz would learn. Nuñez also instilled in Diaz the intricacies of blending based on his own and Mayer's expertise. Perhaps above all, Diaz would become a student of the leaf, soaking up Nuñez's encyclopedic knowledge of tobacco and developing a fluency in the art of processing tobacco and crafting the world's finest cigars.

Macanudo continues to be made at General Cigar's factory in Santiago, Dominican Republic, by a team still consisting of those hand-picked by Nuñez to succeed him in the business. Led by Diaz, the artisans who work hand-in-hand with him still maintain a laser focus on upholding Macanudo's high standards of quality, set forth by the pioneers of the handmade cigar business.

With Edgar Cullman's blessing, Ramón set forth the exacting standards required for Macanudo cigars, and these methods are still in play today.



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Edgar Cullman

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An Unwavering Commitment to Consistency

Mother Nature likes to throw curveballs, and tobacco is a crop she enjoys playing with. Ensuring consistency of flavor for an agricultural product year after year is no small feat, especially when factors such as rain-fall, temperature and humidity can have a big impact. When you select a Macanudo, you are all but guaranteed to enjoy the same taste year after year, across the entire portfolio. How do they do that?

Macanudo has a team of experts, each with at least two decades of experience on the brand, who focus on evaluating a crop's flavor, burn, aroma and ash before the tobacco makes it into a Macanudo blend. This is a proprietary and scientific process unique to Macanudo, one established by Cifuentes.

That commitment to consistency extends to the types of tobaccos that are chosen for blends across the entire Macanudo brand portfolio. No matter what country the tobacco comes from, wrapper for Macanudo has to be fine, with barely perceptible veins, and the leaf must have a certain thickness. It must also be harvested from a designated priming. Wrapper leaves are then aged for three years before they can be used for Macanudo cigars. All filler and binder tobaccos designated for Macanudo must meet strict guidelines for leaf thickness, combustibility and aroma after they are fully fermented and left to rest, with at least two years of aging.

Keeping up with the times has also been a cornerstone of Macanudo's continued success. As variety is the spice of life, in the nearly 50 years since its launch, Macanudo has been constantly evolving, adding new sizes, deeper taste profiles and a wider range of tobaccos in its blends to meet the ever-changing needs of the marketplace, with no signs of slowing down. Through it all, Macanudo Café remains one of the world's best-selling cigar brands, proving that good taste is indeed timeless.

International stardom

Over the decades, Macanudo has become an iconic global brand. In the early 1980s, Macanudo made its foray into export markets, with the release of Macanudo Café in the U.K. and Germany. Today, Macanudo is sold in more than 50 countries worldwide, competing

and winning against rival brands, including Cubans.

General Cigar's president Régis Broersma noted, "Outside of the U.S., cigar lovers are joining American cigar smokers in their quest to find unique new tastes, and Macanudo is answering that call with never-before-seen tobacco varieties and new countries of origin."

Macanudo Inspirado, a blend that has been hailed as the best Macanudo blend to date, has taken international markets by storm in recent history. With its launch in 2014, Inspirado has been the catalyst for a renaissance of the brand.

Broersma has taken a fresh, modern approach to the company's portfolio and is leading the explosive, renewed interest in Macanudo. "In 2016, we released Macanudo Inspirado in the U.S., and the brand immediately won favor among critics and discerning smokers," he explains. "Coupled with a new, modern take on the Macanudo logo, which also launched last year, Macanudo is enjoying a significant uptick in global sales. We're pushing the envelope, and cigar lovers of all levels of experience are being drawn to Macanudo. They are attracted to the brand's heritage, quality and versatility, and [they] see Macanudo as a cigar that enhances their smoking occasions."

The Evolution Continues

Looking ahead, Broersma has big plans for Macanudo. Together with marketing teams in the U.S. and Europe, he has appointed brand ambassadors to share Macanudo's storied history and expansive portfolio with cigar lovers across the world. The brand ambassadors will begin appearing at fine cigar shops across the U.S. and in key export markets later this year.

"The 2017 IPCPR show will be the year of Macanudo," he says. "We are going to activate the brand in a big way, starting with an opening night party that promises to be the talk of the show. We're keeping details close to the vest, but I can tell you that at IPCPR, we will release the two biggest new item launches in Macanudo history."

With the trajectory built by Broersma and his team, it's safe to say that the stars are aligned for the Macanudo revolution to continue well into the future. **TB**

Macanudo Milestones

- 1868** - Macanudo is introduced as a frontmark of the Cuban Punch brand.
- 1930s** - Macanudo cigars were produced for the first time at the Temple Hall factory in Jamaica.
- 1950s** - Maker of Punch cigars, Palicio y Cia, sells the Macanudo brand and the Temple Hall factory in Jamaica to General Cigar Company.
- 1969** - General Cigar purchases the Macanudo brand and the Temple Hall factory.
- 1971** - Macanudo is launched in the United States.
- 1983** - Macanudo becomes the leading premium cigar brand in the United States; General Cigar begins production in the Dominican Republic.
- 1989** - Macanudo Vintage Cabinet Selection is introduced (1979 vintage), marking the beginning of vintage cigars.
- 1996** - Club Macanudo opens in New York City to rave reviews.
- 1998** - Macanudo Robust is introduced at the height of the cigar boom.
- 1999** - Macanudo Maduro is introduced, expanding the line to include a Connecticut Broadleaf wrapper.
- 2000** - Production of Macanudo is moved exclusively to General Cigar's factory in Santiago, Dominican Republic.
- 2002** - Macanudo Gold Label is introduced, bucking the trend for full-bodied cigars.
- 2008** - Macanudo 1968 is released, bringing a deeper flavor profile to the brand portfolio.
- 2010** - Macanudo Cru Royale is introduced, expanding the brand's medium-bodied offerings.
- 2016** - Macanudo Inspirado, the brand's worldwide best-seller, is introduced in the U.S.
- 2016** - The Macanudo logo gets a global refresh.
- 2017** - Macanudo will debut its biggest innovations to date at the IPCPR show.

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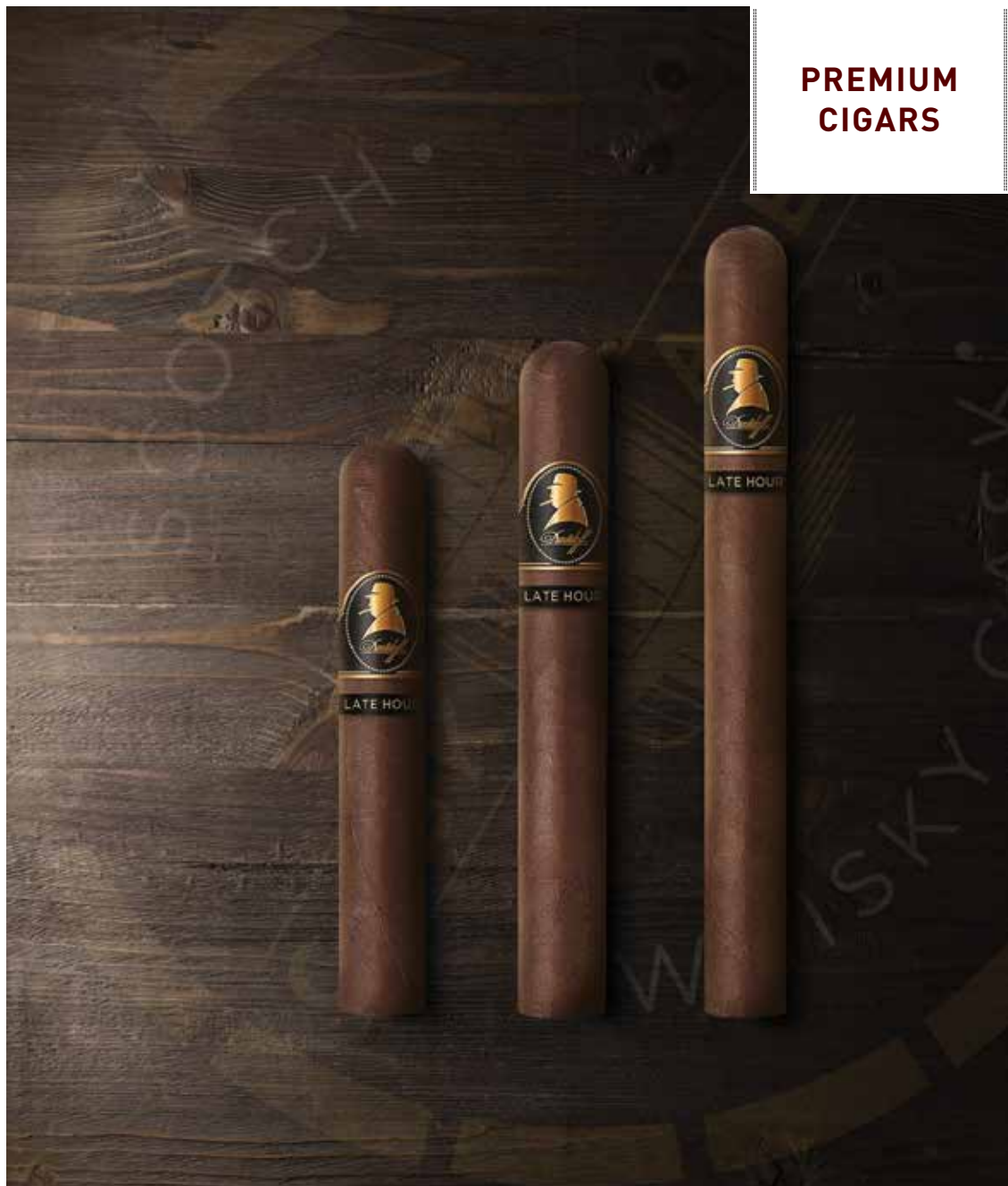
Davidoff of Geneva North America provides a preview of what retailers can expect from them at this year's IPCPR show, as well as steps the company is taking to reaffirm its commitment to its retail partners in the age of FDA regulations.

BY ANTOINE REID

As the introduction of rules and regulations set forth by the U.S. Food and Drug Administration (FDA) has changed how many manufacturers operate, the cigar industry has seen a boom in new products over the last year. Retailers are still asking the golden question of "What's new?" as they look to stock their humidors with products that will add to their store's bottom line. Moving forward, however, there will be fewer new product releases, and manufacturers will be forced to market their companies and products in a new way. With another International Premium Cigar & Pipe Retailers Association (IPCPR) show coming up, manufacturers like Davidoff are preparing for the new way of doing business in the age of FDA regulations.

