

Tobacco Outlet Business

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INTERNATIONAL

RAVE REVIEWS *for* TPE 2011!

See inside for photos
and highlights from
Las Vegas.



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Hospitals Hit Up Tobacco Companies in Court

A case against Big Tobacco is being watched closely by the industry.

Trial time has started for a case (*City of St. Louis v. American Tobacco*) involving a group of 37 Missouri hospitals suing tobacco companies for the treatment of smoking-related illnesses among patients who did not have medical insurance. The hospitals are seeking \$477 million in compensation for claims dating back to 1993, according to the *St. Louis Post-Dispatch*. The industry is watching the case closely, believing that it could well set a precedent for similar lawsuits across the country.

Lawyers representing the hospitals charge that tobacco companies knew as far back as the 1950s that cigarettes were addictive and harmful, yet continued to manufacture and market them “and they don’t think for one minute about who should pay for it.”

Philip Morris USA’s counsel countered that 95 percent of all patients paid their hospital bills and that only one of every five smoked.

Prof. Michael Siegel of Boston University’s School of Public Health does not believe the hospitals should prevail in their suit. “Although I agree that cigarette companies produce a deadly and addictive product, that they have historically lied about the health effects of the product, that they knew the product was addictive and harmful yet covered that information up, and that they continue to manufacture and market this deadly product, I do not believe that the Missouri hospitals are entitled to compensation from the tobacco companies for

treatment of smoking-related illnesses,” he writes in his blog (tobaccoanalysis.blogspot.com). “The hospitals are not entitled to compensation from tobacco companies for treatment of smoking-related illnesses any more than they are entitled to:

- compensation from alcohol companies for treatment of alcohol-related diseases;
- compensation from fast food and soft drink companies for treatment of obesity-related diseases;
- compensation from motor vehicle companies for treatment of motor vehicle crash injuries caused by defective product designs;
- compensation from toy companies for treatment of child injuries caused by toys with safety flaws;
- compensation from lettuce manufacturers who produced E. coli-contaminated produce for treatment of infections among patients who consumed this produce; or
- compensation from pharmaceutical companies for treatment of illnesses related to side effects of medications.

“Allowing hospitals to be compensated for treatment of smoking-related illnesses would open the flood gates for similar lawsuits to be brought against all sorts of manufacturers of products which cause human illness,” continues Siegel. “Although I am obviously sympathetic to the desire to hold tobacco companies accountable for their actions, I do not believe that this case has any legal merit.”

HIGHLIGHTS

Philip Morris Targets Counterfeiters

In an ongoing battle against counterfeiters of its popular Marlboro brand cigarettes, Philip Morris USA recently seized 290 packs of counterfeit cigarettes from two New York retailers. The seizure, which took place on the Poospatuck Reservation in Suffolk County, came after a federal judge in New York approved PM USA’s request for the right to search smoke shops for counterfeit Marlboros in New York. In its effort to combat counterfeiting, the company has sued 48 retailers in the state for selling counterfeit Marlboros, including six other Poospatuck retailers.

Rotten Robbie Joins Smoker Friendly International

Smoker Friendly International recently signed Santa Clara, Calif., convenience store chain Rotten Robbie as an authorized dealer. Rotten Robbie will be the exclusive retailer for Smoker Friendly’s SF Private Label Tobacco products in its region of northern California.

New York’s Odd Ban Plan

Smokers in New York won’t have to worry about the city’s new law banning smoking at beaches and parks because Mayor Michael Bloomberg has said that the police won’t enforce it. “The police will not be enforcing this,” he told a concerned caller who phoned into the mayor’s WOR-AM radio show. “That’s not going to be their job.”

Why pass a ban that he doesn’t plan to enforce? The mayor says that the threat alone of the \$50 fine for smoking in public parks—which was passed by the City Council in February and now awaits Bloomberg’s signature—will discourage smokers and reduce the amount of secondhand smoke in the city.

Utah Ban May Kill Pipe Market

Unintended consequences of legislation under consideration in Utah (HB0170) will prevent the sale of virtually all pipe tobaccos, according to the International Premium Cigar & Pipe Retailers Association. The original version of the legislation prohibited the sale of any kind of flavored tobacco product but was amended with an exemption for cigars. However, it would still make aromatic pipe tobaccos illegal to sell or purchase in Utah—jeopardizing the future of the state’s pipe tobacco business.

TMA Annual Meeting Slated for May

The Tobacco Merchants Association plans its 96th Annual Meeting and Conference.

Scheduled for May 22-24, 2011, at the Kingsmill Resort and Spa in Williamsburg, Virginia, the TMA's Annual Meeting and Conference will focus on "Evidence-Based Science and Regulation of the Tobacco Industry." The event will include a series of pre-conference FDA industry workshops and educational sessions, including a keynote speech by Lawrence Deyton, director of the FDA's Center for Tobacco Products, on May 25.

Topics on the program include a discussion about the current competitive position of the industry by a panel of top securities analysts, a SCHIP postmortem and discussion of the regulatory environment, and a look at the current supply and demand situation for leaf tobacco, along with the potential impact on supply of FDA regulation on the use of pesticides and herbicides. Illicit trade, especially Article 15 of the FCTC and Title III of the FDA will also be addressed.

As is traditional at TMA's annual event, questions and answers will figure prominently in all sessions. Theo Foltz, retiring head of Altadis, USA, will be honored as a TMA Giant of the Industry. An evening dinner event will feature keynote speaker, Gareth Davis, retired head of the Imperial Tobacco Group. The meeting will conclude with roundtable discussions amongst industry experts centering on the conference theme.

For more information about TMA's 96th Annual Meeting and Conference, please visit www.tma.org or call 609-275-4900.

Mourning Sal Fontana, Industry Icon

Cigar industry veteran Sal Fontana died at age 86 in Jupiter, Florida on Feb. 2. A top executive at Camacho Cigars, Fontana played an integral role in the business of cigar-making for more than six decades. *TOB* joins the industry and Fontana's loved ones in mourning the loss of a great maker of cigars—and a great man.

E-Cigs Still Prevailing Against FDA

Court opts against a full review of judge's decision on regulation.

In January, the U.S. Circuit Court of Appeals for the District of Columbia opted against having the full court review its three-judge panel's decision that e-cigarettes cannot be regulated by the FDA as a drug or medical device—provided that the manufacturers in question refrain from marketing e-cigarettes as having therapeutic purposes.

At issue in last year's e-cigarette lawsuit was whether the FDA could regulate electronic cigarettes under the drug and device provisions of the Federal Food, Drug and Cosmetic Act (FDCA) or as tobacco products under the Family Smoking Prevention and Tobacco Con-

trol Act passed in 2009. The FDA argued that e-cigarettes are akin to nicotine gum and patch products regulated under the FDCA, which must be must approved by the FDA before they can be marketed. But the three-judge panel disagreed. The panel ruled that devices can be regulated by the FDA as tobacco products rather than as drug delivery devices requiring elaborate clinical testing prior to being made available to consumers.

The FDA appealed the panel's decision, but the Court of Appeals recently declined to rehear the case. The agency is now considering whether to take the case to the U.S. Supreme Court.

FDA Site Now Bilingual

The regulatory body has launched a new site for Spanish-speaking retailers.

A new Spanish-language Web site (fda.gov/tabaco) was recently launched by the FDA's Center for Tobacco Products (CTP). "It's a new resource connecting Spanish-speaking retailers and consumers to credible, science-based information and resources," asserts a spokesperson for the FDA, who notes that minority communities have the highest prevalence of tobacco use. The new site provides tips, downloadable tools, and information Spanish-speaking retailers need to comply with FDA rules. A retailer education

campaign page on the site offers translated printed materials ordered online, regulatory information, educational materials, videos and podcasts (www.fda.gov/rom-pelacadena).

Also featured:

- Federal resources—Information on youth tobacco prevention, details on effective treatment for nicotine addiction, tobacco research, and statistics;
- Digital timeline—Highlights past achievements and upcoming deadlines required by the Tobacco Control Act.

HARM Reduction UPDATE

FDA WATCH

Taxing on Risk?

Nonprofit calls for basing tobacco taxes on product risk.

The current variations in excise taxes on tobacco products may be deterring consumers from switching to less harmful products, reports the nonprofit research group National Center for Policy Analysis. The group urges a policy of taxing smokeless products at about one-tenth as much as the tax on cigarettes, noting that if smokeless products are taxed at the same rate or higher than cigarettes, users are being penalized for switching to a less risky product.

The report states that a number of published studies have concluded cigarettes and other combustible products pose a greater risk to health than non-

combustible products. Yet only Pennsylvania and Alabama tax smokeless tobacco at or below the rate on cigarettes, with Pennsylvania levying no tax on smokeless products and Alabama levying a tax of five cents for every dollar of cigarette tax, according to the report. Six states—Oregon, North Dakota, Utah, Maine, Wyoming and Iowa—actually tax smokeless tobacco at a higher rate than that levied on cigarettes.

“States that wish to pursue a consistent and science-based tobacco harm reduction strategy should examine the way in which they tax tobacco products and the amount of tax levied on these products,” it concludes.

FDA Declines to Regulate Dissolvables

In March, Star Scientific, a maker of dissolvable tobacco lozenges, received an FDA notice saying that two of its products are not subject to FDA regulation. The announcement came after Star Scientific filed an application requesting that the FDA certify its Ariva-BDL and Stonewall-BDL products (BDL stands for “below detectable levels” of certain carcinogens) as modified risk tobacco products.

Industry observers say the decision could open the door for dissolvable tobacco products made by other manufacturers to also not be subject to FDA regulation.

Star will now move forward with its marketing plans for Ariva and Stonewall. The company is also pursuing approval for a moist-snuff product that it said has the lowest levels of nitrosamines in the marketplace.



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FDA WATCH

Tax Tide Turning?

Four states are considering lowering their tax rates on tobacco. Yes, you read that right. Bills have been introduced in New Jersey, New Hampshire, Oregon and Rhode Island that would lower state cigarette and/or tobacco products tax rates as follows:

New Jersey Assembly Bill 2590 proposes to reduce the state cigarette tax rate by 30 cents, from \$2.70 per pack to \$2.40 per pack, and also to have a corresponding reduction in cigarette-tax revenue dedicated to the New Jersey Health Care Subsidy Fund.

New Hampshire House Bill 156 proposes to reduce the state cigarette tax rate by 10 cents from

\$1.78 per pack to \$1.68 per pack, and also to decrease the tax on other tobacco products from 65 percent to 48 percent of the wholesale price.

Rhode Island House Bill 5158 would decrease the state cigarette tax rate by \$1 per pack from the current \$3.46 to \$2.46 per pack.

However, there are still more proposals to raise taxes than there are to lower them. Bills to raise the cigarette tax rate have been introduced in 16 state legislatures, and 10 state legislatures are considering increasing taxes on other tobacco products. (See p. 20 for more details on pending tax legislation.)

FDA Sued Over Appointments

In February, Lorillard Tobacco Company and R.J. Reynolds Tobacco Company filed a lawsuit against the FDA charging the agency with violating federal law with the appointment of three of the members of its Tobacco Products Scientific Advisory Committee (TPSAC). The suit alleges that the committee members, who have previously served as employed expert witnesses in cases against tobacco companies and/or as consultants in the nicotine-replacement marketplace, have a conflict of interest in serving on the committee. The suit asks the court to rule that the FDA not be allowed to receive or rely on a report from the TPSAC on menthol cigarettes.



