



SAVE THE DATE: TMA'S 101ST ANNUAL CONFERENCE WILL BE MAY 9-11

Tobacco BUSINESS

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INTERNATIONAL

INNOVATIONS ON THE MOVE

There's no standing still for tobacco alternatives and advancements as more young adults turn to non-cigarette devices and more tobacco experts maintain that innovation will drive growth.

ALSO IN THIS ISSUE

Meet Sister Companies
Wild Bill Tobacco and Mr. Vapor

Small Town Cigar-Selling
Secrets

Educating Customers
on Pipe Care

Plus: Vapor Expo
International Preview

Interesting Times, Critical Thinking and Trade Shows



In June 1966, Robert F. Kennedy made a speech in Cape Town, South Africa. In it, he said: "There is a Chinese curse that says, 'May he live in interesting times.' Like it or not, we live in interesting times, times of danger and uncertainty; but they are also more open to the creative energy of men than any other time in history."

Kennedy's speech presents a relevant idea as we relate to our fortunes in this time of industrial, economic, legislative, moral and cultural uncertainty. From a business perspective, the regulatory hubris of the FDA is reminiscent of the Chinese curse upon us. In point of fact, FDA is caught in the vice of legal entanglement, while twisting in a wind of demanding enforcement by a tobacco control law that does not address the needs of today's public health and tobacco control.

It is said that the Chinese characters for "opportunity" and "danger" are one and the same. In truth, this is linguistic hocus-pocus. The FDA's seeming ignorance of the wisdom of smokeless nicotine delivery is akin to that linguistic *faux pas*. The Chinese character for "danger" is *not* the same as that for "opportunity." Literary hijinks distorted the character's accurate meaning. All is reminiscent of the fable of the Emperor's new clothes.

For some years after the Japanese surrendered and ended WWII in the Pacific, pockets of Japanese soldiers hiding in the thousands of atoll island mountains were still engaged in fighting. They had to be rooted out, told the war was over, and be rehabilitated. Is it time for FDA to recognize that its steadfastness on the wrong side of history will be righted by "men of creative energy?"

The founding of FDA dates back to President Theodore Roosevelt. The Wiley Act, also known as the Food and Drug Act, was signed into law by the president in 1906, establishing the basis for what became the regulatory FDA in 1930. As with the case of the Japanese soldiers, does the aged FDA bureaucracy need to be dug up from the past and rehabilitated?

After the 1911 Supreme Court ruled that the 1906 act did not apply to false claims of therapeutic efficacy, an amendment added "false and fraudulent claims of therapeutic effect" to the act's definition of "misbranded." However, these powers continue to be defined narrowly by the courts, which have set high standards for proof of fraudulent intent. Is FDA living in the past, given its apparent efforts at adjudication of new generations of nicotine delivery? Can fraudulent intent be proven with respect to electronic and vapor nicotine delivery? Likely, not now—and not ever. In fact, the Family Protection and Tobacco Control Act forbids both the reduction of nicotine to zero in tobacco products and the illegalization of any tobacco product.

Can education open minds to Kennedy's notion of creative energy and its driving force during our own currently interesting times? I think so. The root of education, "*e-ducere*" in Latin, proposes to "lead out." Collegial and associate relationships facilitate our being led out to the realization of Kennedy's idea of creative energy. Education points the way to opportunity in these interesting times. It points further toward today's most powerful idea in the tobacco industry, the concept of the "continuum of risk" and thus, the surety of our futures.

Education: Where, if not at trade shows and trade associations? How, if not in league with collegial doers and thinkers? When, if not now? Why, if not to gather collective strengths? What, if not to understand? Who, if not you?

Welcome to TPE 2016. If you miss Vapor Expo International on June 15-16 at the Stephens Convention Center in Rosemont, Illinois, do so at your peril.

My best to all of you,

Cigar Maestro Announces New Tobacco Lesson

The sixth in a series, this educational program will focus on the boldness of Honduras.

CigarMaestro.com has released its sixth educational tobacco lesson, which is sure to inspire adult cigar lovers and those who want to be better educated about the art of cigar-making. Known as the *Certificado de los Maestros*, this series of lessons is an opportunity for adult cigar enthusiasts to learn straight from Altadis U.S.A.'s expert tobacco blenders, the *Grupo de Maestros*.

The *Grupo de Maestros* members bring enormous amounts of premium tobacco and cigar experience, applying it to the creation and innovation of the world's leading cigar brands. With more than 200 years of combined expertise, the *maestros* take personal responsibility for each brand they create and work tirelessly to craft the hand-

made premium cigars that adult enthusiasts enjoy.

Now, the *Grupo de Maestros* wants to continue to share its knowledge of tobacco with adult cigar aficionados alike. Lesson six is a tutorial about the boldness of Honduras, which includes highlights of its growing regions, conditions, specific Honduran cigars for you to try, and more. Honduras is the third country to be featured within the Cigar Maestro online educational program.



Chicago Pre-Empted From Adopting Tobacco Tax

NATO and other associations have legal grounds to fight sweeping legislation proposed by Mayor Emanuel.

Chicago Mayor Rahm Emanuel has introduced legislation that would increase the legal age to purchase tobacco to 21; set minimum prices for certain tobacco products; mandate minimum package sizes for various products; prohibit the redemption of tobacco product coupons; outlaw multipack discount pricing; require minimum package sizes of 20 cigarettes, 20 little cigars and four large cigars unless a cigar has a retail price of more than \$3; and enact new taxes on other tobacco products.

The sweeping legislation would tax other tobacco products at the following rates:

- Roll-your-own tobacco at a rate of \$6.60 per ounce;
- Smokeless tobacco at a rate of \$1.80 per ounce;
- Little cigars at a rate of 15 cents per cigar;
- Large cigars at a rate of 90 cents per cigar.

However, Emanuel may be overstepping his bounds given that Illinois state law prohibits the city of Chicago from enacting any such taxes. According to the National Association of Tobacco Outlets, under his state's law, a home rule municipality is prohibited from imposing an excise tax on tobacco products unless the municipality had previously adopted such a tax before July 1, 1993, a prohibition found in 65 Illinois Compiled Statutes Section 5/8-11-6(a). What's more, Section 5/8-11-6(a) also states that the pre-emption is a constitutional limit on the authority of home rule cities to enact certain taxes.

The upshot? "This absence of a tobacco product's excise tax precludes the city of Chicago from now adopting such an excise tax on cigarette roll-your-own tobacco, smokeless tobacco, little cigars and large cigars," states a NATO report. NATO has joined forces

with the Cigar Association of America and the International Premium Cigar and Pipe Retailers Association to submit a joint letter to the chairman of the Chicago City Council's finance committee explaining why the tax on other tobacco products cannot be adopted.



HIGHLIGHTS



Steve Wegert joins Republic Tobacco

Steve Wegert has joined Republic Tobacco LP in the role of key account manager. With more than three decades of tobacco-industry experience, Wegert was previously a national chain account manager at cigar maker Commonwealth-Altadis in Fort Lauderdale, Florida.

Glenview, Illinois-based Republic Tobacco is one of the nation's largest wholesale distributors of roll-your-own and pipe tobacco and roll your own accessories, including such brands as JOB, TOP, Gambler, Drum, Largo and TubeCut.



Childproof Caps on E-Liquid Now Law

Proposed packaging standards act is now law.

On January 28, President Obama signed the Child Nicotine Poisoning Prevention Act of 2015, legislation that "requires the packaging of liquid nicotine containers for use in electronic cigarettes to be subject to existing child poisoning prevention packaging standards." The bill will take effect 180 days after being signed into law.