Davidoff has a wide range of products in its portfolio, including some that have been industry staples for decades. Having been in business for years, Davidoff is among the group of manufacturers who will have some grandfathered products that they hope to reintroduce to the market in some innovative and memorable ways. When *Tobacco Business* asked what retailers can expect from Davidoff at this year's IPCPR

PREMIUM CIGARS



show in Las Vegas, the company's response was that you can expect a celebration of Davidoff's classic cigars being reintroduced for a new generation of cigar aficionados.

"Retailers can expect quality, consistency, innovation and stability from Davidoff at the trade show, which are important attributes in the face of the new FDA challenges," says Richard Krutick, vice president of marketing at Davidoff of Geneva USA. "They can prepare to see brilliant new products from AVO, Camacho and Davidoff that are rooted in consumer insights and that will provide a new and very distinct taste experience."

Krutick describes Davidoff as a "house of brands" rather than a branded cigar. As a result of the FDA regulations, no company can afford to release a product into the market with no clear idea of how it will perform. Any release going forward, including those from Davidoff, are launched with more intent and purpose due to the cost of product registration. Its goal is to provide exceptional taste experiences to all of its consumers, no matter what their preference

is. The company accomplishes this through its many different brands, including AVO, Camacho and Cusano, as well as through its partnership with S.T. Dupont.

Davidoff has already begun to preview what retailers can expect to find at their IPCPR booth with a few pre-show releases. Earlier this year, Davidoff revisited its Discovery line (Yamasá, Escurio, Nicaragua and Nicaragua Box-Pressed) with the release of a new Gordo size of each cigar and the limited-edition Davidoff Discovery Culebra featuring each unique blend. Camacho's cigar lines have been extended with the addition of BXP, box-pressed versions of some of the brand's most popular blends. AVO Cigars' latest release, AVO Syncro South America Ritmo, is described by the company as an exotic smoke influenced by cultures from around the world.

One release that will be a prominent focus at this year's show will be the Winston Churchill Late Hour. Davidoff has often chosen to honor the legacy of Winston Churchill, one of the world's most recognized cigar enthusiasts. Each cigar in the company's Winston Churchill line honors a



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competitors in
terms of quality
and value—and
will remain so.**

”

different aspect of its namesake’s legacy and personality, and this new one will be no different, honoring the time of day Churchill was most inspired.

“Sir Winston Churchill was not a man to follow convention,” notes Krutick. “When most people were thinking of their beds, he was thinking how best to run a country or to command an allied advance. He was a man that saw the night as a source of inspiration. The dark is where he found his spark. The Late Hour cigar has its own unique story. It is blended with tobacco aged in fine scotch single malt whiskey casks. This gives the cigar a unique complexity, depth and flavor, creating its own atmosphere [and] stimulating the palate and conversation at the same time.”

For Davidoff, the IPCPR show is an important sales and marketing platform, but it’s also just one part of its overall marketing plan. Krutick and others at Davidoff view the FDA ruling as disappointing as it stifles innovation and makes doing business far more complicated, but it’s a new reality they know they must accept in order to move forward. Davidoff is working with other industry associations and companies to get legislation passed that would exempt premium cigars from FDA regulation and change the predicate date. Krutick points out that while new products are one way a company like Davidoff can be innovative, it’s not the only way.

“There is more to the business than just new product. Innovation can come from all functional areas, be it operations, finance, marketing programs or commercial tactics,” Krutick explains. “Davidoff will continue to push a strong, innovative agenda based on improving in all areas of the business and in keeping retailer and consumer needs at the forefront.”

Another part of Davidoff that will remain unchanged is the company’s commitment to its key retail partners.

Even with the increased costs associated with getting products to market, Davidoff has shown its commitment to their retail partners by continuing to invest in marketing, merchandising, events, training and education programs, and tools for brick-and-mortar stores. They have also continued to recognize key retailers with the annual Golden Band Awards, which are typically held each year during the IPCPR show. Krutick asserts that Davidoff will continue to invest in proven growth drivers, engage consumers in a meaningful and impactful way, and will strive for excellence as it serves both its retail and consumer audience.

“All of these activities take a sell-out mindset,” Krutick explains. “Seventy-five percent of Davidoff of Geneva USA’s business is comprised of the brick-and-mortar channel through both retailers and wholesalers that service them. That mix is well above the industry average amongst other manufacturers. Our investment in the brick-and-mortar channel is unparalleled by any of our competitors in terms of quality and value—and will remain so.”

Davidoff’s recent investments in new products, in-store events, merchandising, education and training will not only benefit their overall company but will also have a positive impact on retailers by driving more traffic into their stores. These investments and activities are also meant to increase transaction values that will lead to more products being sold. Krutick describes Davidoff as an indispensable business partner to retailers, highlighting the data the company gathers and analyzes and ultimately uses in its marketing initiatives. As an indispensable business partner, Davidoff is dedicated and committed to serving retailers and their needs at the IPCPR show and beyond. **TB**

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P.52

(Left to Right)
Gustavo Plasencia,
Nestor Andrés Plasencia,
and José Luis Plasencia.





PREMIUM
CIGARS

Plasencia Cigars: The

S **O** **U** **L**

of the Tobacco Industry

After five generations of growing great tobacco and making iconic cigars, the Plasencia family enters a new chapter with the launch of its own brand.

By Antoine Reid



The Plasencia family has been growing top-quality tobacco for five generations. Today, Plasencia Cigars manufactures more than 35 million handmade cigars each year and grows tobacco on 3,000 acres in several locations, including Honduras, Nicaragua, Costa Rica and Panama. It has the distinction of having produced popular cigars for many well-known labels, including Rocky Patel Premium Cigars, Ventura Cigar, Padilla, Villiger and Alec Bradley. After decades devoted to making memorable cigars for other companies, the family has launched their very own brand: Plasencia 1865. *Tobacco Business* recently sat down with CEO Nestor Andrés Plasencia to discuss his family's deep roots in the tobacco industry and their new brand that helps to affirm the family's legacy and dedication to tobacco.

The History

The Plasencia family's long affair with tobacco began in 1865, when Eduardo Plasencia began growing tobacco in Cuba. Three decades later, his nephew, Sixto Plasencia Juárez, helped expand the business to open farms in Cuba's Vuelto Abajo region. His son, Sixto Plasencia Perez, and his brothers continued the tradition. In 1965, the family moved from Cuba to Nicaragua as a result of the Cuban revolution; 13 years later they had to move again due to the Nicaraguan revolution. Despite having to start over twice, the Plasencias remained devoted to their cigar-making heritage.

"Tobacco is involved in every aspect of our lives," asserts Nestor Plasencia, Sixto Plasencia Juárez's great-grandson and one of the world's most well-regarded cigar makers. "Tobacco means everything to us. We owe everything that we have to this beautiful plant."



Tobacco means everything to us. We owe everything that we have to this beautiful plant.



Great People, Great Tobacco

The Plasencias grow tobacco in four different regions in Nicaragua and three different regions in Honduras. In addition, the family grows tobacco in Panama and Costa Rica. When asked what he considers the key to growing good tobacco, Nestor Plasencia offered up a secret to the family's successes over the years: Great tobacco is grown by great people.

"The No. 1 thing is that we have talented team players that work beside us," he explains. "We've managed to have a great group of people who have a passion for tobacco in their blood and who are looking at all the little details. If you focus on those little details from when you put the seed in the ground to the end when the cigars are made you will have a great product. Constantly looking at those types of details makes our tobacco."

The Plasencia family works very closely with its staff, hoping to release all of the potential they have in order to produce great products. The family offers seminars for their employees, a daycare center within some of its facilities and scholarships to further the education of its staff. Plasencia acknowledges that Plasencia Cigar's employees, from those who work in the fields and factories to its independent farmers, all play important roles in the company's overall success.

"We cannot do everything by ourselves—that would be impossible," he says. "Especially in this industry, the leaves are touched by more than 200 hands, from the ground to when the cigars are on the shelves. If you can get all of these people to deliver the best product that they can, then the results are amazing. I think we have that, and we can always learn and improve on that aspect."



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Introducing Plasencia 1865

While the employees and staff keep the quality of the products high, Nestor Plasencia considers the family to be the foundation of the company. In his view, it's up to the family to lead the company and help produce the best tobacco possible. "Right now, my brothers and I are the fifth generation, working together with my dad," he says. "We hope we are going to have more generations to come in the future to continue this family tradition in this beautiful industry."

In fact, that particular vision was behind Plasencia's decision to launch the cigar brand, Plasencia 1865. In reviewing the company's operations, the Plasencia family felt it was missing what it considered to be the best part of the cigar industry: the relationship with the final consumer.

"We created Plasencia 1865 in order to distribute our own line of products," explains Nestor Plasencia. "The first product we came out with was the Plasencia Alma series. 'Alma' means 'soul,' so we put our soul and heart into this cigar. We saved tobaccos from our best fields, and from the best crops out of those fields we aged the tobaccos and hand-selected every leaf out of the field in order to create an amazing product."

The Plasencia 1865 brand currently consists of Alma Fuerte, one of five cigars in the company's Alma Series. This cigar is a medium- to full-bodied cigar made with sustainability-sourced tobacco plants. The aging process for the tobaccos used in this cigar is elaborate, and only the best leaves are used for the cigar. Plasencia will also be introducing another line of cigars named Cosecha, which celebrates the company's first-ever tobacco crop grown in 1865.

What's Ahead

To the Plasencia family, Plasencia 1865 is a significant and important evolution of their company and their dedication to the tobacco industry. The company has used its master blenders to help create an amazing product. The family uses some organically grown tobacco in the blend and is excited to roll it out to retailers and cigar enthusiasts. The company, having been around for decades, isn't worried much about the U.S. Food and Drug Administration or its regulations.

"The thing is that there has always been a time when people have said this is the end of the cigar industry," says Nestor Plasencia. "I think this industry is going to survive, no matter what. It's sad to see all this legislation for something that's enjoyed in the States and all over the world that takes you away for two hours for enjoyment with friends, family members and yourself. The industry will find its place and will survive."

Between its tobacco-growing operations and its new brands, Plasencia Cigars will be busy and active in the cigar industry for the foreseeable future. With a focus on growing the best tobacco and making the best cigars possible, Nestor Plasencia sees a lot of potential and opportunity ahead for his family and their products. They plan on being around in the long term and have new releases planned for the future, including one for Plasencia Alma del Campo and another launch to announce just ahead of the 2017 International Premium Cigar and Pipe Retailers Association trade show in July. **TB**



The first product we came out with was the Plasencia Alma series. 'Alma' means 'soul,' so we put our soul and heart into this cigar.