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FDA Health Warning Regulations

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



With the majority of state legislatures now in session, bills to raise state cigarette taxes have been introduced in 17 states and legislation to raise the other tobacco products tax is being considered in 13 states.

TAX UPDATE

Below is a brief summary of these tax increase proposals:

- California:** \$1.50 per pack of cigarettes.
- Connecticut:** \$.40 per pack of cigarettes and 22.5% on other tobacco products (OTP).
- Hawaii:** \$1.20 per pack of cigarettes; \$3.20 per OTP item except cigars.
- Illinois:** \$.76 per pack of cigarettes with additional \$.25 per pack of cigarettes as of March 1, 2012.
- Kentucky:** \$1.06 per pack of cigarettes and 12.5% on OTP.
- Maine:** \$1.50 per pack of cigarettes.
- Maryland:** \$1.00 per pack of cigarettes and 80% on OTP.
- Mississippi:** \$.50 per pack of cigarettes and 7.5% on OTP.
- Missouri:** \$.16 per pack of cigarettes.
- Nebraska:** \$1.35 per pack of cigarettes and 45% on OTP.
- North Dakota:** \$.41 per pack of cigarettes has been defeated.
- New Mexico:** 32% on OTP with minimum of \$1.66 per OTP item.
- New York:** \$1.65 per pack of cigarettes.
- Oregon:** \$1.00 per pack of cigarettes and 55.25% on OTP.
- Texas:** \$.12 per pack of cigarettes.
- Vermont:** \$1.00 per pack of cigarettes and \$1.00 per pack of little cigars.
- Virginia:** \$1.15 per pack of cigarettes and 40% on OTP.
- West Virginia:** \$1.00 per pack of cigarettes and 43% on OTP.

In contrast to these proposed tax increases, there are three states with bills pending that would reduce state cigarette tax rates. These include two bills in New Hampshire that would decrease the state's cigarette tax rate by \$.10 per pack and \$.98 per pack, respectively, a proposal in New Jersey to scale back the state cigarette rate by \$.30 per pack, and a bill in Rhode Island would reduce the state cigarette rate by \$1.00 per pack.

FDA MEETING

On February 16, NATO representatives met for a second time with the FDA's Center for Tobacco Products staff to continue discussions on mutual cooperation and communication regarding tobacco regulatory matters. The FDA staff was asked if the agency had a time frame to finalize the guidance on retail clerk training programs. In response, the FDA staff indicated that public comments received about the proposed clerk training program elements were still being reviewed and that the final guidance document would be issued when the review process is completed.

FDA LITIGATION

On February 25, 2011, Lorillard Tobacco Company and R.J. Reynolds Tobacco Company filed a lawsuit in the U.S. District Court for the District of Columbia against the U.S. Food and Drug Administration and the U.S. Department of Health and Human Services for declaratory and injunctive relief.

Regarding the declaratory relief, Lorillard Tobacco Company and R.J. Reynolds Tobacco Company are requesting the federal district court to declare that the appointment of three of the members of the FDA's Tobacco Products Scientific Advisory Committee (TPSAC) and three of the members of a subcommittee was arbitrary and violated federal law because these members have financial conflicts of interest since they have been employed in the past and continue to be employed as expert witnesses in litigation to testify against tobacco product manufacturers. Moreover, several of these committee members serve as consultants to manufacturers of nicotine-replacement-therapy products (e.g., nicotine patches, nicotine gum) and smoking-cessation products that raises questions about or demonstrates their lack of impartiality.

Regarding injunctive relief, Lorillard Tobacco Company and R.J. Reynolds Tobacco Company are requesting the federal district court to order that the Department of Health and Human Services and the FDA not be allowed to receive or rely in any way on a report on menthol in cigarettes from the Tobacco Products Scientific Advisory Committee. **TOB**

CIGAR SENSE



Leaf Lessons from Sin City

In these economic times, even smokin' Las Vegas has cigar sales woes; but savvy operators share some good-bet tips.

By Renee Covino

They say what happens in Vegas, stays in Vegas. But when it comes to cigar sales secrets—there's no good reason to keep those locked inside Sin City—a town known for its relaxed smoking laws and top-notch cigar lounges.

Some of those lounges are run by FreyBoy Tobacco, a Las Vegas-based retailer and private-label cigar manufacturer, which originally made a name for itself in themed cigar shops in some of the strip's premier hotels and casinos, including Colosseum Cigars in Caesar's Palace, Empire Cigars at the New York, New York Hotel and Casino and Cigars by Freyboy Tobacco in the Luxor Hotel.

Like many tobacco retailers of the times, FreyBoy Tobacco owner Michael Frey decided in recent years to add ambiance-laden cigar lounges to his tobacco enterprise. In 2005, Casa Fuente, the world's first and only licensed Arturo Fuente boutique and cigar bar located inside the expanded section of Caesar's Forum Shops, became a Cuban-inspired, richly decorated part of

the FreyBoy clan. Later in 2009, FreyBoy opened sleek and chic Rhumbar, considered first and foremost a bar, but boasting a built-in humidor with about 40 cigar facings; the bar is attached to a casually upscale outdoor cigar lounge/patio, located on the Mirage Hotel and Casino property.

"We realized that even around here, where you can smoke a lot more freely than

in other towns, people enjoy smoking in a very inviting, cigar-designated atmosphere," says Mike Kristl, FreyBoy's director of retail.

While Vegas cigar/smoking laws are relatively lenient (smokers can enjoy their tobacco on casino floors, in gentlemen's clubs, standalone bars, even while walking out on the strip) in Las Vegas, but a statewide law did go into effect in 2007 banning



Casa Fuente cigar bar and lounge

CIGAR SENSE



smoking in restaurants and taverns that serve food, including on outside patios that serve food. This, coupled with “an economy that’s as bad as anywhere,” according to Kristl, has cigar and tobacco purveyors fighting harder than ever for business—both from locals and tourists.

And so surviving Law Vegas cigar operators like FreyBoy are playing their best hands and stepping up the service. Here are some of their good-bet tips that others around the country can utilize to increase their cigar-selling odds:

Dig for Better Deals—In FreyBoy’s “neck of the woods,” local bars are hurting, the gaming industry is hurting and yes, even cigar sales are hurting. “People are coming to Las Vegas, but they’re walking around a lot more instead of spending,” notices Kristl. And so he’s learned to scout for the best cigar values to offer to customers who might not otherwise buy at all. “The only way you can survive is to adjust and try to find better deals,” he says. “They’re not buying that \$25, \$30 cigar like they used to; they’re buying that \$4 smoke if they can find it,” he relays.

And so he’s become accustomed to “a much different clientele than four, five years ago—we’re getting in people looking for lower-end premiums like Acid from Drew Estate.” The good news is that manufacturers have been “offering better buys because they’re not making the sales either,” he tells *TOB*.

Kiran Patel, owner of Lali Smoke & Snack Shop in Las Vegas’ Hawaiian Marketplace has seen sales go down in the past two-and-a-half years. Like Kristl, he believes in finding better cigar deals to grab that smoking customers’ attention. His shop has a small humidor but it is stocked with “some of the best cigar deals” on top-quality cigars. He is also taking lower margins until things pick up.

Include a Private Label Offering, if possible—FreyBoy Cigars are the company’s “house selection,” that in these times are doing very well, according to Kristl. “They’re just one of our lower-end smokes that we offer for \$6 to \$10 a cigar.” For those customers that have become quite fond of them, they serve as a type of “loyalty card.”

Cigars Sell Better with Alcohol—“We’ve

realized that cigars sell better with alcohol, especially in a town like Las Vegas,” Kristl explains. “That’s why our owner moved to cigar bars rather than just shops.”

“What is it about the combination of alcohol and a cigar?” states the manager of Casa Fuente, Michael Fayerverger. “It’s the dream of everyone who comes in here—to have a nice cigar and a drink in a relaxing atmosphere.”

Go for an Alcohol Angle—If you’ve got the permit and you’re going to go for alcohol in your cigar lounge, why not go for a special hook? It makes sense that at Casa Fuente, with its Cuban flair, “we’re known for making the best mojitos in Vegas,” says Fayerverger.

Rhumbar is aptly named because of its alcoholic concentration on rum. The extensive rum program consists of 10 rum-based specialty drinks, according to Oliver Nivaud, the bar’s manager.

Andre’s Cigar Lounge, a cozy little bar/couch/fireplace retreat located upstairs off of Andre’s Restaurant in the Monte Carlo hotel and casino, boasts an incredible array of rare Cognacs and Amagnacs in stunning bottles. While this would be far too costly and upscale an endeavor for the typical tobacco store cigar lounge, the lesson learned simply lies in having an alcohol angle.

Roll with a Cigar Roller—Partagas Cigar Factory, another tobacco shop owned by FreyBoy Tobacco located in the Smith & Wollensky Restaurant center on the strip, used to feature full-time cigar rollers Monday through Sunday. But when the economy soured, it became less than a profitable proposition. Rather than eliminating them entirely, Kristl realized it was still a smart business decision to offer this on the weekends only. “Rolling always draws a crowd, and if they buy one hand-rolled cigar, typically selling for \$10 a piece, they usually buy two,” Kristl maintains. Tobacco retailers in much less populated areas might still consider doing it for a special promotion, one or more times a year. “A Cuban or Dominican cigar roller gets people enthusiastic about smoking cigars—it’s unique to Midwest guys like me,” adds Kristl.

CIGAR SENSE

Adjust Business Hours Accordingly—

So when there is a special promotion or cigar event, it's wise not to shut the doors if people are having a good time. In fact, it might behoove tobacco retailers to extend their hours ahead of time, in anticipation of the event or even on a deemed "cigar night." Conversely, knowing which days to close earlier is key for profit, too. "It's all about staying flexible with your hours and adjusting accordingly," says Kristl. "We're dependent oftentimes on whether or not a convention is in town. And when it's real cold here, we don't sell as many cigars. You just have to know your clientele and cater to their time clocks."

Know Your Best- and Worst-Selling

Months—Even Las Vegas has slow months, perhaps more now than ever. Pulling back on inventory and expectations during slow times makes reaping the "fatter" times all the more profitable, according to Kristl. And the best month for selling cigars in Sin City right now is March, he says. "For March Madness, these guys take off the whole month to bet on and watch the games—all the while, smoking cigars. So it's not just one event, it's the whole month." April's a bad month because of tax season—"except for those who are getting money back," says Kristl. He ranks Spring Break time as bad because "college kids don't smoke much and when they do, they want the cheapest thing possible." Contrary to many tobacco retailers who wait for the summer months for cigar sales to pick up, in Vegas, it's the opposite. "July is horrible—its 120 degrees here and cigars blow up," says Kristl. "Sure, they can stay inside, but we lose the outside customers—it's typically the only time of year here that you can't go outside

and smoke." August is bad also, but for a different reason—the back-to-school time is typically a slow travel time for people. But as soon as the big conventions hit in the fall, things pick up again. Kristl names New Year's Eve, Super Bowl weekend and Chinese New Year as very good cigar-smoking times for his stores and lounges. With just a little sales history under their belt, all cigar retailers should be able to rate their best and worst times of the year like this.