"Requiring childproof caps on these bottles is just common sense," says Senator Bill Nelson (D-Florida), who introduced the bill (SB 142), pointing to rising concern about nicotine and poisoning exposure incidents. Such incidents prompted about 2,300 cases of poison exposure in young children in 2014, according to the American Association of Poison Control Centers.

The new legislation mandates that all products containing liquid nicotine have childproof packaging. Vapor industry associations, such as the Smoke-Free Alternatives Trade Association (SFATA), also supported the

legislation, noting that a national standard would be preferable to a variety of state childproof packaging laws.

"It's common sense," says Cynthia Cabrera, SFATA president. "These are adult products and should be treated like adult products."

The effort will only increase the cost of a bottle cap for manufacturers by six to 12 cents, adds Greg Conley, president of the American Vaping Association (AVA). He also says that the cost to producers is "minimal."

As with prescription drugs and some over-the-counter (OTC) products, U.S. Consumer Product Safety Commission (CPSC) standards and testing procedures for special packaging will apply.

The law's mandate applies to "liquid nicotine containers," which are defined as packaging (1) from which nicotine in a solution or other form is

accessible through normal and foreseeable use by a consumer and that is used to hold soluble nicotine in any concentration; and (2) that exclude a sealed, pre-filled, and disposable container of nicotine in a solution or other form in which such container is inserted directly into an electronic cigarette, electronic nicotine delivery system, or other similar product, if the nicotine in the container is inaccessible through customary or reasonably foreseeable handling or use, including reasonably foreseeable ingestion or other contact by children.

The requirements would not apply to "closed-system" e-cigarettes where the e-liquid is not intended to come into contact with or be handled by the consumer, nor to zero-nicotine e-liquid, according to a report by *The National Law Review*. The bill does not preclude FDA from imposing its own packaging requirements.

Welcome to TPE 2016

TPE 2016 opens in Las Vegas on March 16. Here's how to make the most of your time at the show.

The exciting lineup of networking opportunities and exhibits at this year's Tobacco Plus Expo—the largest industry event for tobacco and vapor products—offers something for everyone. As you navigate the show, be sure to:

Attend the Show's Opening Reception. Enjoy an opening reception at the Westgate Las Vegas Resort and Casino Pool Patio on the night before the show. This fun event will give you an opportunity to network with peers while enjoying great food, live entertainment and an open bar.

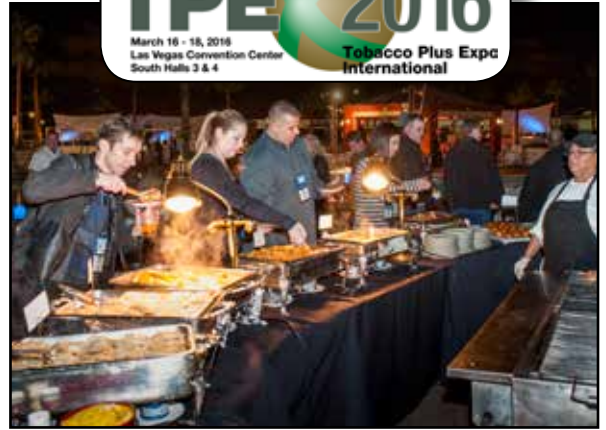
Check out the New Product Showcase. TPE's new product awards ceremony will feature innovative merchandise from companies representing virtually every product category.

Browse the Exhibit Hall—Strategically. On the trade show floor you'll have the opportunity to view thousands of products firsthand and talk to vendors face-to-face. To make the most of your browsing opportunities, take a little time to identify your top priorities and plan your day accordingly.

Take Advantage of Show Specials. Nearly 200 exhibitors will be offering special pricing and promotions exclusive to Tobacco Plus Expo attendees. You can find a full list of companies offering show specials in your show guide and on TobaccoPlusExpo.com, which offers helpful links to each company's website.

Network With Your Peers. While most retailers attend shows to find new products, these industry events also offer the perfect venue for connecting with peers and learning from one another. As you walk the show, look for opportunities to strike up a conversation with retailers from other regions who are likely to be struggling with the same business challenges that you are facing. The show's Cigar Bar & Lounge is the perfect setting for these casual conversations, which can foster new ideas for implementation back at your office.

For more information about the show or the new products showcase, visit TobaccoPlusExpo.com or call 888-737-3976.



Jury Verdict Favors PM USA

Massachusetts smokers' claim against Philip Morris has hit a roadblock.

A 10-person jury unanimously rejected claims made in a class-action lawsuit seeking to force Philip Morris USA to pay for a court-ordered medical monitoring program. Plaintiffs in the case, which was originally filed in 2006, failed to persuade the jury that Marlboro cigarettes were defective.

The "unanimous verdict again demonstrates that these types of medical monitoring claims are meritless," noted Murray Garnick, Altria

Client Services SVP and associate general counsel. "The jury soundly rejected that Marlboro cigarettes are defectively designed. This was the third case of its kind to go to trial, and in each, the jury ruled in favor of Philip Morris USA."

However, further proceedings are expected in the district court, as the judge presiding over the case decides whether there was a violation of Massachusetts' consumer

protection act. Plaintiffs in the case are seeking a 28-year medical monitoring program estimated to cost \$190 million. The class includes all Massachusetts smokers who, as of February 2013, were at least 50, had at least a 20-pack-per-year history of smoking Marlboro cigarettes, and have neither been diagnosed with lung cancer nor are under investigation by a physician for suspected lung cancer.

Vape Shop Channel Continues Growth

On average, vapor-only shops generate more than \$300,000 per store annually, according to a new report.

According to the *2015 Vape Shop Index* released by ECigIntelligence, Roebing Research, E-Cigarette Forum and the Smoke-Free Alternatives Trade Association (SFATA), the vape shop channel accounts for more than \$1.5 billion in annual sales. Not surprisingly, the bulk of those sales (60 percent) was in e-liquids, with fruit and dessert flavors ranking as the top sellers.

The index analyzed financial, product and brand-level data, including trends, preferences and owner attitudes from 540 vape shops across 42 states, says Tim Phillips, CEO of ECigIntelligence. "This really is the first time that the industry will have detailed independent data from vape shops, where much of the growth in the sector is now occurring, reaching more than \$1.5 billion in annual revenue," he explains. "As consumer preferences evolved toward

open-system tanks and e-liquids, we saw a need for accurate data to help shop owners better compete in today's marketplace."

"Our results show that the vape shop channel is primarily made up of sincere, hard-working small businesses that contribute significantly to the economy," says Cynthia Cabrera, president and executive director of SFATA, noting that more than two-thirds of respondents are single-store owners, while 16 percent own two shops and 15 percent have three or more stores.

According to the report, nearly all respondents (98 percent) support appropriate and reasonable industry regulations. However, 67 percent of vape shop owners claim that state regulations are/will be hurtful to their



businesses, despite the fact that more than three-quarters of respondents are overall optimistic about the current state of the vapor industry. "Results point to the fact that regulations are a key concern and anything onerous, such as the FDA's pending final rule, could seriously impact tens of thousands of jobs, as well as jeopardize the role vapor products play helping smokers switch to a less harmful alternative," says Cabrera.

Spark and Fontem Ink Deal

Spark Industries to license vapor technology-related patents controlled by Fontem Ventures

California-based Spark Industries has inked a global licensing agreement with Amsterdam-based Fontem Ventures, the company that developed blu, JAI, and lifestyle energy brand Reon. “We want across-the-board access to the patented, covered technology as a benefit to its constituent customers—distributors, wholesalers, retailers and consumers,” says Spencer Thompson, president of Spark Industries/Spark Vapor Brands.

Spark, which distributes the CIG20 and Vapage brands of e-vapor hardware, also blends and bottles the Vapage, Blind Lion and Vapage Private Reserve brands of premium e-liquids.