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**PREMIUM
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A *Premium Partner*

David Joyce,
director of wholesale operations

Santa Clara's offering of premium cigars and proprietary brands makes it a strong partner for wholesalers and tobacconists in the U.S.

BY ANTOINE REID

Since 1971, Burlington, North Carolina-based Santa Clara has been distributing tobacco products to wholesale accounts throughout the country. Its clients include other distributors, brick-and-mortar tobacconists, cigarette and tobacco outlets, wine and liquor stores, and convenience stores, among other businesses. Santa Clara's slogan of "best service, lowest costs, since 1971" has driven the company for decades, fueling its innovation and growth. The company is more than just a wholesaler—it's a one-stop supplier for everything a tobacco retailer needs to be successful.

With a huge selection of nationally branded premium cigars, mass market cigars, pipes, pipe tobacco and accessories, Santa Clara has a lot to offer any retailer that wants to set itself apart in meeting the needs of its customers. After more than 40 years in business, Santa Clara has evolved into one of the best wholesalers and business partners a tobacconist can have.

STEADY GROWTH

In the three years since joining Santa Clara, David Joyce, director of wholesale operations, has seen steady growth. Santa Clara has increased the frequency of its wholesale catalog, which features a wide selection of handmade premium cigars and tobacco products. It has also made internal improvements such as expanding its on-site call center, updating its website to better showcase its products and current promotions, and assisting customers in purchasing decisions that best fit their needs. Joyce also attributes part of the company's growth to focusing the business on tobacconists and wholesalers that are strong partners for premium cigars.

"We've hired people who work exclusively in the wholesale channel to bring in new business," he said. "They are reaching out to both active and inactive customers to see how Santa Clara can help meet their needs." Regular attendance at relevant trade shows, such as the Tobacco



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Plus Expo (TPE) and the International Premium Cigar & Pipe Retailers Association (IPCPR) show (Booth 2930), has also helped Santa Clara grow its brand and presence among its targeted wholesale customers.

Another important growth factor has been Santa Clara's shift to viewing its customers as partners rather than just as accounts. Santa Clara helps its retail partners find the right products for each store based upon the preferences of the store's adult smoker clientele and finds other ways to provide its partners with the tools and products necessary for success. "We're focusing on increasing our key accounts' portfolios and helping them find products that they don't currently stock that may otherwise be beneficial for them to carry," explains Alan Rubin, Santa Clara's business development coordinator. "We've been focusing a lot on educating our customers about other available products so they don't get stuck buying the same things over and over again.

In addition to recommending products that can help increase profit margins, Santa Clara has helped those retailers new to premium cigars by offering them a "start-up" humidor package that includes a two-foot humidor stocked full of products that have been proven to sell in other stores. For those retailers who are already set up with product, Santa Clara offers marketing and point-of-sale materials, including signage and shelf-talkers to help educate and sell cigars and other tobacco products.

A FOCUS ON PREMIUM CIGARS

According to Joyce, he and others at Santa Clara have seen an uptick in the premium-cigar category, justifying the company's current focus on those products and premium tobacconists in general. "We're working with big, key accounts to develop them and expand their portfolios of premium cigars," says Joyce. "Our concentration, although we're in all categories of tobacco products, is the premium cigar category. We probably have more than 500 brands and over 100 million cigars in our humidified warehouse of over 130,000 square feet. We carry most national brands and have an extensive list of cigars that are Santa Clara exclusives, such as Romeo Crafted by A.J. Fernandez and Montecristo Crafted by A.J. Fernandez cigars."

Other exclusives include El Rey del Mundo, manufactured by General Cigar Co., the Rocky Patel Fire and Ice lines, and the affordably priced Mr. B and La Finca bundles. These exclusive cigars help give Santa Clara unique and sought-after inventory that retail partners can't get anywhere else.

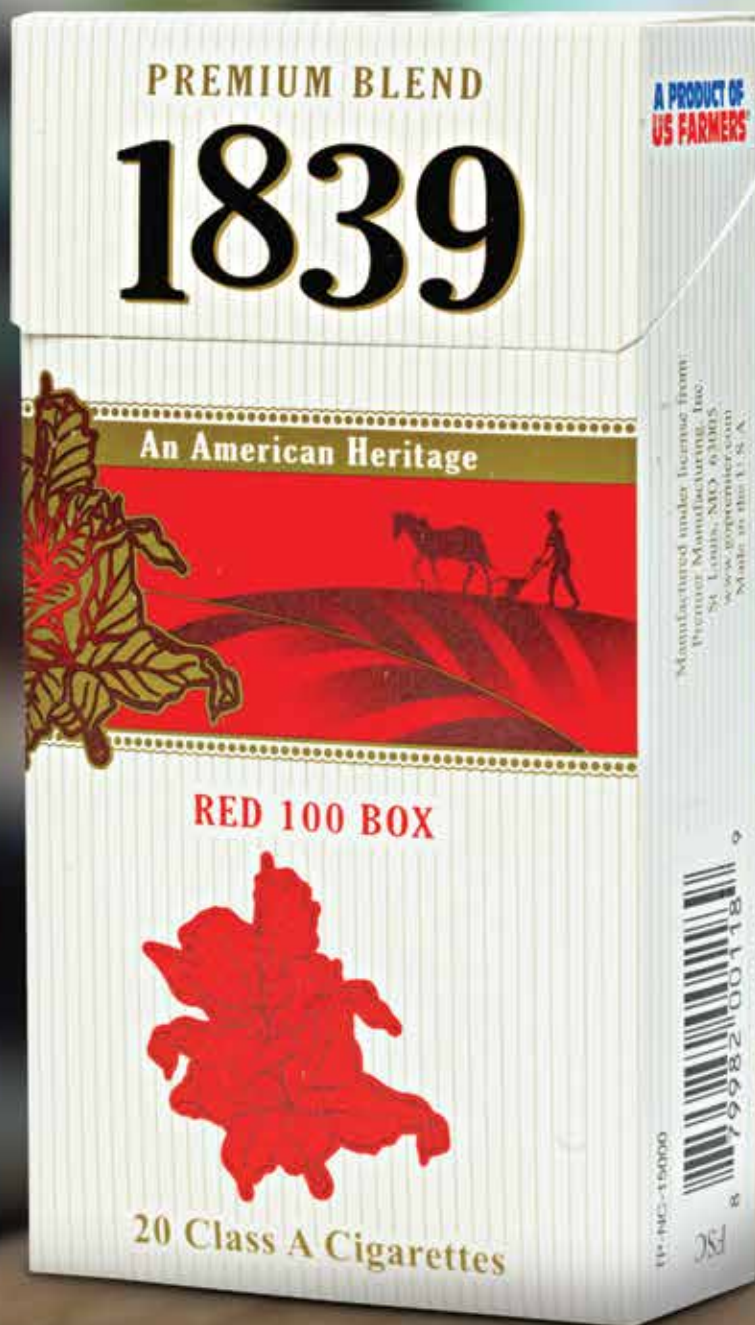
"The big advantage of this type of distribution arrangement is that it's exclusively for Santa Clara's partners, and the profits and margins for our partners are high," Joyce explains. "As with the cigars made with A.J. Fernandez, it's something that can only be bought from Santa Clara; it gives our customers something unique within their market if everybody around them does not have it."



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The two cigars made in collaboration with A.J. Fernandez have been popular with Santa Clara's customers. According to Joyce, Romeo y Julieta Crafted by A.J. Fernandez and Montecristo Crafted by A.J. Fernandez have distribution in 44 states and a reorder rate of 92 percent in just a short time since market introduction. This collaboration between A.J. Fernandez and Altadis USA is just one of the exclusive brands the company offers. In addition to offering exclusives, Santa Clara is a source for many other premium cigar brands, including Arturo Fuente, Ashton, Cohiba, Drew Estate, Oliva, Alec Bradley and Gurkha. To further show its commitment to the premium cigar market, Santa Clara is expanding its inventory of cigars by adding some popular boutique brands. If your business is in need of a particular cigar, there's a good chance Santa Clara will have it, or have something comparable.

For tobacconists, Santa Clara is a great source for premium cigar products offered at competitive prices. With weekly email specials, no minimum order requirement, same-day shipping for orders submitted before 3 p.m. EST Monday through Friday and free shipping on orders of \$500 or more, retailers will find Santa Clara's services to be helpful in keeping their stores equipped to handle the demands and needs of their customers.

THE PATH AHEAD

Even with the U.S. Food and Drug Administration's (FDA) regulation of cigars, Santa Clara's outlook remains positive. While increasing regulations present challenges for its business, Santa Clara is well-positioned to continue to offer tobacco retailers the same level of customer service that's kept it in the forefront of the distribution sector for over 40 years.

"Santa Clara has been working hard to navigate these new regulations," Joyce says. "We believe that we are in a unique position that allows us to utilize our resources and experience to protect our cigar business. In a period of uncertainty, one thing is for sure: Santa Clara will continue serving the wholesale and retailer cigar market as a key partner for years to come."

Many of the brands Santa Clara (santaclaracigars.com) carries are compliant with the FDA's 2007 predicate date, including Montecristo, Romeo y Julieta and H. Upmann, to name a few. Also falling into the predicate status are some of Santa Clara's top-selling proprietary brands like El Rey del Mundo, La Finca and José Martí. For now, Santa Clara is focusing on continuing to provide wholesalers and tobacco retailers with the products and support they need to prosper in today's marketplace. **TB**



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AVANTI:

An American Dream

P.64

Avanti Cigar Company strives to provide the market with premium products at affordable prices that maintain the company's Italian roots.

BY ANTOINE REID

Avanti Cigar Company's history dates back more than 100 years to when the founders of the company wanted to capitalize on their love for Italian cigars. Dominic, Anthony and Frank Suraci—three brothers who emigrated from Calabria, Italy, to New York—started their own hand-rolled cigar company, the Suraci Brother Co., in 1912 with the intent to target New York's growing Italian-American population.

By 1925, business was going so well that the Suraci brothers were able to purchase a competing family's factory and products, giving them a primary brand: Parodi. After World War II, they bought out another competitor, Long Island's DeNobili Cigar Company. In 1963, the purchase of Petri Cigar gave the company firm control over the Italian-style cigar market in the U.S. In the 1970s, the company began to manufacture cigars featuring fermented Kentucky tobacco and an anisette-flavored tip. This cigar became the company's most highly rated and best-selling brand, leading to reorganization of Parodi Cigar Group and it ultimately becoming the Avanti Cigar Company.

In 2015, Avanti Cigar Company was purchased by Manifatture Sigaro Toscano, the company that produces the historical Italian product the TOSCANO cigar that inspired the Suraci brothers during the company's founding in the early 1900s.