Don't Try to Beat the Law—This should seem obvious, but it is imperative for tobacco retailers who are considering adding a lounge and/or alcohol to know their state and local laws. Kristl warns that in Vegas, he is aware of lounges that were shut down because they didn't take the new smoking laws seriously, figuring that "you never see a government worker past five o'clock." That may be true or not, but don't forget about competition that is more than eager to "rat out" your store if you're not playing by the rules.

Seek Competitive Advantage—And speaking of competition, if you're about to open a cigar lounge, you might want to do your homework and go for an area where you'll have the utmost competitive advantage—i.e. there aren't any other "friendly" lounges around. Even though Las Vegas has a lot of places that sell cigars, not many of them offered ambiance, atmosphere and segregated lounges, apart from the noise and bustle of the casinos—until FreyBoy Tobacco's very unique cigar lounges were opened.

Treat Locals and Tourists the Same—"We get a lot of locals, as well as tourists from all over the world, but we treat everyone who walks in the door the same—like family," states Casa Fuente's Fayerverger. "Whether people come into town once a year, five times a year or once a month, we greet them and service them like they were our best customer."

Know your Rent Opportunity—Do you have or plan to have a segregated cigar lounge that might be worth renting out for clients'



Andre's in the Monte Carlo offers a private cigar lounge that features rare spirits.

parties or events? In addition to the cognacs, that's one of the ways Andre's Cigar Lounge makes a profit, especially since it doesn't sell many cigars from its small humidor—the majority of customers bring their own cigars to smoke. But it makes its lounge available for even the smallest time periods, such as one or two hours. "We don't charge a cover charge or have a minimum order, and we'll work out a price with anyone who wants to rent the room out," explains Tanya Buchanan, marketing and sales coordinator for the alcove-like cigar lounge. Cigar clubs, bachelor parties and even those who want to smoke and discuss business undisturbed have a need to rent out such a venue—as long as you let them know about it.

Consider Selling Event Tickets—If your lounge is really top-notch and flat-screen equipped like Rhumbar's outdoor patio, you may even want to consider selling "event tickets" such as for the Super Bowl or any other sporting event. "For the Super Bowl this year, every seat at Rhumbar and Casa Fuente was sold," maintains Kristl.

Spread the "Secret"—Which secret, you ask? Well, that you now have the "best-kept cigar secret" in town, of course. Suggestive marketing like this really works, especially for tucked-away spots like Andre's Cigar Lounge. It's not a huge space and certainly couldn't entertain the crowds like at Rhumbar or Casa Fuente, but perhaps its modest appeal will inspire tobacco outlet retailers to create their own "little cigar alcove." **TOB**



Rhumbar's nicely appointed bar is a popular gathering spot for watching televised events.

Step Up to your New Tobacco Blending Bar

A private label pipe tobacco program will add credibility and distinction to your tobacco outlet business—and best of all, the setup can be simple, relays *TOB's* pipe columnist, Frank Blews.

Do you know the best-kept tobacconist secret? It's the magic behind private label pipe tobacco programs—they're thriving, profitable and not as difficult to put together as they look.

And I'm here to tell you that they're not just for the full-line pipe, tobacco and cigar shops. For tobacco outlet retailers, putting in a tobacco blending bar will add legitimacy, credibility and individuality to your business. Working now as pipe and tobacco brand manager for Phillips & King International, Inc. (P&K), I can guide you through it; I want to share the simple secrets behind the setup.

A LEVEL PROGRAM

There are three different levels of involvement in a private label tobacco program, but 97 percent of all private label sold in the USA is made up of Level I and Level II.

Level I is also known as Relabeling Tobacco Blends; 65 percent of all private label tobacco in this country is handled this way. This is so simple and easy to do; by repackaging and labeling a tobacco with your name, you are in the private label business! Popular bulk tobacco manufacturers include: Lane Limited (LL), Century/Altadis (C), Mac Baren (MB), Peter Stokkeby (PS), Samuel Gawith (SG), and Dan Tobacco (DT). Some of the top blends are coded: LL BCA, LL I-Q, LL RLP-6, MB 7Seas. With only a little information furnished from the manufacturers, plus your sense of smell, sight, some basic writing skills, and some creativity, you can write a distinctive tobacco description. Your shop's private label tobacco blend name can be almost anything you want, so don't be afraid to stretch your

imagination and get wild with words. Think of this: For over 35 years, the number-one private label blend, which appears on almost every blending bar in the U.S., has hundreds of thousands of different descriptions. From reading them, you would swear they'd have to be different—but they're not.

Level II is also known as Blending Relabeled Tobacco Blends; 32 percent of all private label tobacco in this country falls under Level II. This is where we start to blend tobacco together to achieve a distinctive blend. Whether it is blending natural or blended tobacco together, the process is the same. First, formulate the blend. All components should equal one pound, with the smallest component part being no smaller than ½ ounce. Second, write the formula in your Confidential Blend Book (two to get you started might be: 11 ounces of LL RLP-6 blended with 5 ounces of LL Very Cherry, or 10 ounces of MB 7 Gold blended with 6 ounces of MB 7 Royal). Third, weigh out each component part and place them into your mixing (blending) bowl, which I'll explain a little later. After placing all the component parts (totaling 16 ounces) in the bowl, blend thoroughly.

If the tobacco feels dry, this is the time to sparingly add water with your sprayer (also explained later), as you continue to mix and blend the tobacco. Lastly, after the tobaccos are thoroughly blended, weigh out portions and place in resealable plastic bags with your shop's private label name and a blend description. With a little work and some expert help, you can offer customers more complex and distinctive tobacco blends. Please reach out to me and/or your P&K

sales rep for more suggested ideas on tobacco blends.

Level III is also known as Blending from Scratch; 3 percent of all private label tobacco in this country is blended using natural/raw tobaccos with other tobacco and/or tobacco blends. This is mostly carried out in older, full-line pipe and tobacco stores. By far, this is the most difficult of all the levels; it is very time-consuming and requires a greater blending knowledge. It is also less profitable. With such a very small percent of sales and poor returns, I suggest you don't attempt this level, or at least, wait until much later.



Frank Blews

BASIC COMPONENTS

Tobacco—This is obviously the first component of any private label tobacco program. While it can be purchased and sold in many different packages and sizes (grams, ounces, pounds), the most common for these purposes is referred to as “bulk” or “private label” tobacco and comes in 1-pound to 5-pound bags.

Scale—This is usually the largest expense; the most commonly used scale is a professional baker's scale. Most are made of cast iron with case-hardened steel pivots and bearings. They are durable, reliable, dependable and accurate. They normally come complete with free weights, footed scoop with tare weight, and two 9-inch steel plates. It is highly recommended that you have a 1-pound beam, in ¼-ounce increments. You can find this type of scale in antique stores, secondhand shops and flea markets, or you can order one online.

Although this is the most recommended scale, it doesn't mean you must use it. Any scale that uses at least ¼-ounce increments up to one pound may be used. Depending on your state's or local government's rules on weights and measurements, you may need to have your scale inspected. Check with your local and state regulatory departments.

Labels—They are very important and easily produced. You can have them done by professional printers or print them on your computer using a label program such as Avery. You should include your business name, address, telephone, fax, e-mail and Web site, if you have one, leaving room to later write in the name of the specially blended tobacco. These labels will be used on all resealable plastic bags and glass display jars with your private label tobacco blend names identified.

Resealable plastic bags—Use a heavy, thick, clear plastic resealable plastic bag in at least three sizes to accommodate 1 to 4 ounces, 4 to 8 ounces, and 8 to 16 ounces of tobacco.

Mixing and blending bowl—Use any

large (18 inches or larger) wood/metal/plastic salad-type bowl with or without a top. If blends are being blended behind closed doors and not in customers' view, each tobacco can be placed in a 5-gallon paint bucket, with the lid replaced securely and shaken.

Water sprayer/fine mist sprayer—Tobacco can dry out, and water is the only additive to be used to bring back the moistness, i.e. the freshness. Basically, any kitchen/garden fine mist sprayer can be used. This sprayer is to be used only sparingly and with distilled water to moisten the dry tobacco.

Blend book—This is a confidential book, preferably with a key and lock closure, where you keep records of manufacturers' product codes and names, as well as formulas and descriptions for your house blends.

Glass tobacco jars—The most commonly used and highly recommended tobacco display container is a clear glass apothecary/fountain jar that needs to be large enough to hold a pound of tobacco. The reason these styles are best is because of their large mouth, which gives the room needed to smell, feel

and fill a pipe with a sample of your tobacco. You may use any large, all-glass, large-mouthed sealable jar.

Storage containers—As previously mentioned, bulk tobacco comes in one-pound, two-pound or five-pound bags; these can be easily resealed with 2-inch clear packing tape. But you may also store tobacco in a 1-gallon to 5-gallon Tupperware-type container or a 1-gallon to 5-gallon resealable plastic paint bucket. Tobacco needs to be stored in a cool, dark place when not in use, but never in a cigar humidifier.

By now, you should be less intimidated to venture into a private label pipe tobacco program. At the very least, I hope your curiosity is piqued and you are open to learn more. This is a very "doable" and exciting undertaking, so feel free to reach out to me and/or your tobacco sales rep. Equipped with the knowledge of local and national bulk tobacco trends, we are available to partner with tobacco outlets interested in stepping up to a first-class tobacco bar. You won't look back. **TOB**

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TPE 2011

As anticipated, the 2011 Tobacco Plus Expo International—which opened in Las Vegas, Nevada, March 2—drew a record number of attendees. More than 2,400 attendees browsed the 190-plus exhibitor booths showcasing products on the trade show floor; participated in the educational seminars; and took advantage of the savings offered through the show specials.

By all accounts, the show was a rousing success. “We picked up several distributors in states where we don’t currently sell,” said Ronald “Big Ron” Bowen, president of Ayden, North Carolina-based RSB Tobacco, who was one of many manufacturers who enthused about the steady stream of attendees on the show floor. “In fact, in two days we did over \$1 million in business.”

Retail attendees were impressed with the sheer number of exhibitors, the wide array of product categories on the show floor, and the number of international company exhibitors. “We come to this show because it’s such an efficient way to see what’s out there and what’s selling, as well as to make new contacts,” said

Frankely Santana of Stafford, Virginia-based Coci International stores. “Two days here goes so much further than spending the same amount of time paging through catalogs and trolling Web sites.”

Both exhibitors and attendees enjoyed José Blanco of La Aurora’s session on the different components of a cigar blend and the six key elements that a good premium cigar must have: flavor, strength, aroma, complexity, balance and a finish. “I’ve been selling cigars for 20 years, and hands-down this was the best educational event I’ve been to—there was something for everyone,” said a smoke shop owner who participated in the event.

Attendees also raved about the complimentary breakfast and free educational seminar series held each morning of the two-day show. “These were the best trade show educational sessions we have been to in 10 years,” said Joan Livingston, of Temple, Texas-based Tobacco Junction.

Itzel Santana of Coci International took away helpful tips from speaker Terry McKenna’s presentation on successful hiring practices. “Hiring good employees is very difficult in an industry like ours,

where employee turnover is so high,” she noted. “His recommendations on how to effectively interview and check references—and where you can go wrong—were right on target.”