“We have always been a company that lives by integrity and strives to operate in the best, [most] ethical way,” explains Thompson. “In obtaining the global license from Fontem Ventures, we have done just that by utilizing Fontem’s intellectual property in the correct way and insuring that our customers are protected from infringing Fontem’s patents if they partner with Spark.”



Reynolds Debuts Digital Coupons

Reynolds American hopes a digital marketing program will help it go paperless.

Winston-Salem, North Carolina-based R.J. Reynolds Tobacco Company subsidiary is piloting a digital marketing solution that will enable it to replace paper coupons.

“The ‘turning blue’ trend is what ‘going green’ wanted to be when it grew up,” explains Brice O’Brien, executive vice president of consumer marketing for Reynolds. “Green isn’t just for tree-huggers anymore.”

As part of the company’s sustainable initiative, Reynolds developed its patent-pending “Spot You More” system of delivering digital coupons and promotions through a small standalone hardware device that is placed at store registers. Requiring only a power connection, it connects wirelessly to the Internet and enables retailers to accept digital promotions without the need to meet any point-of-sale equipment compatibility requirements.

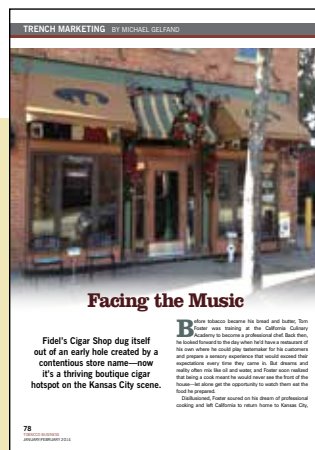
Consumers can then be sent digital coupons that are redeemable through text, email, apps and social media on their smartphones.

“A consumer simply places the phone under the Spot You More device, with a digital coupon displayed—no timers, no store selection required,” explains O’Brien. “The coupon is then scanned and validated on Reynolds’ servers in real time, and it can never be used again.”

“A hot topic between us and our retail partners has been the rise of the mobile consumer and mobile marketing,” O’Brien adds. “Digital marketing/coupons [holds] great potential to eliminate paper, printing, postage and reduce the waste, gas and pollution to deliver mail, all while being more consumer-relevant.”

Tell Your Story in TBI

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



Truth *in* Science

Communication is critical in refuting misleading research about vapor products.



It's hard not to cringe when reading a news story about yet another "scientific study" that says vapor products are bad for you. Many in our industry refer to this as "junk science."

Nearly two dozen published studies on vapor products over the past few years, ranging from toxicity levels to teen use, have been refuted by some of the world's leading tobacco control researchers.

Just recently, a meta-analysis published in *The Lancet Respiratory Medicine* journal saying that e-cigarette use actually lowers smokers' odds of quitting tobacco was heavily scrutinized by several leading researchers, including the anti-tobacco group Truth Initiative (formerly Legacy For Health), a U.S. public health nonprofit, calling the research "invalid" and "scientifically inappropriate."

It's clear that findings from these studies reported in the media have contributed to negative perceptions of vapor products. But it doesn't start there.

We cannot control what is being published in scientific journals, although we hope that submitted research is at least properly vetted. What we can do, however, is contribute to the way reporters are covering these analyses. Our scientific advisory board will soon release suggested guidelines as a series of questions for reporters to consider before filing their stories.

One of the first questions to address is whether or not the article is based on scientific evidence. Other questions can

**“It is IMPERATIVE that
the TRUTH about VAPOR
products is
COMMUNICATED, especially
when it comes to SCIENCE.”**

include: How much of a given chemical is present in vapor and how much of that same chemical is present in cigarette smoke? Are comparable patterns of use being considered? What is the efficacy of the vapor product for adult smokers interested in switching to vapor? Is evidence that vapor products are only intended for adults cited? The list goes on and on.

Not all studies are one-sided, though sadly, only a few compare to the large number of clearly biased research being presented. Incessant online coverage and the 24-hour news cycle add fuel to this fire as appetites for immediate news continue to create problems for understaffed newsrooms to get the story out quickly.

Science is complicated, but lives are literally at stake. The Centers for

Disease Control and Prevention (CDC) estimates that 443,000 Americans die each year from smoking. For the first time in decades there are products on the market that have dramatically reduced the number of smokers in the U.S. and around the world. Even FDA Center for Tobacco Products Director Mitch Zeller has said that vapor products can be an effective replacement for smokers who are unable or unwilling to stop smoking.

More than 40 million American adults smoke combustible cigarettes, contributing to more than \$300 billion in annual health care costs. Many of these people want to stop smoking (70 percent according to CDC) but haven't yet found a replacement or good enough reason to do so.

Helping the media to better understand vapor products is crucial

so that smokers and vapers can make informed decisions when considering alternatives to combustible cigarettes.

Yes, more science is needed, and much more will certainly be published in the coming months and years as vapor products continue to replace combustible cigarettes as less harmful alternatives. It is imperative that the truth about vapor products is communicated, especially when it comes to science. **TBI**



*Cynthia Cabrera
is president of
the Smoke-Free
Alternatives Trade
Association.*

Don't miss TMA's 101st
Annual Meeting and Conference!
Kingsmill Resort in Williamsburg, VA
When: May 9 - 11, 2016
Details: www.tma.org

BREAKING NEWS FROM THE TMA

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



Farrell Delman,
President, TMA

ON THE FDA...

...The FDA Center for Tobacco Products will hold a public workshop on “**Biomarkers of Potential Harm**” on April 4-5 at its White Oak Conference Center in Silver Spring, Maryland. The workshop will “open the discussion on how to identify and implement the use of biomarkers for the purposes of tobacco product regulation,” with specific objectives to identify 1) approaches to assess and select biomarkers of potential harm; 2) the processes for identifying biomarkers of potential harm that may be useful in tobacco product regulation; and 3) research areas that may further strengthen knowledge about biomarkers of potential harm.

...The U.S. Senate Committee on Health, Education, Labor and Pensions voted to back Dr. Robert Califf, President Barack Obama’s **nominee for FDA commissioner**,

despite criticism from consumer watchdogs that Dr. Califf has extensive ties to the pharmaceutical industry. However, U.S. Sen. Edward Markey (D-Massachusetts) put a hold on the nomination, saying that “FDA needs to commit to shift the way it approaches and evaluates addiction before I can support Dr. Califf’s nomination.” Markey was referring to CDC data showing that 19,000 deaths were linked to misuse and abuse of prescription painkillers in 2015, the highest-ever recorded.

...Niels Frederiksen, CEO of Danish cigar and pipe tobacco maker **Scandinavian Tobacco Group (STG)** A/S, said that the FDA’s proposal to extend the pre-market approval process to cigars is unlikely to affect STG as it has been on the U.S. market since the 1950s and its products were launched before 2007.

...Following U.S. District Judge Amit Mehta’s statement that he will not recuse himself from the

cigarette makers’ lawsuit over **FDA’s new labeling requirements**, Altria Group, Reynolds American, and ITG Brands filed a request for a permanent injunction against the agency to prevent the implementation of the new guidelines, which state that FDA approval is required for changes to labeling of tobacco products and the quantities of products within a package, even if the product’s ingredients and characteristics remain the same. The companies say that this directive “disregards the clear statutory distinction between the regulation of tobacco products and regulation of tobacco product labels.”