PREMIUM
CIGARS





AMERICAN-MADE CIGARS

Though Avanti's cigars were inspired by Italian brands in the past, its products today are all made in the U.S. using Kentucky tobacco. Avanti is the only U.S. producer of dark fire-cured cigars, which are developed using a process that involves exposing the tobacco to the smoke of oak and hickory logs, with a compliment of beech wood, smoldering on a barn's floor. This process produces cigars that are intense and full-bodied, and that have a unique aroma that sets them apart from other cigars on the market.

Though Avanti Cigar Company uses machines in the cigar manufacturing process, human touch is still crucial in the production of each cigar. During the growing process, only the best tobacco leaves are hand-picked for use in the cigars. Under the leadership of a master blender, tobacco from at least three different crop years is used in order to achieve an ideal blend. The machines used all simulate the movement of cigar makers by slowly rolling the wrapper and filler in order to maintain the quality of the tobacco. Avanti's employees play an important role overseeing the process from the drying phase through when the cigars are packaged for consumers.

BROAD RETAIL SUPPORT

For those at Avanti Cigar Company, the key to selling their products comes down to providing the market with a premium product at an affordable price. When asked how Avanti supports its retail partners, Luciano Simeone, chief operating officer at Avanti Cigar Company, responded that working daily to improve the quality of their products that end up in stores is the most important support the company can provide. From there, increasing the visibility of the company and its products in cigar stores, offering good deals on its products and promoting Avanti through social media all helps.

Avanti works with brick-and-mortar and online retailers, both considered by the company to be important to its marketing strategy. Brick-and-mortar retailers are viewed by Avanti as ambassadors for the company, speaking and interacting directly with potential consumers. With the increase of online retail and a new generation of tech-savvy smokers, online retailers are viewed as an important partner due to their wider reach.

For those retailers who are new to the Avanti brand, Simeone has a few suggestions for popular products to get started with. "Parodi Ammezzati and Parodi Kings are iconic mainstays for cigar lovers," he says. "I also would recommend Avanti Cordial, our first flavored cigar that was introduced in 1970, and DeNobili Longs, classic long cigars that provide a sophisticated, sustained smoke."

A COMPETITIVE EDGE

Though Avanti Cigar Company faces the same challenges as any other manufacturer when it comes to the U.S. Food and Drug Administration's regulations, it's in a good position going forward, as 90 percent of its SKUs could potentially meet the requirements to be grandfathered. This could admittedly give the company a very competitive advantage that could extend its long history. The company is prepared to operate in a much more restrictive market and feels that its parent company will help it navigate through the new regulations and changes.

Avanti is remaining tight-lipped on new releases but urges retailers to check out its release from last year, the Parodi Speciale. "Last year we launched a new cigar, the Parodi Speciale," explains Simeone. "It has a top-grade wrapper and underwent a special fermentation process that provides the cigar with a well-rounded and harmonic taste. We've also added two aromas to the Avanti family: vanilla and licorice." **TB**



PARODI CIGAR CO., SCRANTON, PA.

GENERATIONS OF ENTREPRENEURS

AVANTI CIGAR COMPANY CAN attribute its longevity and evolution to a series of forward-thinking entrepreneurs who each brought something valuable to the business. It began with the founding of the company in 1912 by Dominic, Anthony and Frank Suraci, who took their passion for cigars and turned it into a business.

In the early 1940s, Frank Suraci, Jr. introduced much-needed improvements to the machine-making process, allowing the company to produce more cigars that maintained the quality of hand-rolled cigars and Antony Suraci's son-in-law Bob Keating made improvements to the company's sales and marketing efforts. A decade later, Tony Jr. became the point of reference for purchase and fermentation of Dark Fired Tobacco and led the company for some years. By the 1990s, his son, Dominic Keating, became the president and face of the company for many years.



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growth.

~
BY JENNIFER GELFAND





Last year, JM Tobacco marked its 20th birthday with the reintroduction of the company's very first cigar: Española, first launched in 1996. In addition to honoring the company's history, the move was also strategic, marking a return to the company's premium cigar-making foundation at a time when the U.S. Food and Drug Administration's deeming regulations were poised to reshape the marketplace.

"Española was our very first cigar, a super-premium cigar launched at a time when premium cigars weren't divided into subcategories," says Anto Mahroukian, president of Los Angeles-based JM Tobacco, who explains that the company shifted its focus to its value-priced JM Dominican line in the late 1990s when the premium market became saturated. Now, with a new regulatory environment poised to reshape the market, the company is staging the re-entry of Española, which retails for between \$7 and \$8 plus tax. "We'd like to focus on that part of the business again, so we thought why not Espanola Cigars—a super premium cigar that should be grandfathered in?"

Like many in the industry, Mahroukian sees big changes ahead for the industry, including opportunities for manufacturers of cigars introduced prior to the 2007 cutoff date to grab market share as newer brands are forced off the market. "We are comfortable with our situation," he says. "We have always been known for quality and consistency. Our philosophy has been that a JM Tobacco cigar from 2007 and one from 2017 should taste exactly the same, and that's a positive in this environment."

In particular, Mahroukian expects his company's private-label business to grow as companies unable to produce the products they sell currently explore other options. "We already supply private-label product to several companies, which are ecstatic about having access to grandfathered cigars now," he says.

Even without private-label program growth, however,

JM Tobacco has been seeing solid sales of its established brands, as well as growth from recent introductions, including humidity-sealed three-packs it brought out in 2013. "The three-packs opened up opportunities for us in smaller stores that don't have humidors," he explains. "They can sit on store shelves for up to a year, and they don't even need shelf space because we offer clip strips that the stores can hang from just about anywhere."

While Mahroukian is optimistic about the opportunities ahead, he also acknowledges that complying with FDA regulation around labeling will be challenging for the cigar industry. For example, requiring manufacturers to rotate six warning labels equally during the production and packaging process is more complicated than it sounds. "We're supposed to submit an implementation plan about how we will print the labels and stack the products to ensure that the six versions are equally distributed in each case and around the country," he explains. "I was thinking to shuffle them but that won't cut it. And we need to get it right, because you don't want to risk them coming back to you and saying, 'No, this won't work. You need to resubmit.'" Fortunately, the May 10 implementation deadline was recently extended by three months, giving manufacturers more time to develop solutions.

Mahroukian also anticipates the FDA turning its attention to social media marketing, which has been very effective for his company. JM Tobacco has fostered relationships with many "influencers," each of which has as many as 20,000 followers. "We send them cigars, and they post about them," he explains, noting that the company is active on Instagram and Facebook. "We do specials where you can win a free three-pack by tagging a friend in a post about our cigars. It's a great way to get the word out."

Ultimately, that type of marketing may come under fire from the FDA, which has yet to place restrictions on social media. But when it does, the industry will find ways to persevere, says Mahroukian. "Tobacco continues to get hit hard by taxation and regulation—those challenges will always be there," he says. "But right now, I think that out of the smoke there will be sunny skies. What will come out of FDA regulation is that the tobacco products that will be left on the market will be cream of the crop. They will be quality products made by the manufacturers who have been in business for more than 10 years, which is pretty cool." **TB**



Our philosophy has been that a JM Tobacco cigar from 2007 and one from 2017 should taste exactly the same, and that's a positive in this environment.



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SAFE HAVENS



p.72

To evolve by branding or not? Three lounge operators share how they approached that pivotal question.

BY RENÉE M. COVINO



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Prime Cigar
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What's a cigar without a serene place to smoke it? An entity that calls out to cigar smokers, sometimes just by its name. Hence, the rise of the branded cigar lounge.

"Branded cigar lounges are an explicit effort by [cigar] companies to provide a cigar-friendly atmosphere and experience," says Don Stuart, managing director of Cadent Consulting Group in Wilton, Connecticut. In partnership with cigar retailers who are in it for the long haul, "the opportunity is to create a safe haven for smoking cigars or other tobacco products in these times—essentially a lifestyle oasis."

Stuart adds that branded cigar companies provide lounge owners with "the financial backing to help ensure long-term success. An independent entity could be hard-pressed to survive except in key upscale/densely populated geographies."

The safe-haven aspect is tantamount to success, "whether branded or not," according to Stuart. Generally speaking, branding offers retailers financial compensation, in-store branding and promotional materials, product specials and special product, and, of course, instant name recognition. On the flip side, not branding a cigar lounge offers retailers fewer restrictions and more flexibility.

So which is it—does a cigar lounge look to partner up with a cigar brand or not? *Tobacco Business* recently tapped into three lounge perspectives:

“

I never thought I would do a branded cigar lounge; it just wasn't something I had considered when planning or expanding our brand.

”

Casa de Montecristo run by Prime Cigar & Whiskey Bar, in partnership with Altadis USA (www.primecigar.com)

This 4,700-square-foot bar and lounge opened more than a year ago at a residential tower in Miami's business district of Brickell. It features a walk-in humidor, custom furniture and design elements, and rare whiskeys, as well as a member's lounge and private boardroom. The upscale establishment also offers a "vintage collector's room" with vintage cigars.

In business for seven years, Prime Cigar also operates two other cigar stores/lounges, one in a New Jersey country club and the other in the Boca Raton, Florida area, but they are not branded or affiliated with any particular cigar name.

"I never thought I would do a branded cigar lounge; it just wasn't something I had considered when planning or expanding our brand," says Ryan Leeds, part owner of the Prime Cigar chain. "It wasn't really a factor until we were approached by Altadis when the word got out that we were opening in Miami. We have a great relationship with them, and it became an internal project. We did know that if we were going to do a branded lounge, it would be with them. It was just evolutionary, and, now that we've done it, and as long as they will have us and the opportunity is there, our plan is to continue to open Casa de Montecristo by Prime Cigar lounges."

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Prime Cigar
Casa De Montecristo,
Miami, Florida



If I'm going to partner with a brand I have respect for, I'm going all-in.



One of the reasons the big-name cigar lounge concept works for Leeds is his two-decade banking business background. "I'm very comfortable with the boardroom and the corporate environment. I have a lot of respect for the process, the layers of management, brand awareness and everything that goes along with big companies. "I'm a big fan of big-company environments," he says.

According to Leeds, Altadis was a particularly good match for Prime Cigar due to the strength of their brands, "their reach into the cigar community and the relationships we've built internally. It just seemed to be the perfect fit with their high-level programs and the type of events and activations that we at Prime Cigar plan out," he explains. "From their brand recognition and their ability to understand our vision, they fit with us better than anyone. And it's just the way we're programmed; we are a small company with a big-company mindset."