Barry Cohen of New Brunswick, New Jersey-based Barry’s Smoke Shop found the session on branding particularly apropos. “I got some fantastic tips at a perfect time, since I’m in the process of rebranding my shop,” said Cohen, who recently left a franchise arrangement to go out on his own. Speaking with *TOB* shortly after placing an order at the Perdomo Cigars booth, Cohen said he also enjoyed networking with the many cigar companies exhibiting at the show, as he’s ramping up his selection in anticipation of a month-long promotional event at his store and looking to work directly with cigar companies.

The pages to follow offer highlights from Tobacco Plus Expo International 2011, including takeaways from the show’s educational seminars and photos of the trade show floor and evening festivities. Information about next year’s TPE 2012 will be announced shortly at www.tobacoplusexpo.com.





Highlights

By Jennifer Gelfand



More than 2,400 participants attended this year's Tobacco Plus Expo International in Las Vegas!



TEE TIME!

Both amateurs and serious golfers enjoyed TPE 2011's pre-show charity golf event to benefit Cigar Rights of America (CRA).



Milestone Business Group's Jeff Anderson, Chad Anderson and John Houston won first place.



Don and Lisa Fleck of Tobacco Outlet Express with JM Tobacco's Anto Mahroukian and Hrag Khanjian won second place.



Phillips & King's John Geoghegan, Sergio Montolfo, Frank Blews and Patrick Hurd won third place.

Participants in the TPE Masters Charity Golf Tournament enjoyed breakfast, practice play, and 18 holes of golf at Las Vegas' beautiful Silverstone Golf Club, as well as some friendly competition. Teamed up for a scramble-style format, players vied for the chance to win prizes for best score, longest drive and closest to the pin. But the outing itself—teeing off in perfect weather with snow-capped mountains in the background—made the prizes superfluous. Well, almost.



Cigar Rights of America's Jill and Glynn Loope, Brian Berman and Mark Brownlee



Mayra Padilla and Tyniah Haddon of Bahama Mamas handed out cigars at the event.



Lisa and Don Fleck of Tobacco Outlet Express with JM Tobacco's Anto Mahroukian and Khanjian Hrag



Jill Loope accepting the award for the longest drive.



Hail & Cotton's Steven Crossland won an award for getting closest to the pin.



Milestone Business Group's Chad Anderson won an award for getting closest to the pin.



Phillips & King's Sergio Montolfo won an award for getting closest to the pin.



Golfers teeing off against a beautiful mountain backdrop.



Khanjian Hrag takes a swing.



Cigar Rights of America's Mark Brownlee shows good form.



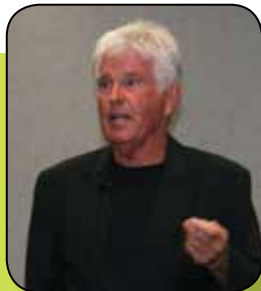
Cruising on the course.



Building Your Brand

Small companies can build the kind of big brand power enjoyed by the likes of Apple and Coca-Cola. Here's how.

"Your brand is the single biggest financial asset your company has," Jack Sims, author of *Growing Small Businesses Into Big Brands*, told attendees of TPE 2011's seminar on brand management. "Think about it. When you booked your trip here to Las Vegas how did you choose your hotel? Your rental car? The best brands get the best customers."



Seventy percent of all purchasing decisions are made or determined by a brand name, according to research by the marketing firm Interbrand. Of those 70 percent, 72 percent are willing to pay a premium of 20 percent to get the brand of their choice in their lives. The bottom line? Boosting your brand boosts profits.

And brand management isn't just for large hotel chains and rental car companies, Sims added. Every company—and every individual working in that company—is a brand. So how do you make your brand stand out in a sea of competition? And how do you build the kind of brand equity that can boost your profits? Sims suggests a few ways you can stand out from the competition and build your business:

1. **Understand who you are and what differentiates you.** "What added value do you bring?" asked Sims. "What do your customers want and expect from you?"

2. **Identify your best customers.** "These are the customers who contribute most to your bottom line—and they're the ones you need to focus on with marketing and customer service," explains Sims, who notes that at any given company, 20 percent of customers generally account for 80 percent of revenues.

3. **Commit to your marketing and service program.** In a tough economy, many companies look to cut back on brand marketing, but consistency is essential in building a brand image. What's more, tough times represent an opportunity to gain market share as competitors look to cut back, says Sims. Spend what you've been spending and stick with your plan, he urges. "People always want to buy the best brand, even in a down economy. Your brand will protect you."

4. **Surround yourself with the best talent you can afford.** "Strategies are a dime a dozen; getting it done is tough," noted Sims. "You can't do it without the right people, so you have to focus on that."

5. **Be a perfectionist.** Every single element of your business and every point of contact with your customers has an impact on your brand image. "The way the phone gets answered by your employees—or worse, by an answering machine—when you're not there is your brand," said Sims. "Are your trucks clean, are your sales guys smart, are your invoices always accurate? Get it right—that's your brand."

"At the end of the day, it all comes down to delivering on a unique promise of value that results in a positive collection of perceptions that causes an expectation in the minds of your customers," summed up Sims. "The message you give and the brand you build is up to you."

7 Musts for Building Customer Loyalty

Speaking at TPE 2011, Linda Cahan of Cahan & Company urged retailers to build customer loyalty by making the following moves:

1. **Acknowledge people.** Greeting every customer sounds obvious, but surprisingly few retailers manage to make it happen. Even if you're on the phone or working with another customer, take the time to say hello or nod to customers as they walk through the door. Facial expressions are powerful. You can say to someone, "Hey, how are you doing?", but your face or body might be saying, "Get out of my store." You need to have facial expression and body language saying the same thing.

2. **Make people feel special** by exceeding their expectations. Giveaways such as lollipops and matchbooks or providing free WiFi are an effective way to make people happy.

3. **Offer information.** Providing your customers with knowledge is a great way to build loyalty. One-on-one, on-the-spot tips about how to select, cut, light, smoke or hold and ash a cigar can endear you to those new to cigar smoking. Offering cigarette rolling demonstrations or educational sessions on choosing and smoking a pipe can build your business.

4. **Start a cigar club.** Collect e-mail addresses by keeping a sign-up sheet at the register and encouraging customers to join. Promise—and deliver—specials and events for members.

5. **Create an inviting environment.** A cigar lounge should have comfortable seating, smell pleasant and be kept neat. Fun, colorful graphics and art or signage that reflects your personality or your store's image can also help you build a loyal customer base.

6. **Get involved.** Find out what interests your customers, whether it be sports or local laws governing tobacco use, and support them in those interests. Consider sponsoring a charity, starting a petition, or helping a local cause.



"Let people know about you, your philosophy, your staff," summed up Cahan. "Have fun with your customers, get to know them by name, learn their stories, and get involved with industry and community causes. Not only will you enjoy your work more, you'll also make more money."

Speaking in a session entitled "Cigars: A Perspective Seldom Seen," cigar industry veteran Dick DiMeola (www.dimeola.com) offered TPE 2011 attendees a brief look at the long and varied history of cigars, as well as the benefit of his hard-earned experience during decades in the business. In addition to sharing the secrets of making, buying, storing and selling cigars, DiMeola outlined the opportunities and pitfalls the industry faces going forward. Excerpts from his insights will be featured in the May/June issue of *TOB*.





Hiring Right



Choosing employees can be the most important business decision that you make. Here's how to do it right.

Are your employees simply cash-register ringers or profit-makers? Most are the former, Terry McKenna told attendees of TPE 2011 at a seminar on hiring practices. "About 74 percent of employees show up for work and simply go through the motions, doing the bare minimum necessary," he said. "That lack of engagement costs American businesses \$420 billion annually."

The problem is particularly acute in the retail industry, where employee turnover is high, added McKenna, who urged retailers to ask for more from employees—and reap the benefits in sales and profits. "Seventy-nine percent of customers walk out of a store without an employee having said one word to them," he reported. "Not only are they not hearing about a promotion or getting a suggestion for a related tie-in sale, they're not even being greeted at any point during their time in the store."

The good news? Retailers can change that by changing their hiring practices. "If you hire engaged employees, good things happen—for you personally, for your business, and for your employees," said McKenna, who outlined the following three phases to an interview process that will yield more engaged employees.

THE PRE-INTERVIEW

Much of effective hiring takes place before you sit down face-to-face with a prospective employee. One of the first steps you can take is to require candidates to fill out an application on site. "That ensures that no one assists them with the interview, which can help you screen out candidates who don't speak English well or who are illiterate," noted McKenna.

Next, screen the applications carefully for red flags, such as gaps in employment, short employment periods, a lack of references, or the absence of key information such as a phone number, and be sure to ask about them in the interview process. "There may be legitimate reasons for some of those things, but you want to ask and listen carefully to the response," said McKenna.

Then, pre-screen the candidate with a telephone interview. "Your time is valuable and there's nothing worse than knowing within a few minutes that a candidate is not right for you but having to go through the motions—and the time—of a face-to-face interview," noted McKenna.

In pre-screening candidates, he recommended verifying that the potential employee is available

when you need them, is willing to work the hours you require at what you are willing to pay, and has reliable transportation. "Be sure not to ask if they have a car—that's illegal," he warned. Also, rather than ask about capabilities, tell candidates the job requirements (i.e., you will be standing for eight hours a day, you need to speak fluent English, etc.) and detail your expectations. "If you have time to lean, you have time to clean," said McKenna. "Let them know what you want, not just what you need."

Also, be sure to let candidates know that you will be checking references and have them sign a form authorizing you to perform a background check. Then follow through. "A lot of people don't check references or do background checks, but they are an absolute necessity," McKenna urged. "A lot of retailers hire people after a 30-minute interview and then hand over the keys to a multibillion-dollar asset. Keep in mind that tobacco is a perfect product for thieves, one that they can easily and quickly convert to cash."

THE INTERVIEW

In the interview itself, look beyond relevant experience for six underlying competencies that make for exemplary retail employees:

Extroverts—These are people who have vibrant personalities and like to engage socially; they will put a face and personality on your store.

Initiative—Employees with initiative will spot problems and take actions to address them without being told.

Responsible—These individuals will deliver; you won't have to ask them to do something twice.

Pride—Employees who take pride in their work love recognition.

Multitasker—The best retail employees love staying busy; they like having several balls in the air.

Team player.

To identify the employees with these competencies, avoid yes-or-no questions in favor of open-ended and experiential queries. That is, rather than ask an employee if he or she likes people or how he or she would handle a hypothetical customer service situation, try, "Tell me about a time when you had to deal with an upset customer?"

"Past behaviors are the best predictors of future behaviors," says McKenna, who also urged retailers to avoid some of the legal pitfalls of interviews. If, for example, interviews are being conducted at multiple sites by different

managers, be sure to require the managers to ask the same questions and follow the same process to minimize the risk of a discrimination suit. "177 lawsuits are filed every minute in the U.S., so before you ask a question, you want to ask yourself, 'Does this question have anything to do with the candidate's ability to perform the job?'" said McKenna. "Even in the idle chitchat before you start the interview, avoid anything related to age, marital status, gender, ethnicity or religion."

Beginning an interview by describing the company and the job is another common mistake made during hiring interviews. "If you do that, the candidate will tailor answers to the job description," said McKenna, who also urged interviewers to resist the temptation to do all the talking. "You should be doing only 20 percent of the talking—if you're talking, you're not learning about the candidate."