Overtaking U.S. District Court Judge Richard Leon’s 2014 ruling, Judge Stephen Williams, on behalf of the U.S. Court of Appeals for the District of Columbia Circuit, upheld the FDA’s right to use its **Tobacco Products Scientific Advisory Committee’s menthol report**. The report concluded that menthol cigarettes are no more or

October 2015, FDA initiated its first NTSO complaint actions against eight retailers found to be repeatedly violating minimum purchase age requirements and other rules on tobacco product sales and distribution.

less toxic than regular cigarettes, but the flavor's cooling and anesthetic properties reduce the harshness of cigarette smoke, thereby increasing their appeal to new smokers. Morgan Stanley said that the ruling increases the FDA's "flexibility around the menthol issue," but menthol regulation is expected to remain a "gradual and manageable process" with the industry retaining its ability to challenge any ultimate menthol rule on grounds of bias or insufficient scientific evidence. RBC reported that the ruling "likely will have no impact on whatever plans the FDA has on regulating menthol (if any)," and that FDA is "likely to rely more on" its own menthol assessment separate from the TPSAC report, given that the TPSAC report was created as a statutory requirement of the Family Smoking Prevention and Tobacco Control Act but does not have to be used by FDA in proposing any menthol regulation.

...Marking the first time that FDA CTP jointly issued a **warning letter** with another FDA center, CTP and the Center for Drug Evaluation

and Research warned online retailer Smokers-mall.com that several of its products for sale to consumers in the country violate the Federal Food, Drug, and Cosmetic Act (FD&C Act). The letter cited the fact that the site "sells and markets both violative tobacco products and an unapproved drug/device combination product," such as cigarettes and RYO tobacco with characterizing flavors, cigarettes with unauthorized modified-risk claims, and cigarettes marketed as a drug/device combination product to diagnose, cure, mitigate, treat or prevent disease.

...An Administrative Law Judge (ALJ) issued the first-ever **No-Tobacco-Sale Orders** (NTSO) to four retailers—C and C Supermarket of Irvington, New Jersey; Family Food Market of Detroit, Michigan; MFA Petroleum Company of Columbia, Missouri; and Mon-Jan of Baltimore, Maryland—as a result of settlements the retailers reached with FDA. In October 2015, FDA initiated its first NTSO complaint actions against eight retailers found to be repeatedly violating

minimum purchase age requirements and other rules on tobacco product sales and distribution. The complaints against the remaining four retailers are still pending before the ALJ.

...In a January 7 blog post reflecting on 2015, Acting FDA Commissioner Stephen Ostroff, M.D. wrote that the agency is preparing to publish the final rule to extend its regulatory authority over currently unregulated tobacco products such as **e-cigs, cigars, hookah tobacco and pipe tobacco**. Ostroff said that the policy will be "based on a thorough scientific evaluation of how individual products in each category may affect public health," adding that FDA also unveiled in 2015 a public education campaign aimed at preventing and reducing tobacco use among at-risk African American, Hispanic and Asian American/Pacific Islander youths aged 12-17.

...Sarasota, Florida-based Von Vape reported meeting with U.S. Rep. Vern Buchanan's (R-Florida) staff to discuss FDA's deeming rule and U.S. Rep. Tom Cole's (R-Oklahoma) HR 2058,

which would move the **predicate date** forward from February 15, 2007 for newly deemed tobacco products. Von Vape encouraged all parties in the e-vapor industry to take action such as writing to their senators and house representatives to support HR 2058.

ON VAPOR PRODUCT NEWS...

...A newly launched group called the **Vapor Technology Association (VTA)** based in Washington, D.C., comprising manufacturers, wholesalers, small business owners and entrepreneurs in the vapor technology industry, aims to bring a “fresh perspective to the industry and the policies that impact it.” The group will look to serve as an advocate for “leaders in the vapor community” who support new technologies, responsible policies and regulations, and high safety standards.

...A study led by Maciej Goniewicz of the Roswell Park Cancer Institute in Buffalo, New York and published in the medical journal *Thorax* measured levels of **benzaldehyde**—an ingredient in natural

fruit flavors that has little or no toxicity if ingested or applied but has been shown to cause irritation of respiratory airways in occupational exposure studies—in the aerosol produced from 145 e-cigs purchased online. The effort found the chemical compound in 108 of them, with the highest levels measured in cherry flavors, leading Goniewicz to say that research is needed to “understand if these chemicals are safe for inhalation...[since there] may be no health consequences, but we don’t really know this.”

ON TOBACCO-RELATED NEWS...

...Clarence, New York-based plant biotech firm **22nd Century Group (XXII)** announced January 4 that its wholly-owned subsidiary Goodrich Tobacco Company submitted a Modified Risk Tobacco Product application to FDA on December 31, 2015 seeking an order allowing XXII’s “very low nicotine” cigarette “**BRAND A**” to be introduced with the disclosure on its packaging and marketing that it reduces smokers’ exposure to nicotine.

...Corey Johnson, a member of the New York City Council and chairman of the council’s Committee on Health, introduced a bill to **ban smokeless tobacco use** in the New York Yankees’ home baseball park Yankee Stadium, the New York Mets’ home baseball park Citi Field, and other arenas in the five NYC boroughs, with the goal to have the legislation approved and signed by Mayor Bill de Blasio quickly in order for it to be in effect by opening day of the 2016 regular season in early April. AT&T Park in San Francisco, Dodger Stadium in Los Angeles, and Fenway Park in Boston already have similar bans.

...President Obama signed in to law the **Child Nicotine Poisoning Prevention Act** sponsored by Sen. Bill Nelson (D-Florida), which requires child-resistant packaging for nicotine-containing e-liquids used in open systems, while exempting “sealed, pre-filled, and disposable” nicotine containers for closed-system e-cigs, with the rule to be enforced by the Consumer Product Safety Commission, an independent government agency. **TBI**

Traditional Cigarettes Gaining Ground, E-Cigs Slacking

The renaissance traditional cigarettes have been experiencing is continuing, according to the results of Wells Fargo’s Tobacco Talk survey of tobacco retailer and wholesaler contacts, representing more than 30,000 U.S. retail locations. Overall, the “combustible cigarette environment remains healthy given strong industry pricing power of +6 percent in Q4 [2015] driven by a stronger tobacco consumer, continued up-trading to premium brands, and lower retail gas prices,” reports Wells Fargo’s Bonnie Herzog, who also cites solid industry volume.

COMBUSTIBLE COMMOTION

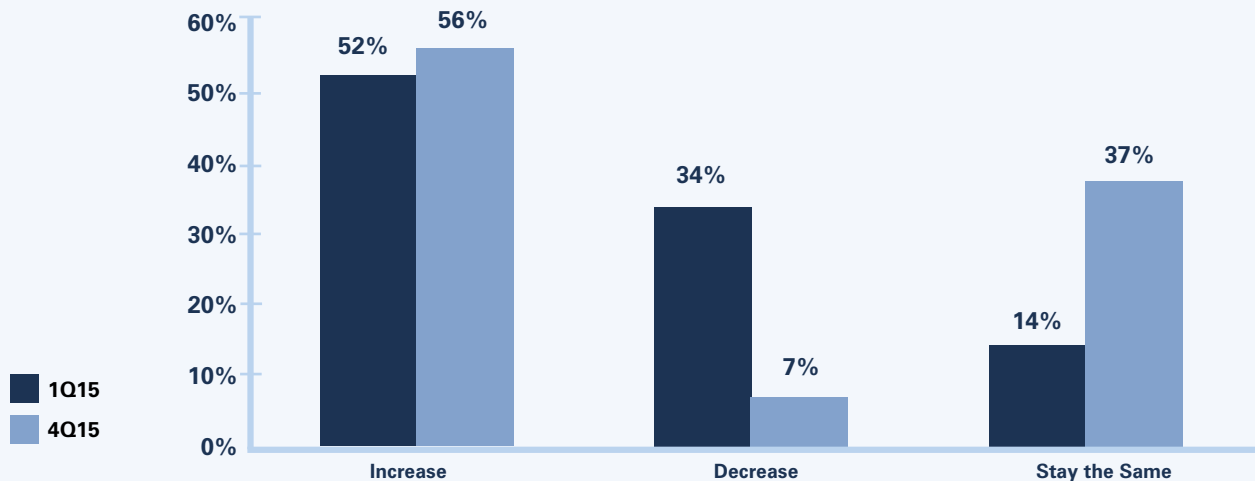
While more than 25 percent of retailers participating in the survey reported having recently signed up for R.J. Reynolds’ Every Day Low Price (EDLP) program, some respondents expressed resentment about being pressured to join. As one retailer stated, “I have not been on a program with Reynolds in six years, but with the new Newport deal we feel we have no option.”