Geographically speaking, the fit is perfect, too. "Their U.S. headquarters is located almost equidistant between our Boca [Raton] and Miami locations in Florida, so I have incredible access to the team," says Leeds. "I get the luxury of popping in and having a strategic discussion with them as I'm driving from one location to another. I have the benefit of access to all of their teams, from event planning to creative products to marketing and advertising. I leverage the relationship, but I also leverage the location."

Design-wise, Prime Cigar is really invested in its Casa de Montecristo partnership. "If I'm going to partner with a brand I have respect for, I'm going all-in," says Leeds. "We incorporate a lot of that brand's collateral,

the design and look and feel of that brand. There are certain elements at Montecristo that we captured and highlighted and emphasized, such as building the fleur-de-lis into our actual design. We also incorporated branded pillars and custom furniture. The brand really becomes an element of design and not an afterthought."

Looking forward, Leeds sees growth of the Prime Cigar business with continued growth of the Casa de Montecristo partnership. "We are very focused on the expansion of the brand, and there are at least three letters of intent for further locations in South Florida," he offers. At least two more locations in two years is the conservative plan, "dependent on landlord negotiations and buildout time."

Leeds notes that the company is "very, very discerning when it comes to locations. The biggest hurdle in our business is not money and it's not product—it's finding the right location, personnel and team."

Looking back on his first branded lounge experience, which came six years after he opened his first cigar lounge, Leeds considers the idea of going back in time—would he have started out with a branded lounge if he could?

"I don't think so," he says. "We didn't have the experience of the relationships with the brands yet, so it would have been much more of a shot in the dark, and the success would have been based on luck, not knowledge and experience."

"And our plan is to grow a big company," Leeds adds. "In our minds, we are a big company; it's just getting there physically."



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Davidoff Lounge,
Phoenix, Arizona

Davidoff Lounge and Casa de Montecristo Lounge run by Ambassador Fine Cigars
(www.ambassadorcigars.com)

This 4,100-square-foot “cigar complex” in Phoenix, Arizona, actually holds two branded cigar lounges: a public Casa de Montecristo lounge and a private Davidoff lounge. The latter was modeled after Davidoff’s corporate flagship store design. Distinctive architectural details in the year-old lounge include a backlit, 12-foot, slanted ceiling and a commissioned art piece by the New York City duo URNY.

In addition to the main Davidoff lounge, amenities include a boardroom offering members a private space to conduct meetings and hold private dinner events, as well as custom-built humidified lockers. The shop features a 1,000-square-foot walk-in humididor, as well as a custom bar offering spirits and catering opportunities. The lounge is open 24 hours a day to private members, and day passes are available for guests for 24 hours.

Since opening in 1997, Ambassador Fine Cigars has grown substantially, winning two Davidoff Golden Band Awards, as well as a reputation for building long-term relationships.

“My business motto is to become partners with people I want to do business with long term,” says owner Vartan Seferian. “This business is all about relationships; you build up relationships with your customers and you build up relationships with your vendors. Regarding vendors, if you buy from everybody, you dilute your business, so I’ve learned to consolidate my business with those I like to do business with.”

Seferian is a big believer in big names, and he actually wanted to brand a cigar lounge even before the concept

became popular. “I approached companies about branding in 2004; I saw this as the future, especially for people who travel, but cigar companies were not interested. Then they all came back to me after the concept caught on.”

Davidoff approached Seferian 3–4 years ago. “For me, that’s top of the line,” he says. “It’s prestigious, it’s worldwide, so after they approached me, I said yes. I partnered with them because what they do is beautiful, and I wanted to participate in that.”

Montecristo was another name Seferian had built a relationship with for the long haul and wanted to partner with. “It doesn’t happen overnight,” he says. “We’ve been in business for 20 years. You build relationships and then they come to you—the customers and the vendors.”

With branded lounges, “the name is clearly the biggest advantage,” he says. “It does bring in more business, and cigars and liquor right now—that’s a must.”

Seferian makes note that the Phoenix market is particularly tough. “There are too many cigar shops here, but the theory is if you build something different, they will come. So I took it to a different level,” he says. “I have a 1,000-square-foot walk-in humididor with a beautiful selection of cigars. I have a distinctive interior design. It’s the Bentley dealership, not the Chevy, and fortunately, I have the clientele. I have to do it at least a little better than everyone else.”

Ambassador Fine Cigars also has a second location on the west side of town that Seferian is looking to expand. He says he is also looking at a third location, which would be more than 4,000 square feet: “Here we say, ‘go big or go home.’”



There are too many cigar shops here, but the theory is if you build something different, they will come. So I took it to a different level.



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Fox Cigar Bar, Gilbert, Arizona



Fox Cigar Bar, Scottsdale, Arizona

“I’ve never believed in the short term or a quick buck.”

Fox Cigar Bar (an unbranded lounge)
(www.foxcigarbar.com)

The two Fox Cigar Bars located in Arizona (in Gilbert and Scottsdale) were built on an unbranded name and a premier concept.

“When I started this eight years ago, there were no branded cigar bars really; it was a lot of independents,” explains owner Mitchell Fox. Like Seferian, he approached some vendors, but “no one really cared, no one wanted anything to do with a cigar bar—they wanted to be in high-end stores.”

So he took his own name and built on that, creating a “very upscale cigar bar but with no feel of pretentiousness when you walk in,” he says. “People in shorts and a T-shirt are just as comfortable as those in a three-piece suit; they’re treated the same way: fairly and with respect.” Beyond that, Fox is proud that “my look is second to none; we are what everyone tries to be.”

That being said, is major branding in his future? “I don’t really see the advantage for me; I have great

brand recognition now,” he says. “You never now, but the name is out there. It’s a catchy name with a fun feel to it. People identify with it. Even though we’re Fox Cigar Bar, people always refer to it as ‘Fox;’ it’s easy. They identify cigars in Arizona now with Fox.”

But like his branded counterparts, Fox believes in long-term relationship building. “I’ve always been a long-term builder,” he says. “I’ve never believed in the short term or a quick buck. This is all about word-of-mouth organic growth; we’ve built our reputation on ‘one customer at a time.’”

Fox also knows it’s all about the complete experience, and he maintains that his is not the standard, run-of-the-mill bar. “I not only wanted to be a premier cigar store, but also the premier whiskey, bourbon and scotch bar, too,” he says. “There are over 500 different major spirits in here, the bar is extensive, and price-wise we are very fair. We want it to be a no-brainer for customers to bump up to a more premium taste. We want them in here twice a week instead of once.” **TB**

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Randy and Renee Silverman

Klafter's: Adapting to Thrive

Founded in 1897, Klafter's is still going strong, thanks to next-generation leadership committed to building on a family-business foundation. BY JENNIFER GELFAND

Statistically speaking, Klafter's Inc. is an extraordinary success story by any yardstick. At a time when just 13 percent of family businesses survive through two generations, the New Castle, Pennsylvania-based company is on its fourth generation of family management. What's more, it is not only persevering but thriving in one of the most challenging channels of an inherently risky business sector: tobacco retail.

Asked how Klafter's has managed to thrive for so long, Randy Silverman, president of the company, points to a history of carefully managed evolution. "I think we have survived because we have tried to adapt to the challenges and opportunities that we have been faced with throughout the years," he notes. "We've taken risks but have tried to make sure that those risks wouldn't destroy the company if they failed."

Growing up, Silverman was involved in the business from an early age, making cigarettes with injector machines and selling them at the front of the store, filling orders and stamping cigarettes. "I was probably around seven years old when I started doing that—can you imagine a kid working at a tobacco company now?" he says. Back then, Klafter's owned a retail store, but was primarily a wholesale company that sold cigarettes to mom-and-pop corner shops.

When large chains began to drive those corner shops out of business, Randy's father, Lee Silverman, started looking for a new focus. Lee Silverman, with the help of his wife, Judy, had been running the company since his father-in-law, Morris Storch, passed away in 1963. (Storch, for his part, had taken the reins from his uncle, Sam Klafters, the founder.) While chatting with an

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Tony DiCarlo, a Klafter's employee who joined the company in 1941, in front of a photo of the company's first location in New Castle, which opened in 1911.



Klafter's Warehouse

industry peer at a trade show in the early 1990s, Lee Silverman learned about the tobacco outlet channel of retail and was intrigued.

In 1992, Lee Silverman hired Joe Young, who worked in the grocery store business, to open the company's first store. Young has opened every store since and "has been instrumental in the growth of the retail operations," says Randy Silverman. "Without Joe and several other loyal employees who are not family members, it would be very difficult to grow our business."

"We went out West to visit his store and decided to come back and give it a try," Lee Silverman recounts, noting that it proved a pivotal decision. "This industry is in flux all the time, but being in the retail business enables you to control your own destiny to some extent—so that piece of advice from a competitor in a different state really helped us. If there's one piece of advice I would give anyone, it's that relationships are really key in this business; it's very important to keep in touch with people in your industry and be open-minded to new ideas."

Randy Silverman, meanwhile, had grown up, graduated with a degree in industrial engineering and moved to Cleveland, where he was working as a computer programmer at NASA's Glenn Research Center. But by 1993, after having held jobs at larger organizations, he was ready to return and apply what he had learned to the family enterprise. "I think when you come from outside, it's easier to see things that can be fixed," he says. "There was a lot of low-hanging fruit in terms of process innovations and structural changes that I recognized would be helpful in growing a smaller business."

After re-entering the company, Silverman set about making changes to Klafter's billing system and inven-

tory management, adding point-of-sale systems and streamlining the cigarette-tax stamping process. Those changes, in turn, paved the way for the company to begin opening new retail locations—it now has 16 in Ohio and Pennsylvania—and also to adapt to changes in the competitive landscape due to shifts in tax policy and in cigarette company promotional programs. "The competition has gotten a lot tougher over the last few decades," says Silverman, who cites shifts in manufacturer programs as an example. "We used to differentiate by selling cigarettes at the state minimum, but now that Marlboro's MLP program has forced most retailers to go to the state minimum, we no longer have that price differentiator."

Today, Klafter's continues to participate in promotional and loyalty programs, but it also strives to stand out by offering a wider selection than its c-store competitors, as well as standout customer service, and through close and careful management. "In this business, you have to be really focused—it's labor intensive," says Silverman, whose wife, Renee, joined the family business as marketing director in 2000 (See sidebar, "A Family Affair," p. 86). "You need to reinvest in your stores so they don't get dated and dingy, to make sure you take care of your customers and to manage your inventory closely."

PICKING UP PREMIUMS

Expanding into cigars was one change that paid off for the company. "Premium cigars represent about 20 percent of our sales, and machine-made cigars bring in another 5 percent, so cigars in general are an important part of our business," says Silverman, who credits his brother, who has since left the business, with having been instrumental in bringing premium cigars into Klafter's during the cigar boom of the 1990s. "They



If there's one piece of advice I would give anyone, it's that relationships are really key in this business; it's very important to keep in touch with people in your industry and be open-minded to new ideas.