Be attentive. Watching a candidate's body language can tell you more about them than anything that he or she says. "Leaning forward is a sign of attentiveness, while crossed arms can indicate a defensive stance or lack of honesty," said McKenna, who suggested using a "smile tally sheet," or making a check mark each time the interviewee smiles. "If they aren't going to be friendly and smile at you, will they smile at your customers?"

THE POST-INTERVIEW

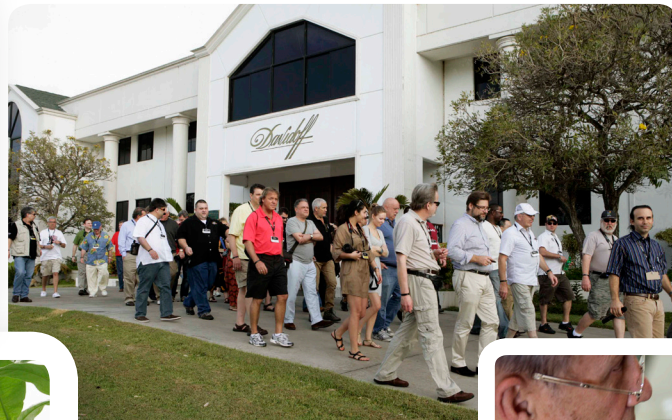
As soon as each candidate leaves, review and summarize your notes while the meeting is fresh in your mind. Then follow through by phoning references and asking if you can confirm a few facts. "Use the word 'confirm' rather than the word 'tell' when asking references about the candidate," suggested McKenna. "It's a more neutral word and therefore less likely to put them off."

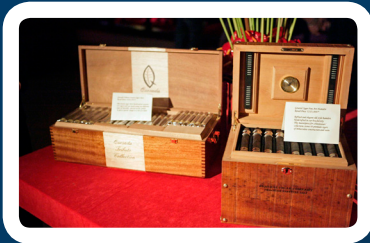
When talking to references, begin by thanking them for their time and describing your business and the position, and then move into confirming the employee's dates of employment and reason for leaving. Only move into asking about their work after you've established rapport, said McKenna.

Once you've made a hiring decision, be sure to call all the applicants and inform them of your decision, he added. "It's the right thing to do, and right for business. After all, these are members of the community, prospective customers and potential future employees. So you want to treat them with respect."

ProCigar Celebrates in Santiago

The Association of the Dominican Cigar Manufacturers held its fourth annual ProCigar Festival in the Dominican Republic.





More than 250 members of the cigar industry gathered in February for the annual ProCigar Festival—and to honor the cigar-making heritage of the Dominican Republic, the number one exporter of premium cigars in the world. Attendees from more than 21 countries converged for the event, which included a series of guided tours and exciting activities.

The festival kicked off on Feb. 6 at the Casa de Campo Hotel in La Romana, where Tabacalera de García—the world’s largest cigar factory—welcomed cigar lovers to the country and guided them through their facilities. While in La Romana, guests had the options of participating in the fourth annual ProCigar Golf Tournament at the legendary Teeth of the Dog golf course; visiting La Cueva de las Maravillas (Cave of Miracles); taking a catamaran ride to Catalina Island; or simply relaxing at Casa de Campo.



On the following day, guests headed to Santiago, the “heart of Cigar Country,” for three days of guided cigar factory tours, including visits to the Matasa, La Aurora, General Cigar, and Davidoff facilities. Attendees were also able to partake in other activities while in Santiago, such as beer and rum factory tours, city tours, merengue dance lessons, and a round of golf at Playa Dorada.

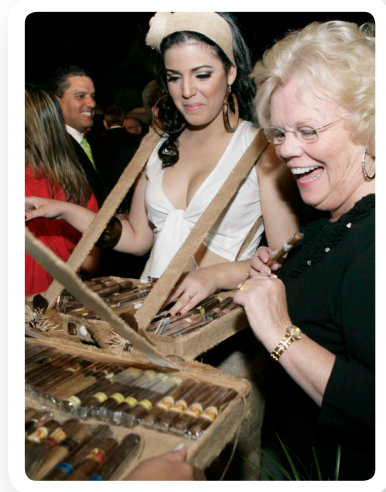
Festivities also included a festive dinner

event at the former residence of Fernando León, Guillermo León’s late father, where participants enjoyed Dominican cuisine and music. Many also competed in the evening’s dance contest for the chance to win the opportunity to select 100 cigars from any of the ProCigar member cigar factories.

The following evening, the guests indulged in white-attire dining atop Santiago’s Monumento a los Héroes de la Restauración, where David Kitchens once again won the blind cigar-tasting. An after-party held at Tribeca Lounge featured the DJ and dancers of the renowned club Nikki Beach.

The festival’s closing ceremony took place at the Centro Español, a private club in Santiago with a carnival theme, where guests enjoyed dinner and a show. A raffle of special products with a retail value ranging between \$1,000 and \$5,000 was held, with proceeds benefiting the Voluntariado Jesús Con Los Niños and the Hospicio San Vicente de Paúl, nonprofit organizations dedicated to helping ill children and impoverished elders.

Each guest left the event with a “goodie bag” holding a commemorative cigar box, an ashtray, cigar accessories, a polo shirt, hats, drinks, coffee and a chacabana—or traditional Dominican men’s dress shirt. The pages to follow feature photo highlights of the festivities. **TOB**



MENTHOL

Under a

By Renee Covino

MICROSCOPE

Manufacturers, retailers, regulatory agencies and public health experts weigh in on the controversy surrounding menthol cigarettes.



First there were flavored cigarettes, now there are those of the menthol variety—another segment of the tobacco industry is now under the FDA microscope.

As most in the tobacco industry know by now, the FDA's Tobacco Products Scientific Advisory Committee (TPSAC) was created as a result of congressional mandate for its formation under the Family Smoking Prevention and Tobacco Control Act of 2009. As part of that legislation, TPSAC was also charged with producing a report and recommendation on "the issue of the impact of the use of menthol in cigarettes on the public health."

Menthol cigarettes account for about 30 percent of the \$85 billion in annual cigarette sales in the United States, according to industry statistics.

At press time in mid-March, the preliminary findings of the TPSAC

report seemed to indicate that menthol flavoring may make it easier to become addicted to cigarettes and may make smoking more alluring to young people; but experts don't expect the findings will lead to a ban on menthol.

NO HIGHER DISEASE RISK

More specifically, the TPSAC's chapter draft, "Effects of Menthol on the Disease Risks of Smoking," says the "evidence is insufficient" to conclude that menthol smokers face a higher disease risk than smokers of regular cigarettes, or that menthol smokers inhale more smoke or are exposed to higher nicotine levels than non-menthol smokers.

Another TPSAC chapter draft, "The Physiological Effects of Menthol Cigarettes," says it is "biologically plausible" that menthol flavoring "may reinforce smoking behavior." The panel said disease risk is not the only indicator



**“THE OVERWHELMING
BODY OF SCIENTIFIC
EVIDENCE DOES NOT
SUPPORT A FINDING
THAT MENTHOL
IN CIGARETTES IS
HARMFUL.”**

of menthol's impact on public health—the availability of menthol cigarettes could have an effect on increasing initiation or reducing cessation.

The panel says the scientific evidence showed that “menthol has cooling and anesthetic effects that reduce the harshness of cigarette smoke” and this reduction “could facilitate initiation or early persistence of smoking by youth.” The committee also says menthol is likely to make low-tar, low-nicotine cigarettes more satisfying, “and smokers who switch to low-yield cigarettes for health concerns may be more likely to continue to smoke rather than quit.”

The full TPSAC report was expected to be submitted on or before March 23, shortly after press time.

Many have spoken out as being “unfazed” by the drafts, including professor Michael Siegel of Boston University's School of Public Health, who writes in a recent blog

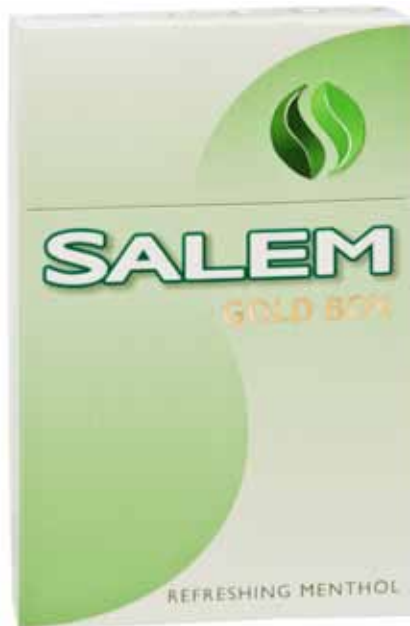
that the conclusions are “nothing new or unexpected” and do not warrant a “long, expensive scientific review” because the menthol issue was never one of science but always one of politics.

The largest manufacturer voice in the controversy is Lorillard Tobacco Co., whose menthol products are sold primarily under the Newport brand name, which accounts for approximately 90 percent of the company's revenue. According to Robert Bannon, director of investor relations for Lorillard, the company has been very vocal in communicating to the FDA and others its position that the science does not support agency action on the use of menthol in cigarettes. Lorillard's Dr. William True, senior vice president of research and development, demonstrated during testimony this year to the panel that the overwhelming body of scientific evidence does not support a finding that menthol in cigarettes is harmful.

It is interesting to note, however, that Lorillard has already introduced a non-menthol product to the market—Newport Non-Menthol. Bannon calls this “an opportunistic move designed to leverage Newport's strong brand equity among adult smokers into the non-menthol segment of the cigarette industry,” which accounts for approximately 70 percent of total sales. “While it is still too early to tell how the product will ultimately perform in the market, we believe the time is right to offer a premium non-menthol product that delivers the high-quality tobacco taste that adult smokers have grown to expect from Newport,” he tells *TOB*.

R.J. Reynolds Tobacco Co. is another manufacturer affected by the outcome of the FDA's menthol investigation—although to a much lesser degree than Lorillard. RJR's primary menthol cigarette brands are Kool and Salem. Year-to-date U.S. market share is 2.28 for Kool and

“IT’S CERTAINLY CLEAR THE GOVERNMENT HAS THE POWER TO BAN MENTHOL CIGARETTES; BUT IS IT LIKELY TO?”



1.64 for Salem, according to company spokesperson Richard Smith. Overall, menthol represents about one-third of RJR's market share.

In regard to the menthol issue, Smith says the company provided “requested material to the agency regarding ingredients and manufacturing processes of tobacco products” and that it “looks forward to the opportunity to work with the FDA and Center for Tobacco Products on this and other matters of interest moving forward, building an open dialogue and sharing information.” He adds, “We believe that open communication is the best approach to establishing an effective, science-based regulatory framework.”

But despite this “agreeable” attitude, RJR, together with Lorillard, filed a joint lawsuit in late February in the United States District Court for the District of Columbia, asking the court to stop the FDA from receiving or relying on any recommendations from TPSAC until the advisory panel is lawfully constituted. The suit specifically highlighted alleged financial conflicts of interest and the bias

of three of its members because they have testified against tobacco companies in smokers' lawsuits or worked for pharmaceutical firms that make smoking-cessation products.

Although Altria is not part of the lawsuit, the Philip Morris cigarette maker has also expressed concerns to the FDA about potential bias among panelists.