“The contract is designed to control fourth-tier brands,” said a retailer who opted not to sign up. “Why would we allow Altria to control the top-end of pricing and RJR [to] control the bottom?”

RETAILERS ON REYNOLDS

“HOW WILL NEWPORT ADDITION AFFECT RETAILER EDLP PARTICIPATION?”

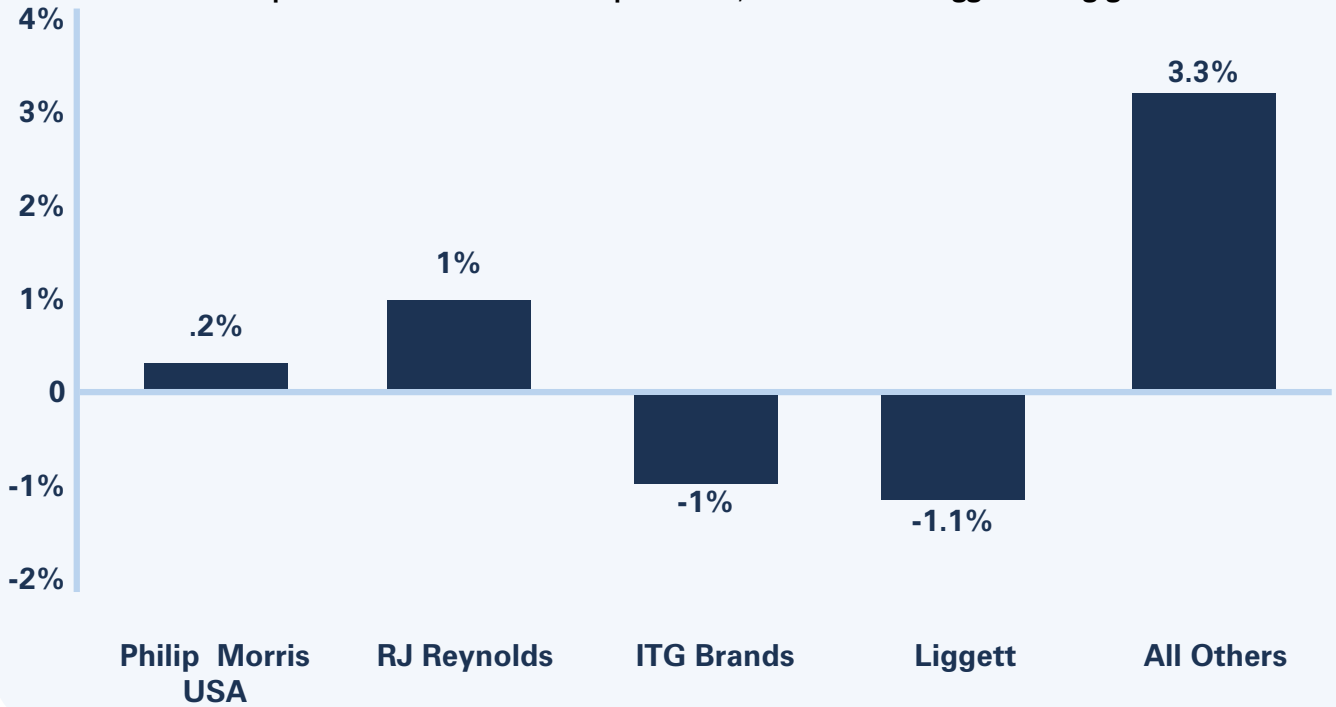
Sixty percent of retailers believe EDLP participation will increase now that Reynolds has added Newport to its EDLP portfolio



Source: Wells Fargo, Tobacco Talk retail survey

“WHAT CHANGES DO YOU PLAN FOR SHELF SPACE ALLOCATION IN 2016?”

RJR is poised to win in the shelf space race, with ITG and Liggett losing ground



Source: Wells Fargo, Tobacco Talk retail survey

“Adult smoker preference for menthol continues to shape industry dynamics and with Newport; RAI now has an ‘army of brands’ to compete from all sides.”

—Bonnie Herzog, Wells Fargo

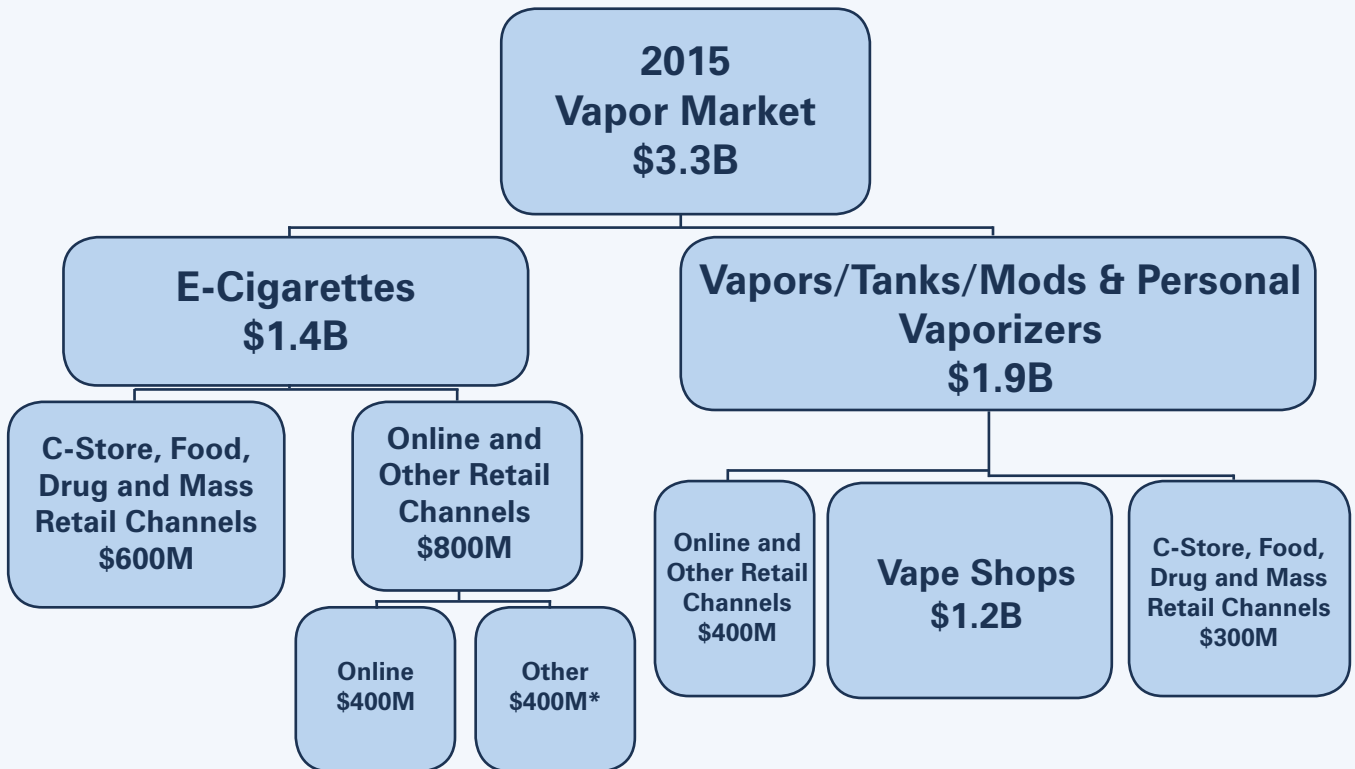
VAPOR VIEWS

In the vapor product category, Wells Fargo’s recent Nielsen Tobacco All Channel Report suggests that U.S. vapor product sales totaled \$3.3 billion in 2015, slightly below the forecast of \$3.5 billion. “Though e-cigarette year-over-year pricing has been in persistent decline, we believe it is at least partially due to difficulty in capturing SKUs of the evolving vapor category and proliferation of vapors/tanks/mods (VTM) and refills which tend to have lower retail prices,” says Herzog.