—Lee Silverman



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Randy, Renee, and Judy and Lee Silverman



Klafter's brand-new traveling humidor

were difficult to get at the time, and he was the driving force in making that happen.” Today, all 16 stores, which range in size from 1,500 square feet up to 3,500 square feet, feature walk-in humidors.

While cigarettes still account for most of the remaining 75 percent of sales, Klafter's has also done well with RYO/MYO, snuff and vapor products in recent years. “We adjust the mix depending on the demographics in the area,” says Silverman. “If it's a strong RYO customer base, we'll have a larger selection of RYO.”

The company has also tested expansions that didn't fare quite as well, Silverman is quick to note. “We tried opening a bulk candy and coffee store in a mall, but we closed it within a year,” he says. “I realized pretty quickly that we would have had to open five of them to do the same amount of business that just one of our stores does.”

Despite the occasional hiccup, Silverman continually looks for new opportunities. At present, he foresees growth in vapor as the category rebounds from recent setbacks, and he also sees potential in cannabis accessories. “Seven years ago, I would never have entertained the thought of getting into the cannabis business,” he acknowledges. “But we regularly check with our store managers about what people are asking for, and they reported that everyone was asking for glass pipes. So we discretely added them to our stores, and they sold.”

The company's primary growth strategy, however, continues to be adding locations. “Growing stores organically or through acquisition is probably the best opportunity we have for more rapid growth,” says Silverman, who adds that finding locations that meet his criteria may prove difficult. “We'd like to get to 20 stores by 2020 if we can find good potential locations.” **TB**



We regularly check with our store managers about what people are asking for and they reported that everyone was asking for glass pipes. So we discretely added them to our stores, and they sold.



A FAMILY AFFAIR

As this article was going to press, Renee Silverman, marketing director at Klafter's, was putting the finishing touches on the company's traveling humidor—a project she launched to commemorate the 25th anniversary of the company's retail division. “We will introduce it on June 1 at our first location opened in Boardman, Ohio,” explains Renee Silverman, who was a retail buyer for Kauffman's before joining her husband, Randy Silverman, in the family business in 2000.

The traveling humidor, a brand-new trailer that will be wrapped with Smoker Friendly and cigar advertising that will be used to promote and sell at outdoor events, is just one of many areas Renee Silverman oversees for the company. After waiting four years into her marriage to join the company, she jumped into the thick of things once she came on board. Purchasing products, planning events, setting up retail promotions, managing social media and website marketing are all part of a long and varied list of responsibilities that she handles or oversees for the company—much to the delight of her father-in-law, Lee Silverman, who says he and his wife, Judy, are thrilled at the roles their son and his wife are playing within the family business.

“Renee is very business-minded and has the computer skills that are so important to run a business like this these days,” says Lee Silverman, who still comes into the office regularly but is happy to leave the heavy lifting to the duo. “Randy has picked up the reins, made the changes that needed to take place and continued to keep and build the relationships that are so important in this business. We are just thrilled with the work they're both doing.”



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Florida, the Courts and a New Dynamic in Washington

BY J. GLYNN LOOPE



If you do business in Florida, urge your customers to contact members of the state legislature, members of Congress and Gov. Scott.



THOSE PASSIONATE FOR GREAT CIGARS, as well as those who make those moments with a cigar possible, know that the state of Florida is the foundation of this nation's cigar supply chain, being a principle point of entry for cigars that make their way from the port of Miami to Maine, Michigan, Montana and your local shop. Now, with the comprehensive effort to mitigate the threat of the federal regulation of cigars, Florida can be (and has been) central to communicating the consequences of these regulations to the federal government. That process has begun.

On the congressional front, Florida members of the U.S. House of Representatives, Bill Posey and Kathy Castor, are taking the lead role for the call to a legislative resolution to protecting premium handmade cigars. Meanwhile, their colleagues in the U.S. Senate, Bill Nelson and Marco Rubio, are advocating for the companion bill in that chamber.

Over a dozen members of the U.S. House of Representatives from Florida are co-sponsors of the legislation. It is no accident that the cigar industry has this support from the delegation. The members are simply representing their constituency because the economic footprint of the cigar industry spans from one end of the state to the other.

Take these economic factors into consideration:

Impact of Regulation of Cigars on the State of Florida

Corporate Headquarters: Greater Miami, Fort Lauderdale, Tampa and Naples are the location of more than 70 corporate headquarters for the premium cigar industry.

Infrastructure: The premium cigar industry uses the ports of Miami, Fort Lauderdale and Tampa. In addition, Miami, Tampa and Fort Lauderdale are the base of operations for logistics and supply chain enterprises, such as bonded warehouses, trucking and distribution operations.

Manufacturing: Miami and Tampa are the base of operations for boutique production of premium handmade cigars, including enterprises owned by women and minorities that employ skilled artisans from the Cuban American and Latino communities.

User Fees: The new user fees imposed on the industry by the U.S. Food and Drug Administration (FDA) will take approximately \$70 million out of the Florida economy and shift those dollars to the federal bureaucracy.

Agriculture: Clermont is now the base of operations for growing Criollo and Corojo tobacco to be produced



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Senator Marco Rubio

into Florida premium cigars, as well as the corporate location for this new working farm and the Florida Sun Grown corporation.

Cigar Tourism: Tampa, West Palm Beach, Miami, Jacksonville, Fort Lauderdale and Ybor City are each home to major regional and national cigar-themed festivals and events that attract tourists to Florida from all over the nation.

Retail: Florida is among the top three bases of operations in the nation for premium retail tobaccoists, with more than 400 retail operations for the retail cigar trade representing nearly 2,000 employees.

New efforts to convey this message on the economic importance of the industry to the state are taking on a new significance in the fight to protect premium handmade cigars from the heavy hand of the federal bureaucracy. Members of the Florida congressional delegation are planning new communications to the administration of President Donald Trump on the adverse economic consequences on the state if the FDA is allowed to move forward.

There have been new overtures to the office of Gov. Rick Scott to facilitate his support and advocacy with the administration and to mitigate the threat of the rule. Gov. Scott had previously gone on record with his concerns, but with the impending actions and timetables for the regulation by the agency new measures are needed at the highest levels of state government.

We need the cigar consumers of Florida to play an active role in this process. If you do business in Florida, urge your customers to contact members of the state legislature, members of Congress and Gov. Scott. Thank them for their support, and then ask that they redouble their efforts to protect Florida jobs, Florida businesses and the producers of your favorite cigars. **TB**



J. Glynn Loope is executive director of the Washington, D.C.-based Cigar Rights of America.

CIGAR & PIPE ADVOCACY GROUPS WIN RULE DEFERMENT

The approach to combating the negative consequences of new federal regulations imposed by the U.S. Food and Drug Administration (FDA) on cigars and pipe tobacco recently took a new direction following discussions and negotiations between the primary cigar advocacy organizations and representatives of the U.S. Department of Justice and the Department of Health and Human Services.

Joint motions were filed in the U.S. District Court for the District of Columbia where the parties—including the Cigar Association of America, the International Premium Cigar & Pipe Retailers Association (IPCPR) and Cigar Rights of America—in agreement with the Department of Justice on behalf of the Department of Health and Human Services, and the FDA, agreed to a three-month extension of all pending deadlines, “to allow new leadership personnel at the Department of Health and Human Services to more fully consider the issues raised in this case.”

This mutual agreement for the three-month extension suspends, for the time being, the advancement of the regulations on cigars and pipe tobacco, including the upcoming submission of warning label plans to the FDA. It also pushes the hearing between the parties from August to October.

The agreement specifically stipulates that “the FDA will extend and defer enforcement of all future compliance deadlines under the rule” for cigars and pipe tobacco for the three-month period. The FDA must issue new guidance documents addressing this extension.

“This is certainly good news for our retail and manufacturing community, given the nature of the rules the industry is facing and the uncertainty they create,” stated IPCPR Chief Executive Officer Mark Pursell. “This gives everyone, the industry and the administration alike, time to revisit the regulation to determine the best path forward.”

This extension speaks to the questions raised in the suit and the recognized need by the new administration to review the nature and impact of the proposed regulations. It also speaks to the virtue of a multifront strategy in mitigating the threat of these regulations. It spans both ends of Pennsylvania Avenue and a courthouse in between.

The next eight months will be critical to the future for your passion for great cigars. Outreach to the Trump administration and engagement with congressional allies to support that message, as well as inclusion of language to protect premium handmade cigars in legislation and the noted litigation will all be critical to future progress.

You need to be a part of that process. Call and petition your legislators at all levels. Attend their local meetings and briefings and organize calls to their district and national offices. Now is the time for all cigar voters to unite and act.

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Vapor Laws Go 'Whac-A-Mole'

Local legislation continues at a fast clip. BY RENÉE M. COVINO

Trying to keep up and subdue local vapor laws is a bit like beating down the varmints in a round of Whac-A-Mole but with one obvious distinction: The popular arcade game is considered a fun pastime.

Local legislation surrounding vapor continues to pick up speed, popping up faster and more furiously across the country. Currently, the top two local legislative concerns regarding vapor-related ordinances, as identified by the National Association of Tobacco Outlets (NATO), include flavor bans and higher legal age restrictions.

Flavor Under Fire

Flavor bans are one of the fastest-growing proposed restrictions on the local level, with many cities and counties in key areas around the country attempting to prohibit the sale of flavored tobacco products, including flavored e-cigarettes and vapor.

"However, these bans are misplaced because, for the vast majority of the time, retailers are not the source of tobacco for underage youth," maintains Thomas Briant, executive director of NATO. "Rather, most youth rely on

“
All that a
flavor ban
does is punish
law-abiding
retailers and
cause adult
consumers
to drive to a
nearby town
or city to buy
their preferred
tobacco
products.”

”

social sources such as older friends, parents and strangers to obtain tobacco products. All that a flavor ban does is punish law-abiding retailers and cause adult consumers to drive to a nearby town or city to not only buy their preferred tobacco products, but gasoline and other products as well, further harming law-abiding retailers."

However, there is some hope. In April, during the U.S. Senate Committee on Health, Education, Labor and Pensions' hearing on Dr. Scott Gottlieb's nomination as U.S. Food and Drug Administration (FDA) commissioner, some senators expressed concerns that flavored vapor products could lure adolescents into experimentation, but Gottlieb declined to commit to a ban on flavored vapor products.