Commenting on the lawsuit, the president of the Campaign for Tobacco-Free Kids, Matthew Myers, argues that Lorillard and RJR are “putting profits ahead of lives and health.” Dr. Elizabeth Whelan of the American Council on Science and Health said that Myers' comment seems to “intentionally” omit the issue of bias, choosing instead “to reiterate the evils of Big Tobacco, which while true, have nothing to do with the fairness of the committee members.”

In one of his blogs late last year, Siegel called for the resignation of the three TPSAC members in question, especially because the next major issues after menthol that TPSAC will consider are dissolvable smokeless products and

electronic cigarettes, which, he noted, pose a threat to pharmaceutical cessation aids

NO BAN EXPECTED

After what happened with flavored cigarettes (the FDA has already banned candy, fruit and spice flavorings in cigarettes because of their potential to lure young smokers), it's certainly clear the government has the power to ban menthol cigarettes; but is it likely to? The consensus is a cautiously optimistic “no.”

“The TPSAC has heard hours of testimony and evidence over the last year, and the overwhelming body of scientific evidence simply does not support a ban on menthol,” states Lorillard's Bannon. “We are confident at the end of the day that when the FDA itself reviews the evidence, adheres to its directive to ‘follow the science,’ that the hard science will prevail and it simply does not support a ban on menthol cigarettes.”

There is also the possible issue of racism, should a ban take place, because about 80 percent of black smokers use menthols, research from the Federal Trade

**“THE FDA HAS A
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Commission shows.

Niger Innis, national spokesman for the Congress of Racial Equality, a civil rights group, was recently quoted in the *Richmond Times-Dispatch* as saying, “If the government is not going to ban all cigarettes, then the obvious question is why should it selectively ban those cigarettes that African-Americans prefer?”

Speaking from the retailer side: “They better not ban menthol,” says David Livingston, owner with his wife, Joan, of Tobacco Junction, chain of four stores based in Temple, Texas. “The government acted irrationally and childlike by banning flavors, and if they ban menthol, a black market will explode like no other. There would be such backlash and riots that this country hasn’t seen since Prohibition. I can’t imagine they would be that stupid. We’re adult-only venues; we have a right to sell menthol cigarettes to legal-age customers.”

Because Livingston does a good business in menthol, and also because he doesn’t really think a ban will take place, he, like

many other retailers *TOB* talked to, has not informed his customers of the menthol controversy. “The public isn’t really aware of it yet, and that’s a good thing,” he stated. “The way they reacted to SCHIP price increases—they were throwing the cigarettes back at us after we rang up the higher price—I don’t think it’s a good idea to get them fired up about this.”

Even those who don’t ring up big sales in menthol cigarettes weigh in that a ban on the category is counter not only to the evidence, but also to recent history. Darren Collett, owner of Collett Enterprises, with 19 stores in Seymour, Indiana, admits that “we don’t sell a tremendous amount of menthol cigarettes because we’re in a pretty rural area and the demographics of our customers are not menthol customers.” Nevertheless, he recognizes that “menthol’s been around for many, many years, unlike some of the flavors that were driven out—cherry, vanilla—which were relatively new to the industry. To ban a staple like menthol that’s been around in the tobacco industry for so many years—

that would really concern me,” he says, adding that he doesn’t see it happening.

A PLANNED REDUCTION?

But a ban on menthol isn’t the only negative consequence that could come from all of this. The way Frank Armstrong, owner of Blue Ridge Tobacco and Candle Outlets in Winston-Salem, North Carolina, sees it, after the menthol controversy is all said and done, the industry will probably be faced with a planned reduction of tobacco menthol levels.

“My personal opinion is that the FDA has a role that they’re trying to fulfill and that is to reduce the level of menthol in smokes,” Armstrong asserts. “At some point, they’re going to figure out what level they want to reduce it to, and that’s going to be the problem. If you look at traditional cigarettes over time, we had a similar reduction in tar levels.”

Another plausible option: Morningstar analyst Philip Gorham recently told the *Los Angeles Times* that the preliminary

drafts indicate that the panel will recommend some restrictions, such as limiting the marketing of menthol cigarettes, rather than an outright ban.

Clearly, none of this is good for tobacco outlet retailers or their customers. Menthol is a “big and important” part of the market, according to Armstrong, “and people have a right to smoke whatever they want.”

And so the menthol issue just puts the industry right back to its overarching fight against unfair intervention. “The country was founded on tobacco, funded by tobacco—and people forget that,” says Collett. “Tobacco is a very easy target because 75 percent of the people are not consumers. It’s easy for the government and politicians to pick on a product that the majority of the country doesn’t really use. It’s harder for them to do the right thing; it’s easy to do the popular thing. Any type of government intervention/regulation concerns me, even though it might not hurt me in my immediate business, because it could just snowball into other things being banned.”

The important take-away for retailers: “You can’t ever let this stuff roll off your back,” Armstrong points out. He urges retailers to get involved by working with one another and with NATO on legislative issues as they arise. As a proud fighter for this industry, Armstrong said, “That’s where we put our emphasis and that’s where we put our time—taking action to defend our rights.” **TOB**

Editor’s Note: On Friday, March 18, the TPSAC issued its final report and set of recommendations on the impact of the use of menthol in cigarettes, stating that the “removal of menthol cigarettes from the marketplace would benefit public health in the United States.” But it also acknowledged “that the potential for contraband menthol cigarettes exists, should FDA choose to implement a ban or take some other policy action that restricts availability of menthol cigarettes.” In a separate document that accompanied the report, the TPSAC noted that the FDA’s Center for Tobacco Products will review the report and make recommendations along with a report to be submitted by the tobacco industry providing its perspective on the issue. The FDA now has the task of determining what, if any, action will be taken; there is no set deadline for this. If the FDA does decide to take action there would then be a formal rule-making process—allowing for public notice and public comment.

CHAOS, NOT CONTROL

A ban on menthol cigarettes, as with any tobacco ban, could potentially create much more harm than good, in the form of cigarette smuggling, counterfeit cigarettes (or a black market), and illegal cigarette trafficking. Speaking on behalf of Lorillard, Robert Bannon, director of investor relations, comments, “Under any reasonable assumptions, banning menthol cigarettes would create chaos rather than control.”

The Center for Regulatory Effectiveness (CRE) filed comments late last year on the proposed rule by the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) to counter the smuggling and sale of contraband cigarettes and smokeless tobacco.

The three big dangers of any tobacco ban were points raised by the ATF:

- Cigarette-smuggling profits fund terrorism and other deadly criminal groups.
- Counterfeit cigarettes pose health hazards over and above those of genuine cigarettes.
- Illegal cigarette trafficking makes it easier for children to smoke.

The CRE informed the ATF about the contemplated ban on menthol cigarettes and noted, “If enacted, a ban would create enormous demand for contraband menthol cigarettes, a product preferred by over 18 million people, or one-third of adult cigarette smokers.”

The CRE believes that the aforementioned points/conclusions reached by the FDA’s “federal colleague,” as it calls the ATF, are the “game changers” to the menthol controversy; it also stated that “there is no science-based justification for a menthol ban.”

Dr. Elizabeth Whelan of the American Council on Science and Health recently highlighted the observation that a menthol ban could mislead some smokers into believing that non-menthols are safer and could also result in a net increase in cigarette consumption, because menthol smokers tend to smoke fewer cigarettes daily than non-menthol smokers.

In addition, a study commissioned by Lorillard last year and conducted by Compass Lexecon, a Chicago-based economic consulting firm, detailed many of the same unintended consequences of a ban on menthol. This report was presented to TPSAC in December of last year, according to Bannon.

“The final findings of the study reinforce our belief that a ban on menthol cigarettes cannot be justified scientifically or for any other reasons,” he concludes.





Gurkha: Going Places

The company known for producing the most expensive cigars in the world is forging a path for growth.

By Jennifer Gelfand

Kaizad Hansotia—known in cigar circles as “Kaiser”—likes to tell the story of buying his company for \$149 while on a beach vacation. “I got into the business by accident,” he’ll say. “I had no idea what I was doing.”

But Hansotia quickly made up for his lack of cigar-making experience with a single-minded dedication to quality and a zeal for brand building. His whole new approach to the cigar market led to the birth of a company known today as the “Rolls Royce of cigars,” boasting a sellout line that retails at \$1,500 per cigar.

THE BIRTH OF GURKHA

When Hansotia plunked down \$149 some 20 years ago to buy the entire inventory of a few Portuguese cigar rollers he met on a beach, he had no intention of starting a cigar company. The idea, he says, was to give away the cigars to his watch distribution company’s corporate clients. But the cigars were such a hit with clients that he decided to start a sideline in boutique blends. “At that point in time we didn’t need money—we already had a successful business,” he recounts. “So what we wanted was to put out the best possible



WHAT'S IN A NAME?

Ask Kaizad Hansotia about his company's moniker and you'll be treated to brief history lesson. Gurkha cigars are named for the colonial soldiers who served in the British army's Brigade of Gurkhas during Great Britain's rule in India, explains Hansotia, who was born in India and was raised in Hong Kong and London.

As former Chief of Staff of the Indian Army, Field Marshal Sam Manekshaw, once famously said of Gurkhas: "If a man says he is not afraid of dying, he is either lying or is a Gurkha." While most known for their bravery and strength, these soldiers were also said to be fiercely attached to their cigars, which came to be known as Gurkhas.

"The British wanted to keep their soldiers happy, so they gave them two things: cigars and gin," explains Hansotia. "And the fiercest fighters—the Nepalese soldiers—were known as Gurkhas, and the cigars they smoked came to be known as Gurkhas. Cigars were known as Gurkhas the way coffee is known as java." The term faded from use over time—until Hansotia commemorated the legacy of the Gurkhas by adopting the term as his company's name.

"These soldiers were the elite of the elite—and that's what Gurkha cigars are," he sums up.

product. And that's how we won the hearts of cigar smokers."

At a time when the very best cigars retailed for around \$5, Gurkha released a \$15 cigar. Retailers were less than enthusiastic about the concept of a high-priced, high-end cigar, so Hansotia guaranteed them. "They sold the heck out of them," he reports. "Thus, Gurkha was born."

Today, the company produces about 3 million cigars annually, ranging in price from \$6 to \$2,000. Cigars in the \$12 to \$15 range represent its primary market, but its highest-priced stogies remain highly sought after. "Our boutique limited blends are about 30 percent of our business," says Hansotia. "And we have a waiting list for the most exclusive blends."

MAKING A MARKET

In creating, packaging and marketing Gurkha cigars, Hansotia drew on the success of certain watch brands in positioning themselves as luxury items. Just as Rolex and Cartier limit production of a particular timepiece to pay attention to the smallest details and give collectors a one-of-a-kind product, Hansotia searches out the best tobacco each year to craft limited editions of Gurkha's premium cigars. He also often shuns the traditional plain cedar box

packaging in favor of ornate boxes akin to fine works of art.

Like Gurkha cigars themselves, new packaging, dreamed up by the Kaiser himself, is released each year. For example, the original run of Gurkha's Black Dragon cigars were encased in a hand-carved camel-bone box (and priced at \$100,000 each). And while some Gurkha lines, such as the Ninja and the Viper, are presented in simple wood boxes, the sleek packaging of the company's Avenger G5 resembles a spaceship. Rumor has it the company will be introducing a new brand packaged in a solid silver box at a retail price of \$250,000.