The charts to follow break down vapor product sales by category and by retail channel based on Wells Fargo estimates, and also offer sales breakdown by subcategory within the vapor market.

Vapor product sales totaled \$3.3 billion in 2015

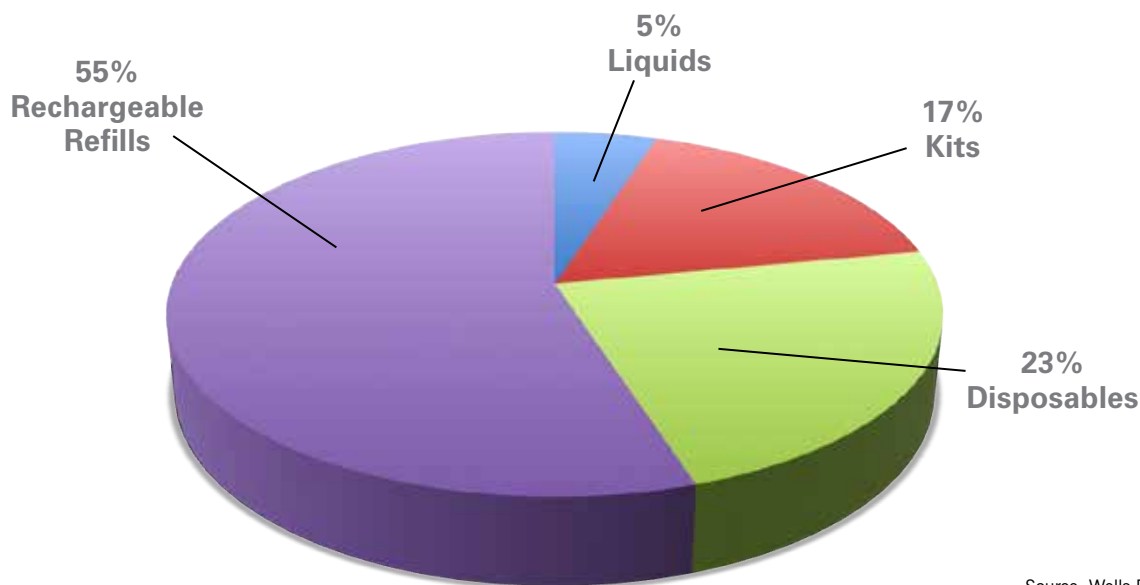
U.S. VAPOR PRODUCT SALES BY CATEGORY AND RETAIL CHANNEL IN 2015**



Source: Nielsen C-Store Database, Wells Fargo Securities
 *Other refers to channels not tracked by Nielsen, including tobacco-only outlets
 **Estimated

VAPOR MARKET BREAKDOWN BY SUB-SEGMENT

(SALES MIX FOR THE 52 WEEKS ENDING JANUARY 23, 2016)



Source: Wells Fargo Securities

Spotlight on the Vape Shop Channel

The vape shop channel remains a formidable competitor to tobacco outlets, according to the 2015 Vape Shop Index, a recent report released by ECigIntelligence, Roebing Research, E-Cigarette Forum and the Smoke-Free Alternatives Trade Association (SFATA). The report, which analyzed financial, product and brand-level data from 540 vape shops across 42 states, found that average monthly revenue per vape shop was \$25,600.

However, both the vape shop channel and the vapor marketplace are still relatively fragmented. More than two-thirds of respondents (69 percent) were single-store owners, while 16 percent owned two shops and just 15 percent had three or more stores. The report noted that e-liquids account for the bulk of sales (60 percent) in vape shops, with fruit and dessert flavors ranking as top-sellers. Asked to identify the top-selling products in their stores, respondents named a total of 532 brands of e-liquid against just 52 brands of tanks and atomizers and 42 brands of mods, suggesting that no one company has emerged as dominating in brand penetration.

CIGAR SENSE



Small-Town Cigar Wisdom

Tobacco retailers can learn a thing or two about selling stogies from a successful small-town operator in southern Oregon.

By Renée Covino



Drew Estate Rep Alex Cesa (left) and Roy Lichtenstein, silent partner at The Cigar Cave, enjoy stogies and fresh air at one of the store's regular outdoor "smoke-out" events.

Do good cigars come in small-town (retail) packages? The Cigar Cave in Grants Pass, Oregon is proof that they do, but not in any static way.

In operation since 2013 in a town with a population of only about 35,000, The Cigar Cave is "not just a retail store where people come in to buy cigars," according to Jesse Bingaman, partner in the business and store operator. No, instead, the shop has been "very proactive in reaching out to other communities and doing a lot of remote events," he tells *Tobacco Business International (TBI)*, adding that the store attracts a "huge base of cigar smokers" even from the nearest large town (with a population of about 100,000), 30 miles away. "We go to other cities and create a mobile presence; we do a lot of networking. So there is a great group of customers, manufacturers and pairing partners that come to our events."

For The Cigar Cave, its good news is the same as its bad news: it is in a small town, so there is little competition, but also, there is the inclination for low volume. And that's where the creativity comes in for Bingaman and his partners, Gerrin Beck and Marv Ransom, along with

CIGAR SENSE



With a strong commitment to social media, the southern Oregon cigar retailer attracts a diverse group of customers, both in age and culture, at its cigar and pairing events.

silent partner Roy Lichtenstein. It is also the point from which other stogie sellers can learn. Here are some of the strategic ways The Cigar Cave keeps a flourishing cigar business in a small town:

- **Establish a cigar club.** The club is why silent partner and “best customer” Lichtenstein is “passionate about this business,” he says. For \$150 a year, Cigar Cave members receive two free cigars a month and a walk-in humidor to keep their cigars in, along with a 10 percent store discount and invites to monthly events. Clubs establish loyalty and act as the starting point for a cigar customer database.

- **Once a month, hold a “smoke-out,” with club member invitation.** In some cigar store circles, this is simply known as the monthly cigar event, but The Cigar Cave holds two events a month (see the “pairing” bullet below). It refers to the event as a “smoke-out” because



The Cigar Cave partnership trio (from left) Gerrin Beck, Marv Ransom, and Jesse Bingaman take a proactive approach to selling cigars in a small town.

there are zoning laws that do not allow smoking inside the store/building, so it utilizes varying outdoor venues, such as the Grants Pass Convention Center, golf courses and restaurant decks, to attract club member customers (at press time there were 135 “cigar of the month” members) to enjoy a cigar with drinks and dinner.

- **Just as regularly, but more exclusively, hold a pairing event with limited invitation.** This is where it can really get creative—and exclusive, drumming up even more excitement.