"I recognize there is a line here somewhere," he said, adding that questions persist around when the devices could aid smoking cessation and when they might serve as a gateway to adolescent smoking. "I think a properly constructed and overseen regulatory process should have the capacity under the authorities Congress gave the agency to make these determinations."



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Tobacco 21 Tornado

Raising the legal age to purchase tobacco products including vapor products—is another major local regulatory trend. Most often, the proposal is to raise the legal purchase age to 21 (which is why it has become known as “Tobacco 21” legislation), “despite the fact that 18-, 19- and 20-year-olds can vote, volunteer to serve in the military, get married, take out loans for college and make their own health care decisions,” points out Briant. “Legal-age adults should be allowed to make the decision as to whether to use tobacco products or not without government stepping in and dictating what these young adults can and cannot do.”

Briant isn't the only one fighting that fight. The board of commissioners in Genesee County, Michigan, put on hold a measure scheduled to take effect on May 15 that would have raised the minimum age to purchase tobacco and vapor products from 18 to 21. This was after RPF Oil Company, which owns many gas stations and convenience stores that sell tobacco in the county, filed a lawsuit in the 7th Circuit Court, claiming that it violates the Age of Majority Act, which states that anyone age 18 “is an adult of legal age for all purposes whatsoever.”

The overarching regulatory problem for vapor is a good, old-fashioned conflict of interest, says Kathy Hoekstra, the regulatory policy reporter for Watchdog.org. She recently opined that rather than promote what is potentially a lifesaving alternative for smokers, the public health establishment in the U.S. warns against using vapor products for smoking cessation based on “potential health risks,” when, in reality, many vapor opponents have serious conflicts of interest due to financial relationships with pharmaceutical companies that manufacture FDA-approved cessation products.

Taxing Triumph

Meanwhile, there is some good news to report where local vapor legislation is concerned. Recently, the New York Legislature eliminated all language for vapor product regulations from Gov. Andrew Cuomo's \$152.3 billion executive budget proposal that would have imposed a 10-cent per milliliter excise tax on e-liquid. Andrew Osborne, vice president of the New York State Vapor Association, praised the move, saying, “We're happy to see New York take a step back from these aggressive regulations that would have essentially decimated the entire industry in the Empire State.”

Dr. Edward Anselm, a senior fellow at R Street Institute, also applauded the decision, saying that “common sense appears to have prevailed in the state Senate.” He recognizes, however, that controversies and the need for continued improvement in the state's performance on tobacco control still exist. He believes the local administration should “convene a panel to review the evidence and set meaningful policies that address the needs of all New Yorkers.”

Pennsylvania's Senate Finance Committee is also moving on a bill to kill vapor product excise taxes. The bill would eliminate the state's current 40 percent excise tax on vapor products and replace it with a new, lower excise tax.

Despite all the local legislation vapor momentum, some good, but mostly bad, the industry itself is reportedly on the rise. Florida-based Premier Vapor recently released a statement reporting that, from the inception of the vapor industry, “there has been an exponential growth of up to almost \$7 billion in revenues within just a couple of years, with no indications of slowing down.” **TB**



Legal-age adults should be allowed to make the decision as to whether to use tobacco products or not without government stepping in and dictating what these young adults can and cannot do.



Sea and Air Bans Meet **Opposition**



State and local vapor bans aren't the only ones to be fought. Industry-specific vapor bans from sea to air are rearing their ugly heads, too, but not without opposition.

For one, the United States Navy has banned electronic cigarettes and vaping devices throughout the fleet, citing concerns that the battery-powered products could potentially explode and injure sailors. The new rule “suspends the use, possession, storage and charging of electronic nicotine-delivery systems (ENDS) aboard ships, submarines, aircraft, boats, craft and heavy equipment,” according to a recent Navy press release.

The prohibition applies to sailors, Marines, Military Sealift Command civilians and any personnel working on or visiting those units. “This new policy is in response to continued reports of explosions of [electronic nicotine-delivery devices] due to the overheating of lithium-ion batteries,” the release said.

U.S. Rep. Duncan Hunter, a former smoker who is now also known as “the vaping congressman,” wrote a letter to the Navy urging it to reconsider its ban on vapor products, which went into effect May 14.

Regarding vapor bans in the sky, the Competitive Enterprise Institute (CEI), a nonprofit libertarian think tank, reported that its lawsuit with the U.S. Department of Transportation (DOT) over the federal regulation that created the DOT's airplane vaping ban continued in April in the Court of Appeals for the District of Columbia Circuit.

The CEI's argument was that the DOT “overstepped its authority” after the government agency admitted in 2012 that e-cigarettes neither burn tobacco nor produce smoke and because the agency neglected to provide evidence of harm to passengers.

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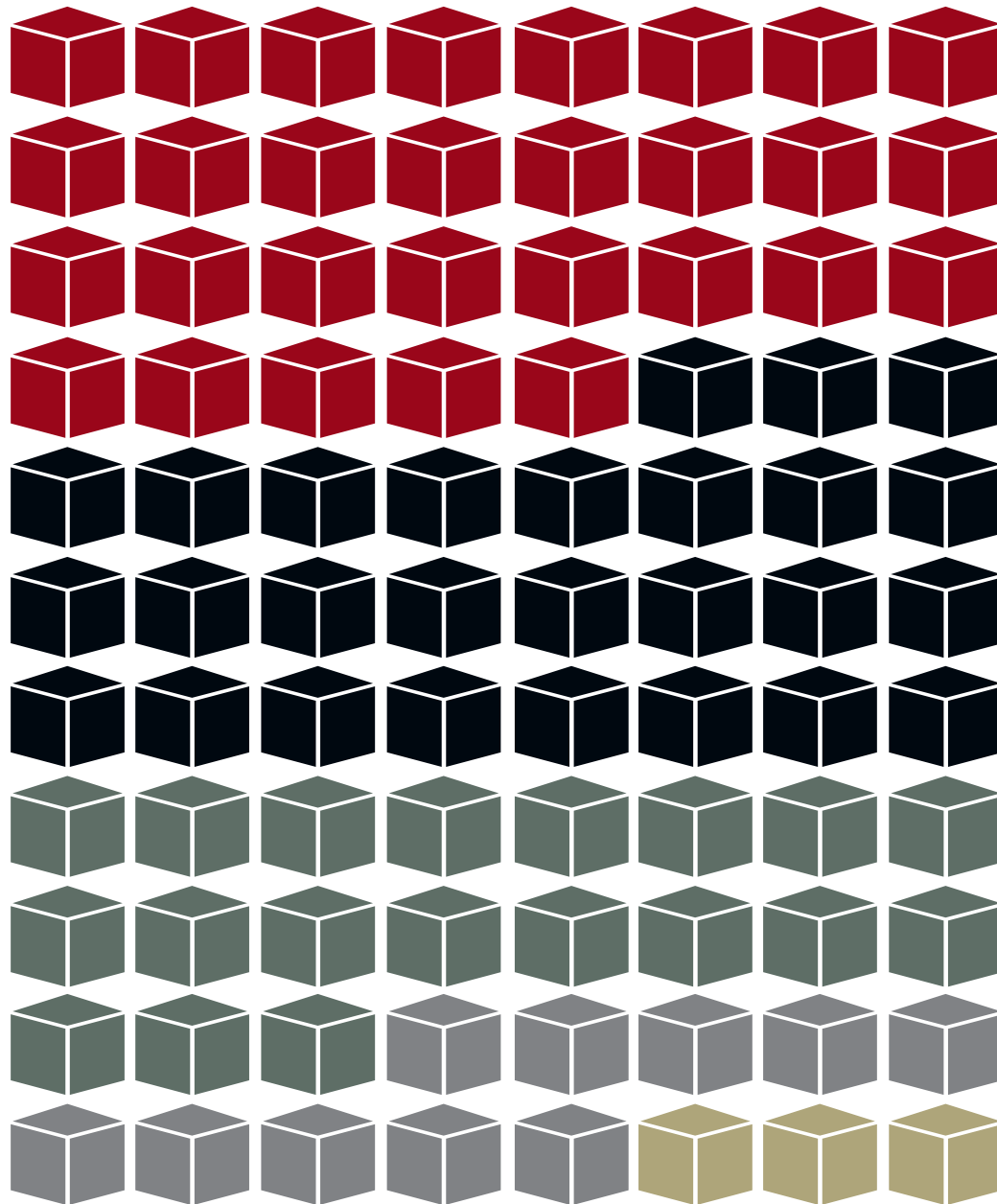
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3%

Vapor Views

Vapers seek convenience and flavor, according to a new survey of the vapor market.

Convenience is key for vaping fans, according to a recent survey in which 95 percent of vapers rated convenience as important when using a vaping device. “Vapers demand a fulfilling experience that is hassle-free, and that’s why we’ve seen a proliferation of pod-type systems to hit the market,” said John Wiesehan Jr., CEO of Mystic, which co-sponsored the 2017 Vaper Preference Survey with *The Vaping Advocate*. “What’s really interesting is that our survey revealed 67 percent of mod and mechanical mod users saying convenience is *very important* when using a vaping device.”

However, mod users tend to place greater importance on performance than the vaper universe broadly, with 42 percent ranking performance/battery as the most crucial device attribute whereas just 27 percent of all survey respondents named performance/battery as most critical. Among cig-alike fans, price came in at the top, with 31 percent ranking it the most important attribute, while 27 percent chose performance/battery and 19 percent elected ease of use.

The pages to follow highlight additional findings from the survey.