While unique packaging helps Gurkha cigars stand out, exclusivity and sheer quality truly drive their appeal, says Hansotia. For example, the company produces less than 100 boxes each year of its sought-after His Majesty's Reserve (HMR) cigars, which retail for about \$1,500 per cigar. Featuring a secret blend of filler tobaccos wrapped with rare, aged Dominican wrapper, the cigars are infused with Louis XIII Cognac. The mix is potent—Fortune 500 CEOs, sheiks and princes vie for the chance to snap them up.

"Our biggest problem is not having enough product to meet demand," says Hansotia. "It's a good problem to have."

Gurkha recently bought a facility in

the Dominican Republic that will boost production considerably. As a result, the company's founder hopes to be able to make his lines of popularly priced cigars available to more of the retailers who want them. "I'm always open to talking with people who want to carry Gurkha," notes Hansotia, who looks for retailers with the desire to work together to build a following. "We don't want to sell to customers, we want to partner with them in growing their cigar business."


But even as Gurkha expands on its base, Hansotia is quick to note that the company will remain true to its boutique blend roots. "We grow our business between 10 percent and 20 percent each year, and we're very happy to do that," he says. "We are in no hurry." **TOB**



By Jennifer Gelfand

Toraño Takes Off

Now once again making and distributing its own lines, this family owned and operated cigar company is forging a new future.



Much has happened since TOB last reported on Miami-based Toraño Family Cigar Company (See July/August 2009 issue), which makes and distributes the Exodus, Virtuoso, Casa Toraño and more cigar brands. Now in its fourth generation of family management, the company is building on its rich heritage and history in tobacco growing and manufacturing with the launch of new brands and nationwide promotional tours. TOB talked with Charlie Toraño about changes taking place at Toraño and in the cigar industry, the company's newest cigar lines, and his plans for the future.

You've had quite a lot going on since we last spoke. Can you bring us up to date?

The big development has been taking distribution of our products back in house. During 2009 and 2010 our brand was being distributed by CAO International due to an arrangement we had made with them in 2008. The idea was that we would focus on production and they would take care of the distribution side.

What prompted that decision?

We wanted to control the brand and bring back the family feel it had. As good as our relationship was and is with CAO, we missed having direct communication with retailers and to some extent with consumers. We actually gave up more of that than we thought we would. We thought the logistical side of distribution was what we were giving up, but there



TORAÑO'S HELPING HAND

In addition to events promoting its cigars, Toraño Family Cigar steps up to support a wide range of community causes. In the last few months alone the company has supported events benefitting the Boys & Girls Club of Broward County, the not-for-profit Neat Stuff for Kids and the Mission of Hope in Haiti.

Most recently, the company teamed up with co-sponsor Prime Cigar & Wine Bar for the Boca Raton Concours D'élégance, a three-day fundraising event held in March to benefit the Boys and Girls Club of Broward County. Prior to that, the company worked with Neat Stuff for Kids, a charity that offers support to abused and neglected children, on two joint efforts: Helping to organize a toy drive to benefit abused and neglected children and holding a casino fundraising event at the exclusive Coral Gables Country Club. And back in October, the company sponsored the Mission of Hope's Gala for Hope, a red carpet event organized in the aftermath of the massive earthquake that created dire need in Haiti for medical supplies and disaster relief.

Since it's always nice to see good companies helping good causes, *TOB* congratulates and commends Toraño Family Cigar on their ongoing efforts to support worthy endeavors.



are limitations inherent to having your brand distributed by another company. So at the end of 2009 we gave notice that we were not going to renew the distribution agreement. Then a month or two later, Scandinavian Tobacco, the owners of CAO, announced

that they were merging with Swedish Match. That merger was not in any way the cause of our decision to take back the distribution, but it did speed up the process. Under the terms of our agreement, we would ordinarily have begun handling our own distribution in January of 2011, but the merger put us in a position to do that in August of 2010.

Back in 2009, you traveled across the country holding "Roots Run Deep" events, and now you're launching a new tour. How will this one differ?

In 2009 and 2010 my father and I crisscrossed the country doing our Roots Run Deep Tour. We held Cuban-themed events because our roots as a family go back to Cuban history. I am the fourth generation in

the business and all three generations before me came from Cuba. So to tell story of the brand, we created events that celebrated that heritage with Cuban food, rum and music.

Just after the distribution change I just talked about, we came out with two new brands—Single Region and Master—both of which were launched at IPCPR (International Premium Cigar & Pipe Retailers). So this year we'll be doing two separate themed events that will focus less on our family history and more specifically on those two products.

What is the concept behind Single Region?

For Single Region we borrowed the concept from single vineyard wine. We wanted to make a cigar from tobacco sourced from one region of one country, or even, if we could, from one farm. So we came out with Single Region Serie Jalapa. Jalapa is a well-known area in northern Nicaragua where incredible tobacco is grown. We configured a blend that is completely comprised of tobacco from that region, including the wrapper. It is a very rich, very sweet medium-bodied cigar

that highlights the characteristics of the Jalapa region.

How will the Single Region promotional events reflect that concept?

We reached out to PT's Coffee, a coffee company based in Topeka, Kan., that does a lot of micro lot batches sourced from some of the best regions for growing coffee. They will bring three or four of their best coffees to each of approximately 30 to 35 events we plan to hold in 2011, and we'll supply the cigars. We felt it was a good fit because PT's Coffee has one of the highest ratings in the country and is a growing brand that has been getting a lot of buzz—just like Toraño Cigars.

And the Master's events?

We have another brand called Master, which was jointly developed by myself and Felipe Sosa, a master cigar roller—one of the best-known in the country—who has been with us for more than a decade. He and I have been talking about doing a blend together for years, and we finally got together and developed Master. It is an all-Nicaraguan blend, with filler from two regions, Esteli and Jalapa. We used the Ecuador-grown Havana wrapper. The result is a medium cigar in terms of strength and a very unique tasting blend. If you close your eyes and do a blind test, you will know when you are smoking the Master.



We plan to hold between 30 and 40 events where we'll introduce the Master in select retail locations.

What have you learned about the retail arena in your visits with cigar shop owners and their customers?

Every time we do one, we learn a little more about what's happening in a particular region. Every event, even the smaller, more intimate ones, is time well invested. You develop a personal relationship with the owner and with the customer base. This is a

business where you cannot stay in the office and get information. It's all out there.

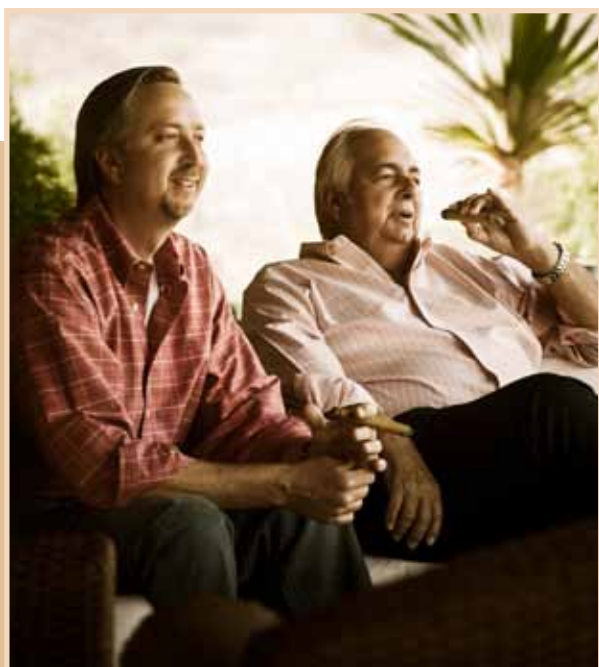
Toraño is definitely a growing company; although it might have been quieter, it is making a lot of noise now and doing a lot of fun and great things.

Toraño has been flying solo for a while now in terms of distribution. How has the change in strategy affected your day-to-day work life?

I am having the best time I've ever had in the cigar industry. It just feels right. Ever since I first joined my father's business, our family has been manufacturing and distributing for a lot of different people, from CAO to Gurkha. It was exciting, but I always had one foot in the private label side of the business and one in the distribution end. So I never felt like I was dedicating as much time as I should to the distribution. Then, at the end of 2008 we sold our factory to Scandinavian Tobacco Group, and for the first time since I got into the business, my exclusive focus became the Toraño brand. Now that we also have the distribution end back, the future for Toraño is brighter than ever.

We now have the entire family no longer worried about growing for others, but focusing instead on our own brands and distribution. As a result, we have a lot of new things coming out that will surprise people. I believe a lot of people will take notice.

How concerned are you about the regulatory environment and the potential for more onerous regulation of cigars?



“The future for Torano is brighter than ever. We now have the entire family no longer worried about growing for others, but focusing instead on our own brands and distribution.”



75 percent OTP (wholesale) tax.

So taxes are an ongoing fight because of the economy, and because tobacco is an easy target.

How do you make use of social media in promoting your brands?

It's been a big element. We didn't discover social media but we are reaping the benefits of being heavily involved in it on the distribution side. I have my own Facebook page, and the company has one and also has a following on Twitter (@ToranoFamCigars). It's a great way to get instant feedback on news about your product or events and being able to show everyone where we are and what we are doing. Having a direct way to reach a community of followers of cigars has been very helpful for us.

For example, people have written on our page to say that the rating of a particular cigar should be higher, or about a great experience they had smoking one of our cigars. Someone recently wrote that he found our cigars in a little town in the Czech Republic. It connects you to the world in a way that's fun.

The circle is complete for me when a smoker has a relaxing moment enjoying a cigar and decides to share with you what that moment meant to them. That's what cigars are about—that ultimate feedback. **TOB**

Certainly we have to be continuously concerned about taxes and regulation. In fact, I'm actually more concerned with tax rates than regulation. Regulations are bad, but taxes really affect the economic side of people enjoying cigars. At the state level right now, it's just staggering. Some states want to go from 20 percent to 80 percent—these are not incremental jumps, they are huge jumps.

SCHIP has already taken a toll. When SCHIP passed, people said, "I'm going to lower my margin to eat the difference so I don't have to raise my prices." So we are all working on tighter margins in order to keep the sales price where it needs to be. But I don't think as an industry we can handle another giant tax increase like that, particularly in today's economy. So that, to me, is the biggest threat out there—that the Fed takes another huge increase or more states become like New York, which has





Keeping It “Reel”

Carlos Sanchez started selling cigars while working as a fishing pro. Today his Deerfield Beach, Florida-based Reel Smokers World Cigars shop is one of the most successful—and unique—stores in the country.



At first glance, Reel Smokers World Cigars shop (www.reelsmokers.net) looks like most good-sized cigar shops. Floor-to-ceiling shelves amply stocked with dozens, maybe hundreds of boxes of cigars. Check. Every top brand—from Arturo Fuente and Gurkha to Rocky Patel and Padron—well-represented. Check. Handsome glass cases featuring lighters, humidors and all manner of accessories. Check. Stately cigar Indians and totem poles. Check. Three cigar rollers steadily working away in the back. Wait a minute? Cigar rollers? THREE cigar rollers?

“The cigar we make here in the store is our best seller,” explains Carlos Sanchez, who says he sells more than 58,000 cigars rolled on site each year and expects to sell more than 70,000 this year. “You can’t buy it anywhere else. The loyalty we have from the people who smoke them is incredible.”