The Cigar Cave regularly holds cigar-pairing events with local vineyards, liquor distributors and even a chocolate company. Bingaman typically looks to pair three beverage samples with two cigars. Ahead of the event, he will personally try out different pairings and pick what he believes matches up best. While the monthly cigar smoke-outs are for club members only, the pairing events are open to the public, but there is a cutoff of only 20 people, which fills up fast. “Twenty is my number because that’s a box of cigars, and a 750ml

“We have taken the approach that the more information we have, the more informed we make our customers, and the more they’re going to challenge us to bring in new products as they research the industry on their own. It’s a fun process for all of us.”

container of alcohol is enough to pour out 20 samples—so it would have to be 20 or 40 people to be cost-effective,” Bingaman explains. “Right now, people know it’s only [a capacity of] 20, so they jump on it and it sells out quickly. I like to keep it smaller—it sells out every time and there’s a sense of urgency.”

The pairing announcement typically goes out three to four weeks in advance and the event usually sells out in a week.

The chocolate pairing is something Bingaman dreamed up with a local company, Cary’s of Oregon, because the owner happens to be a cigar smoker and customer. They got to talking over a smoke one day about the pairings, and “the light bulb when on for both of us,” Bingaman says. “Now it’s huge—it attracts women cigar smokers, and it also is a plus for men who come to the event without their women because they often buy a box of chocolate when they leave so that when they go home, they’re in good graces.”

• **Commit to social media and a diverse customer base.** The pairing events are marketed to and attended by a very different group from the store’s cigar club members, and that is thanks to social media. “We have a very huge social media

commitment that includes Facebook, Instagram and Twitter, and then we have a VIP text club, so the dissemination of information goes out to various groups,” Bingaman explains. Typically, it is the “younger adults” that are into social media, but Bingaman says that through word-of-mouth, the social conversations actually spread to people all the way up to retirement age. “So it’s really interesting to see the diversity of people that show up, both in age and culturally,” he says. “It’s really cool the way cigars unite people regardless of their differences—it’s a culture uniter.”

• **Get involved with the local chamber of commerce.** The Cigar Cave is a member of its local chamber of commerce with benefits for both entities. “If you look at it from a business standpoint, when we do these smoke-outs, reps come from out of state and distributors come from out of the area and contribute to local hotels and restaurants,” Bingaman says. “It’s a draw for Grants Pass, and the chamber recognizes that. So it posts our events on their web page. It’s good business for both of us.”

• **Keep a diverse merchandise plan.** For The Cigar Cave, diversity comes with its pairing events of chocolate, spirits and

beer. But it also comes in the form of sister businesses, including the Oregon Pour Authority, which started as the first growler station in Grants Pass in 2014. Bingaman maintains that Oregon is booming in beer production, along with distilled bourbons, whiskeys, vodkas, gins and rums; it also has a strong wine representation. Pairing these things with cigars and having the side business allows for nice cross-marketing opportunities.

• **Let customers challenge you on new cigars.** Bingaman and his staff have taken up the practice to totally engage with customers on cigars that they like and why. They are truly interested and it shows—it excites customers to engage back and turn to the small-town store for the latest and greatest stogies on the market. “We have taken the approach that the more information we have, the more informed we make our customers, and the more they’re going to challenge us to bring in new products as they research the industry on their own. It’s a fun process for all of us.”

• **Create sales policies that annihilate Internet attraction.** The Internet doesn’t have to be a cigar retailer’s worst nightmare. The way Bingaman sees it, the Internet’s “unfair price advantage” can be

CIGAR SENSE



The Cigar Cave attracts a huge base of customers, even from the nearest large town, 30 miles away.

counterbalanced with customer service and sales policies that should have the best cigar customers (the ones you really want) loyal to your brick-and-mortar. One of The Cigar Cave's policies is that "we will bring in anything a customer wants, without them having to commit to buy[ing] it," Bingaman explains. "If a customer asks us to get a certain cigar, it will be waiting for them on the shelf the next time they come in."

A replacement policy is another store offering that stogie lovers will not find with an Internet retailer. "If you have a bad cigar—say it tunnelled or canoed or the wrapper came undone or it was so tight [that] the customer couldn't draw on it properly—whatever the case may be, they can get a free replacement, no proof required," Bingaman says. "Our feeling is that if a customer was robbed of their cigar moment because of a 'bad' cigar that we sold them, we have to give that moment back to them."

- **Utilize media resources as sales tools.** "A huge part of supporting the industry is found in the different media outlets," recognizes Bingaman. Thus, The Cigar Cave is known to offer certain cigar and industry magazines to consumers free of charge, as Bingaman considers them "a powerful sales tool." He opines, "It's beneficial to get people to see the industry from different angles and from different product perspectives. Often, customers will later come up and show us a cigar, lighter or ashtray they saw in one of the magazines and ask us to get it for them. In that case, the magazine does the selling for us."

- **Respond to all online reviews (especially the bad ones).** Social media can be full of love—or not—and

Bingaman is adamant about keeping on the pulse of store reviews. "We recently had a 4.9 rating on Facebook with 60 reviews, two of them bad ones," he explains. "When I took the time to respond to the two negative ones, saying, 'I understand you had a bad situation, I want to make it right,' I came to find out that the reviewers thought [that] they were reviewing a store in Florida with the same name." Unfortunately, reviews can't be retracted, but Bingaman was able to personally post an online response, content with the knowledge that there actually weren't disgruntled customers out there. "You have to work so hard to keep a pristine online presence, and you won't be able to please everyone, but it pays to keep track of it and respond to everyone," he says.

- **Don't discard cigar boxes.** Bingaman recognizes that it might just be a small town phenomenon, but in Grants Pass, his store does a little side business with selling empty cigar boxes. "You would be surprised how many people come into our shop here, literally daily, wanting nothing to do with cigars or tobacco, but they want to buy the empty cigar boxes—[it's] a lot of little old ladies into grafts and such, as well as folks who like to grow little herbs and plants out of them," he explains. "We also get people who are just sentimental about their grandfathers who used to smoke a certain brand, and they want to have the box as a memento or keepsake."

The profit made from selling the boxes—he says he charges a "moderate" price based on the quality of the box—is used to somewhat offset the fact that The Cigar Cave does not incorporate shipping costs into the price of its cigars

"so our small-town store can try and stay competitive with the Internet." He adds that the cigar box profit does not completely make up for the shipping cost of cigars, but recoups some of it. He advises other retailers who have "hundreds of cigar boxes laying around that they don't know what to do with," to consider starting a side business in boxes—or else send them to him.

- **Show deserving reps the love.** With Grants Pass being "in the middle of nowhere," as Bingaman puts it, the partnerships that The Cigar Cave establishes with its cigar reps are perhaps even more valued than at the typical shop. "We are the only shop for miles—they drive here just to see us—so it's more than just a business relationship, it is a true friendship," says Bingaman. "They help us do these events and we feel a mutual obligation back to them. The cool thing is, even our customers know the reps by name. We do everything we can to partner up with them so we can both succeed in this business."

- **Continue with cigar education and spread it around.** As a "diplomat retailer" for Drew Estate, The Cigar Cave was invited on a tour of the manufacturing facility in Nicaragua. All three partners are going this March, plus two of the store's best customers, including silent partner Lichtenstein. "We've never done this—it's the first time any of us have ever been to a cigar plantation and it is huge. We are really looking forward to furthering our knowledge," Lichtenstein tells *TBI*. "We get to see a company that does it all and receive an education on cigar production from beginning to end—and then come back and share it all." **TBI**

Pipe Care 101

Educating your customers about how to care for their pipes is a selling opportunity.

It's a fact that many retailers fail to capitalize on: pipe smokers need more than tobacco—they just don't always know it. Helping them understand the importance of maintaining their pipes properly is a win-win. They'll be able to maintain the original beauty of their pipes and enhance their pipe-smoking experience, and you'll be able to sell them the means to do it. These items include pipe cleaners, polishers, penknives, reamers and buffers.