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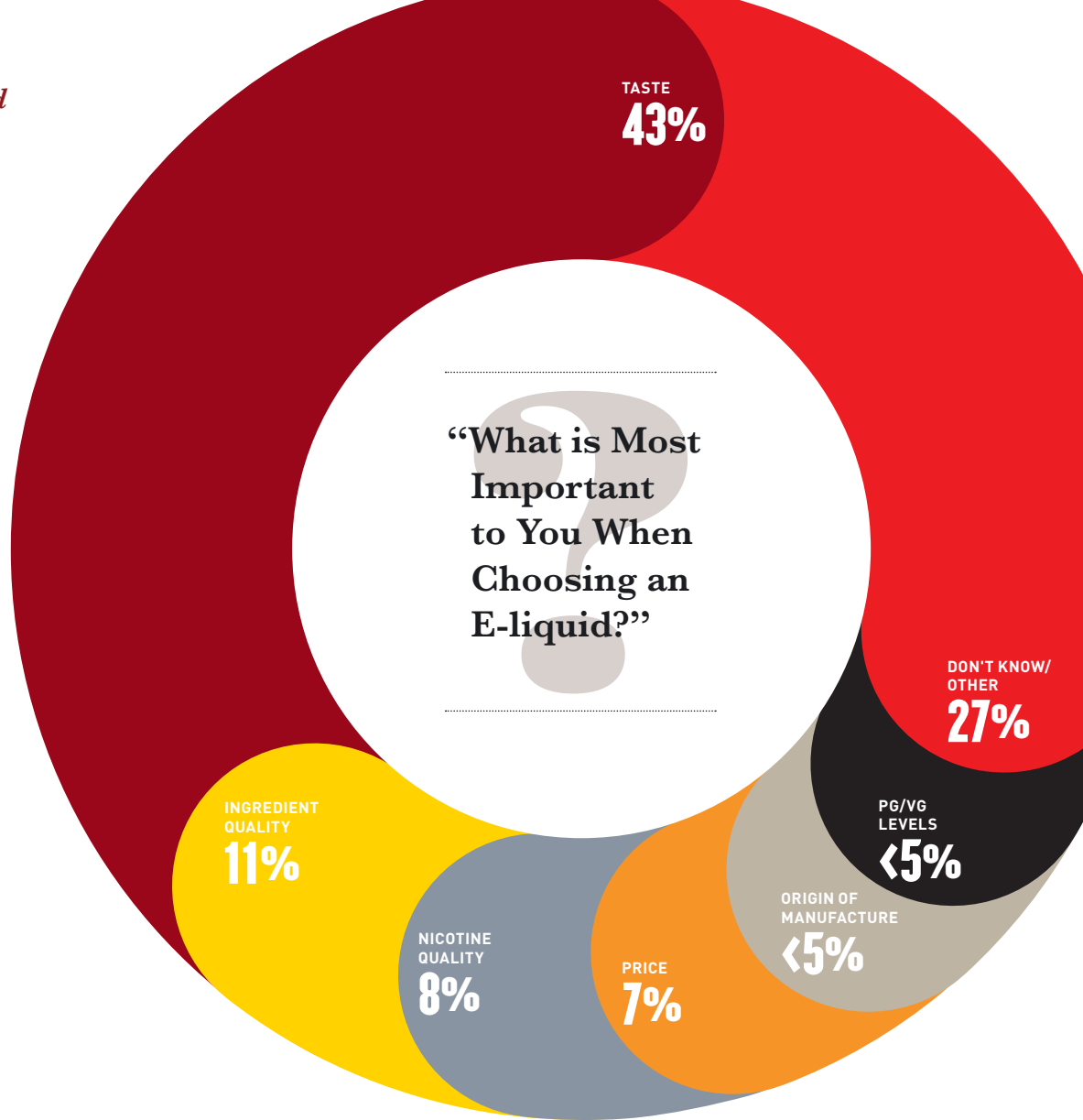
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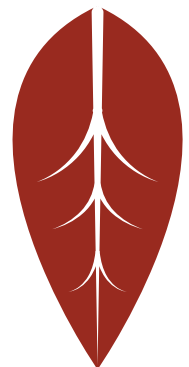
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BY NICK DOUGLAS

Heritage Brands Continued

About a month ago, I realized that I hadn't smoked a Macanudo in many years. When I finally smoked one, I was quite impressed. I also hadn't had Maker's Mark in several years, and when I cracked open a bottle a few nights ago, it kind of surprised me as well. It's a solid whiskey. I see Maker's Mark as what we in the cigar industry would call a heritage brand. It's just like Romeo, H. Upmann or Macanudo—one of those brands that have been around for a long time. It's very iconic, and it's very easy to spot on the shelf—a brand you don't need to recommend; it sells itself.

Retailers tend to ignore heritage brands because they do sell themselves—but you can't and shouldn't ignore them. As much as we love boutique cigars, they aren't the brands that pay the bills. Heritage brands are what keep the lights on; and Maker's Mark, though it's a bourbon, falls into that same category, as do established cigar brands like the H. Upmann and Macanudo. Remember, you're not selling a necessity with whiskey or cigars. You don't *need* either of them to live your life; you *want* them to live your life. It's all about the lifestyle and about relaxation. You're selling the idea that at the end of the day you're going to sit out on the patio and have that cigar, have that glass of whiskey and reflect on the day, taking it all in as you try to unwind. They just go hand in hand.

Maker's Mark is a wheated bourbon. Wheated bourbons have a higher wheat content in the grain used in the distillation process. The more wheat you add, the softer and sweeter the bourbon turns out. It makes it more palatable for someone who doesn't like a harsher whiskey. As a wheated bourbon, Maker's Mark is going to be a lot softer and a little bit sweeter but still a really good quality, easy drink. It's one of those whiskeys that somebody who drinks a lot of whiskey will certainly appreciate, but that, at the same time, will be a good entry-level bourbon for someone just getting into bourbon. Maker's Mark, since it is a little bit lighter and refreshing, makes a very good Manhattan.



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Heritage Brands Continued

Maker's Mark has their Cask Strength and their Maker's 46. For Maker's 46, they actually take some French oak staves that they heavily char and put into the barrel with the whiskey for an additional two to three months. This really changes the character of the bourbon, giving it more depth in flavor and bringing out the woodiness of the whiskey. As far as how it sells in our store, it's one of our best sellers. I was surprised to find we sell just about twice as many of the 1.75 liter bottles of Maker's Mark as we do of the 750 milliliter bottles. I don't necessarily look at the sales SKUs for the other departments all that often, but that was a really big surprise. I thought the fifth would be the most popular, but it's actually the half-gallon size that's our best-seller.

I've never had a cigar without some sort of beverage—whether it had alcohol in it or not. Customers who smoke cigars often look for the perfect pairing. Many whiskies are too powerful for a nice Connecticut Shade, but Maker's Mark works well with the Alec Bradley American Classic if you wanted to keep it on the less expensive side. If you've got the money and can find it, I definitely recommend pairing it with a La Palina Goldie. That said, it does have enough spice in it to work well with sun-grown tobacco as well—something that's a solid medium, like the La Flor de Las Antillas from My Father Cigars or maybe the new Hoyo de Monterrey La Amistad blended by A.J. Fernandez. Strength- and body-wise, I wouldn't go far past a medium-bodied cigar, but one in the mild-to-medium range would work well with a glass of Maker's Mark. **TB**



Nick Douglas is the assistant humidor manager/buyer for The Party Source in Bellevue, Kentucky.



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Banking on Passion

Glen Case, president of Kristoff Cigars, draws on his experiences working in the hectic and demanding financial world to take on the cigar industry—and to offer insights on how to turn your passions into a full-time job opportunity.

INTERVIEW BY BEN STIMPSON

Glen Case has always enjoyed a good cigar. Case spent 18 years working in the financial services industry before he entered into the cigar industry as a sales representative. It was his time selling cigars that inspired him to start his own business: Kristoff Cigars, named after his son, Christopher. When Case started his company almost 13 years ago, he did so thinking it would become his full-time work. Case came to see cigars as a means of breaking down barriers and bringing people together to talk about life and solving the world's problems.

With Kristoff, Case set out to create a nationally and internationally recognized brand of cigars. He recognizes that while some strides had been made to achieve those goals, there's still a lot of work to be done. Yes, he sees a future for Kristoff and the premium industry as a whole—even with the hurdles set forth by the changing economy and the U.S. Food and Drug Administration (FDA). Case offered his thoughts on startups, lessons learned from his pre-cigar jobs and advice for entrepreneurs who have interests outside of their current line of work.



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“While I can say that I enjoyed the financial services industry and made a nice living, I can’t say I was passionate about it.”

Sound Advice Continued

Tobacco Business: What has been the biggest lesson you’ve learned while launching Kristoff?

Case: The biggest lesson learned in launching a cigar company was truly understanding and appreciating the artistry behind blending and manufacturing a cigar. Quite frankly, many of the cigars I introduced during the first 18 months failed miserably—none of which were under the Kristoff name. It wasn’t until I introduced the first Kristoff blends—the Original Criollo and Maduro—that [they] really started to put me “on the map.”

What was the transition like, moving from working in the financial industry to taking on Kristoff as a full-time job?

The transition was as dramatic as one could imagine. I went from working for a \$165 billion corporation—with tens of thousands of employees, with an infrastructure filled with a lot of politics and bureaucracy—to working for myself in a completely unrelated industry. Yes, the transition was significant.

What skills or lessons learned from working in the financial industry have you come to rely on while working with premium cigars?

While the financial services industry is obviously very different, many of the skillsets I developed over the years were transferable to the cigar industry. Understanding and managing profit and loss of a company, creating an effective business plan, product and business development, marketing and human resources—all of these skills are essential in being able to effectively run a company.

If you were to launch Kristoff today, how would you do it and what would you do differently?

Of course, hindsight is 20/20. As I mentioned previously, it took me nearly 18 months before I launched the first Kristoff blend. Up until that time, I had launched several other blends under different names, and the look and feel of the packaging lacked continuity. It wasn’t until I launched Kristoff that I started to rebrand the company and developed the branding that we have today. All that being said, I wish I could have created the Kristoff brand from day one.

What advice would you give other startups in the tobacco industry?

There are several things I would advise a new startup to do. The first would be to never lose sight of the quality, consistency and availability of your product. Any inconsistency in a cigar, or any product, is a recipe for disaster. Moreover, consistently short-supplying the market is an easy way to lose support of the retailer; they are not going to let a customer leave their store without making a purchase just because they are out of a particular brand or blend.

Another piece of advice is you need to be out there selling and promoting your product. This is a highly competitive and saturated industry, and you need to be out visiting retailers, meeting consumers and doing events to get your cigar in people’s hands. This means a lot of windshield time and time on planes, but you *have* to do it. While there are several other pieces of advice I could give, I’ll finish with

the economic and management side of the industry. Make sure you are well-financed—there are significant upfront costs in getting started, as well as ongoing costs to maintain and grow the business. I’ve seen it happen too many times where someone gets into the industry only to fail because they did not have the cash flow to sustain the business. Effective profit and loss management is critical to the viability of the business.

Lastly, this is a business, and it needs to be managed very carefully. Here, too, I’ve seen people get into the industry because of the mystique and the perception that if you start a cigar company you’ll be rich and famous overnight. Sadly, it’s not true.

What advice do you have for other entrepreneurs who are considering pursuing a business opportunity in a different industry or field of work than they are familiar with?

Pick an industry or field that you are passionate about. While I can say that I enjoyed the financial services industry and made a nice living, I can’t say I was passionate about it. For me, I have a true passion for the cigar industry and love what I do.

The second piece of advice would be to fully understand the industry you’re going into, including knowing industry economics, your competition, truly understanding the product or service, devising a strategy to differentiate yourself, and developing and executing a well-thought-out business plan. Finally, surround yourself with good, smart and ethical people. **TB**

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