If the presence of handrollers—a Cuban father and two sons representing two generations of rollers—who Sanchez



Miguel, one of the store's three cigar rollers; together they turn out more than 58,000 hand-rolled Reel Smokers exclusives each year.



A grizzly Carlos Sanchez shot in Alaska presides over one of the rooms in the store's "man-cave."



painstakingly one-by-one over many years doesn't impress, the shop's warren of back rooms, which just might be the world's biggest man-cave, will probably do the trick. In one you'll find a treasure trove of Cuban oil paintings. Another is filled with hunting trophies, most notably a snarling grizzly bear, roughly the size of a Toyota Corolla, that Sanchez shot in Alaska. This is also a guy who doesn't have to tell fish stories—photos of mammoth blue marlins abound. And just as impressive is the array of wooden fish sculptures on display both in the shop and in the back rooms. Inspired by folk art that's prominent in the Florida Keys, Sanchez has been crafting them by hand now for nearly 20 years and sells them for \$150-\$300.

In fact, art played a role in the birth of Reel Smokers, says Sanchez. "When I was sport fishing, so many people would bum cigars off me that I figured I might as well start selling them," he recounts. "We got a little 300-square foot shop in

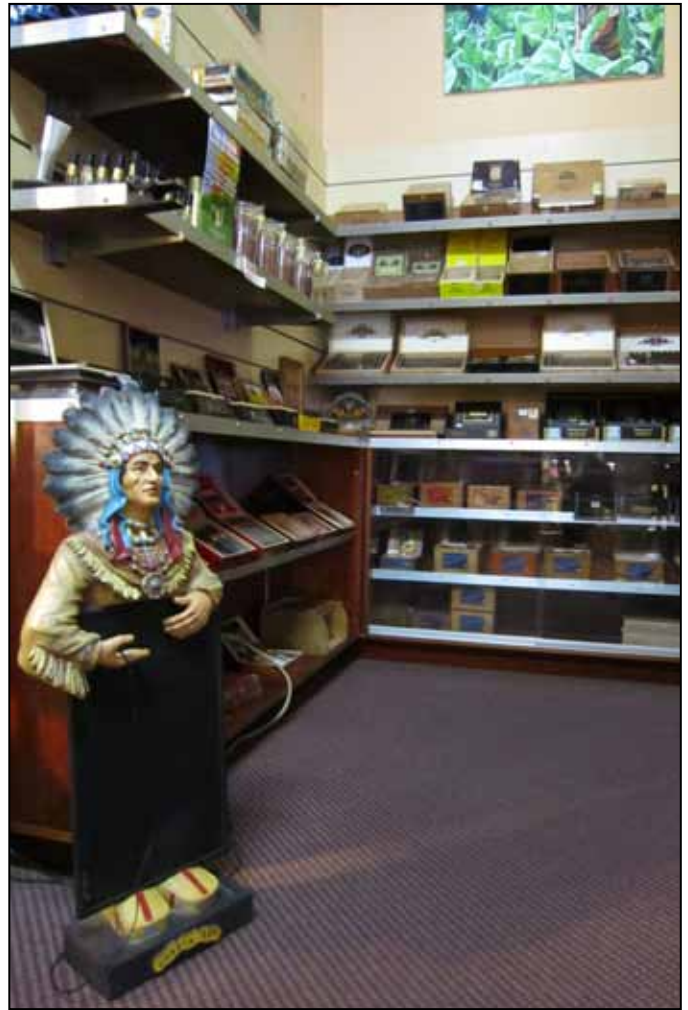
Islamorada, Florida, hung marine art on the walls, and built a six-foot humidor. Back then we didn't open the store very much, we just used it as a place to hang out."

The year was 1996, cigars were highly sought after and soon so was the little shop. Sanchez, who was born in Cuba, made his way to the States at age five, and counted Juan Sosa, Ernesto Perez-Carrillo Jr., and Litto Gomez among his friends, was able to get coveted cigar brands at a time when few could. "It was the beginning of the cigar boom, and knowing them was gravy on top of the pie," he recalls. "I was clearly in the right place at the right time."

By 1998 sales were so strong that he decided to expand the shop and get into the wholesale side of the business. He bought a 1,200-square-foot former pawn shop on Federal Highway (Deerfield Beach, Florida's main strip), put a cigar shop in the front and used the back offices—today's man-cave—as the



A large selection of California wines complements the store's cigar offerings.



In addition to cigars and wine, the store showcases Cuban art.

offices for his sales staff. For a time the business flourished and before long Sanchez employed 13 salespeople and ran a booming business. But when the wholesale business ebbed along with the cigar boom he shut it down and decided to focus on retail.

Today, in addition to cigars, Reel Smokers offers a wide array of wine, available both by the bottle and by the glass for consumption on site. Wine tastings where patrons can sample new vintages while enjoying their favorite cigars are held weekly. "We specialize in hard-to-find California wines," says Sanchez, whose two sons, Chris and Corey, both work with him in the business.

A large, well-appointed bar and lounge area adjacent to the shop offers ample seating for a steady stream of patrons. "The whole place is set up to hang out," says Sanchez, who can be found most days doing just that—enjoying a cigar and joking



with one of his regulars. “We are the only cigar store here, so we have a pretty strong following, and we’re going to try to open a few more stores down here. We have customers who drive great distances to be here because they like environment, they know it’s a family store, and one of us is usually here. We’ve all established friendships, and that’s what it’s all about.”

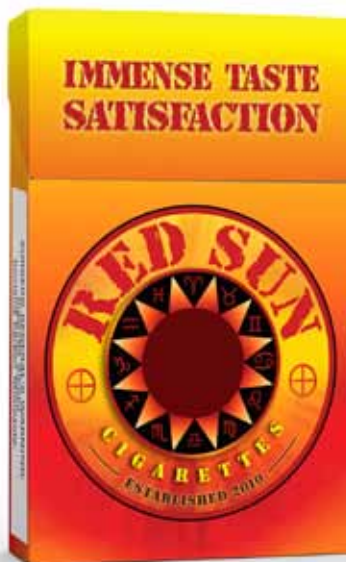
If he wasn’t doing so well with Reel Smokers World Cigars, Sanchez says you’d find him where it all started—fishing—but he is energized by working with his sons in the family business and excited by the innovation he see rippling through the industry. “We’re all fishing captains, and we love chasing money-fish in Hawaii, Madeira, Brazil, St. Thomas, the Bahamas, but it’s hard for us to imagine not being in this business,” he says. “Our clients are our friends, and we’re integral to each other.” **TOB**



Presenting AVO 85th

Cigar luminary Avo Uvezian is celebrating his 85th birthday with the release of his Limited Edition Anniversary Cigar, the “85th.” The “85th” marks the tenth annual limited edition release from AVO Cigars, a tradition the legendary cigar composer began on his 75th birthday.

The “85th Anniversary” will be a Diademas format cigar limited to a 100,000 run worldwide with 60,000 cigars earmarked for the U.S. market. Packaged in a sophisticated black lacquered box bearing the “Avo 85th Anniversary” logo in gold, the Avo 85th features a combination of San Vicente and Piloto tobaccos enfolded by a Peruvian binder and perfected with a special sun-grown Dominican wrapper. Davidoff of Geneva, 727-828-5400, www.davidoffusa.com.



RED SUN and MAGIC Cigarettes

Goodrich Tobacco Company is introducing two super-premium cigarette brands, RED SUN and MAGIC, into the U.S. market. Both brands are available in regular and menthol, and all four brand styles are king size, packaged in hinge-lid hard packs. Goodrich is aiming to focus exclusively on tobacconists, smoke shops and tobacco outlets, a segment the company views as having lost sales to the 2009 FDA ban on flavored cigarettes. Goodrich Tobacco Company, Williamsville, NY, 800-225-1828 ext. 1104.



Packing 'Em In

Swisher International has introduced new 84mm hard-pack packaging for the company’s Swisher Sweets Little Cigars. While the traditional soft pack will remain available, the popular 84mm-length hard pack is designed to resist bending and crushing to preserve the product in its original condition. Hard-pack Little Cigars are available in Swisher’s most popular styles, Sweet, Menthol and Silver. Swisher International, 800-874-9720.



Go for the GIZEH

GIZEH’s line of rolling papers—all made in the company’s own factory—offers great margins and fast turns. Each booklet of regular and 1¼ papers has at least 50 leaves, while double booklets offer 100 leaves. GIZEH’s 110mm lightweight king size paper provides 33 leaves. The company will provide free samples to interested retailers. GIZEH of North America, 888-989-4662, www.gizehna.com; or East Coast Master Distributor, Daughters and Ryan Tobacco, 866-942-7364, www.daughtersandryan.com.



Making Martins

The legendary name of Martin will return to the world of premium cigars this year, bringing blends based on the lifelong work of cigar master Pedro Martin. Martin Family of Cigars will feature several lines, including the Pedro Martin Ruby featuring a glossy, red corajo wrapper with an aromatic all-Nicaraguan blend; Pedro Martin Gold, showcasing an exclusive combination of Connecticut Wrapper with select tobaccos, and Pedro Martin Corajo, one of the family’s classic all-Corajo blends from pre-Castro Cuba. Martin Family of Cigars, www.martinfamilyofcigars.com.

Masterful Intro

The Toraño Family Cigar Co.’s latest extension of the Master by Carlos Toraño line, the Master BFC, is named for its generous 6x60 size. The introduction also marks the first time that such a vitola has been offered within the Toraño portfolio. In keeping with the line’s profile, the Master BFC features a distinctive Nicaraguan blend with a rich and flavorful core of spice rounded by sweetness and notes of cedar and earth; it has a suggested retail price of \$6.95. For those who prefer more traditional sizes, Master BFC is also available in a 5x50 Robusto, 7x50 Churchill and 6¼x52 Torpedo.

Created by company president Charlie Toraño and Toraño Master Roller Felipe Sosa, the Master BFC will be promoted through a series of events at cigar stores around the country, where Sosa will be rolling the Master BFC blend. Toraño Family Cigar Co., www.torano.com.





Vying for Value

Zander-Greg Inc. has introduced a new value-priced hand-rolled Cuban-style cigar line geared toward budget-minded cigar lovers. These bundled cigars are available in three shapes: Churchill (7-7/8x46), Robusto (5-5/8x48) and the newly introduced Corona Grande (6-1/4x45). The Churchill and Robusto selections come in both natural and maduro wrappers, while the Corona Grande is offered only in a natural wrapper. Cuban-style cigars contain 100 percent medium-length tobacco filler for a slow, even burn. They come in economical bundles of 20, at prices that range from \$11.20 to \$16.65 a bundle. Zander-Greg Inc., 888-772-5111, www.zandergreg.com.



Not So Stinky

Quality Importers has acquired exclusive worldwide distribution of Stinky Cigar brand ashtrays and accessories. Best known for its original stainless steel ashtray with four stirrups bearing the Stinky name and logo, Stinky Cigars started out in 2004 as a hobby for cigar enthusiast Bill "Stinky" Salviano, the company's founder. Today, the company offers a wide range of models, finishes and sizes of its popular cigar ashtrays, which can be found in over 1,500 tobacconists nationwide. For more information, visit www.stinkycigar.com or www.qualityimporters.com.

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