SAVING STEMS AND SHANKS

Given that this is the part of the pipe that actually goes in a pipe smoker's mouth, it's a good idea to run a pipe cleaner through the stem and shank of a pipe after every bowl smoked to remove loose soot and tar from the mouthpiece. A more thorough cleaning on a regular basis—once a month for regular smokers—should also be part of the pipe maintenance regimen. That involves dipping a pipe cleaner in alcohol before using it to scrub out debris. If the exterior of the stem is looking dull, beeswax or another natural polisher will help restore the luster.

BOWL CARE

Care for the bowl of a pipe varies depending on preference. Some pipe

smokers like the accumulation of tobacco leftovers in the bowl, feeling that it helps the pipe burn cooler. Pipe experts will tell you that this is a myth—the bowl simply feels cooler to your hand because of this extra lining; the tobacco burns at the same temperature. But sometimes perception is reality. Regardless, a little “cake,” as this buildup is called, will protect the bowl against burning.

However, too much cake may eventually crack a pipe's bowl, since carbon expands quicker than briar. That's where another tool comes into play: a penknife or reamer. Be sure to caution your customers to read and follow the instructions that come with their reamers to avoid damaging their bowls. For those who opt for a penknife, the best method is to place the blade in the bowl so that both edges of the blade have contact with the cake, then gently rotate it to shave the cake down. Pressing the sharp point of a cleaning instrument into the bottom of the bowl will damage the pipe. Leaving a little cake in place will help minimize the risk of damage. If you prefer to keep a cleaner bowl, use a paper towel to remove cake after each use of your pipe.

Again, beeswax or another polisher can be used on the exterior of a bowl.

Caution your pipe-smoking customers against using water or alcohol on the exteriors of their pipes, as it will dry out the wood.

AVOIDING DAMAGE

While not delicate, pipes can be damaged if they fall onto a hard surface or into water. Advise customers to handle their pipes with the same caution they would use with their cellphones. You probably know that putting a cellphone in the same pocket as your car keys is courting disaster—the same is true for a pipe. Suggest that your pipe-smoking customers who carry their pipes in their pocket invest in a pouch to safeguard it from damage. Likewise, water and sunlight can both cause discoloration and damage to the finish, so caution them to avoid prolonged exposure to either of those.

Finally, more serious pipe enthusiasts may want to consider a buffer or other more advanced equipment for pipe care. These can be marketed as a way of prolonging the life of a favorite pipe, or by protecting the investment in a pricey pipe. Generally speaking, the proper tools and taking the time for a little care will go a long way and add to your customers' overall smoking experience. **TBI**

Swinging Both Ways With Vapor

By Renée Covino

Can you be an established tobacco outlet retailer offering vapor products and run a trendy vape shop chain at the same time—in some of the same towns? Sister companies Wild Bill's Tobacco and Mr. Vapor are proof that it can be done.

They say that “if you can't beat 'em, join 'em,” and in the vape shop realm, that's partly how Clawson, Michigan-based Wild Bill's Tobacco decided to tackle the competition—with its Mr. Vapor subsidiary concept, launched in 2014.

“We didn't wait too long. We opened up two vape stores in 2014 when we saw the trend, and they took about six months to ramp up,” Justin Samona, director of operations for Wild Bill's, now with 62 tobacco stores, tells *Tobacco Business International (TBI)*. “Then we got a little scared when the deeming [regulations] came out in April, so we held off [on] expanding further. But about a year later, once we felt more confident that vaping wasn't going to be banned, but would more likely be regulated, we decided to expand to the 11 Mr. Vapor stores we have now.” (There are presently 10 Mr. Vapor stores in Michigan and one in Chula Vista, California.)

MR. VAPOR BY SECTION

But that's not to say that Wild Bill's Tobacco has forsaken vapes in its tobacco stores—quite the contrary. The chain's first approach to tackling the vape shop competition is through its Mr. Vapor areas—12-to-16-foot sections merchandised next to cigarettes, featuring authentic hardware and American-made e-liquids. “We have partnered with some of the best boutique [e-juice] brands to have their product sold exclusively at Wild Bill's, giving us a great competitive advantage,” says Samona.

What's more, the tobacco chain has placed what it calls e-cig/vapor “specialists” into Wild Bill's stores; in other words, there is a dedicated vape expert assigned to the Mr. Vapor section of each and every one of its tobacco stores. “They order the product and educate our tobacco customers who want to switch to vapor,” Samona explains. He likens



the job to that of a Best Buy electronics expert, dedicated to the laptop section of the store.

“We hired and trained them, and almost all of them are vapers themselves,” says Samona. “Many of them are our customers who reached out to us through social media looking for jobs.”

He adds that “having a knowledgeable staff is the key to retaining existing customers and gaining new ones.”

MR. VAPOR BY STORE

So why did Wild Bill’s open up standalone vape shops if it has such a successful vape section strategy?

“We didn’t want to totally interfere with the day-to-day tobacco business, from gentlemen buying cigars to ladies buying RYO, and everyone else in between,” Samona explains. “We didn’t want our tobacco stores to get cloudy with vapor and with the vibe of vapers playing video games, and hanging out in a vapor lounge. Besides, it’s a totally different—trendier—clientele and demographic. We felt we could do a very unique and successful atmosphere with vape-only products.”

Samona says that part of the attraction in opening up the vape shops is the cost—about half of that of a full-fledged tobacco store with vape products.

And in keeping with the trend of the past year or so, Mr. Vapor stores support locally made e-juices, much in the way that supermarkets support locally made produce, according to Samona. “There’s a solid 20 juice brands in Michigan that we stock, but for our one California store (the company has family there and they are running it), the e-juice assortment is different and indicative of that local market,” Samona states.

Mr. Vapor stores are unified in modern design with gray floor tiling, blue LED showcase lighting and 56-inch televisions with video game/Wi-Fi capability. The Michigan stores are highlighted with custom murals painted by a local artist that feature Detroit icons and images.

Is there any crossover or cross-marketing from a Wild Bill’s Mr. Vapor section to one of the Michigan Mr. Vapor standalone stores? Not a whole lot, according to Samona, who admits that there are three Mr. Vapor stores located within a five-mile vicinity of three Wild Bill’s Tobacco stores. “Sometimes there might be a vape product we run out of at a Wild Bill’s store or there might be a certain specialty product that Wild Bill’s won’t have, and our specialist may recommend that they go to the nearest Mr. Vapor store,” says Samona. “But we can also get things transferred over

for a special request.”

Will Mr. Vapor stores keep aggressively expanding? The company is still hot on the Michigan market, noting that the California market is a lot more “saturated with vape stores and is where vaping almost started—it’s much more competitive over there,” Samona recognizes. But in Michigan, where the company is based, “there are no e-cig and vapor taxes yet, so depending on taxation—when that does come down—that will be a big deciding factor in how aggressively we keep expanding or not,” he states.

And of course, FDA regulation will have a big influence. “As long as we don’t get banned, we can deal with the regulation, recognizing that there might be a little less variety of products,” he adds. “Our stores are already 18 and up—we don’t allow customers under the age of 18 into our vape stores, which we anticipate will be passed. We also anticipate the regulation of up-to-date labs for [e-juice] manufacturers.”

On the positive side of regulation, Samona mentions that “banning online sales has been talked about, and if they do that, more vape shops might pop up...and we might do even better and think about expanding more aggressively if people can’t buy vapor online anymore.” **TBI**

INNOVATIONS





ON THE

MOVE

By Renée M. Covino

There's no standing still for tobacco alternatives and advancements as more young adults turn to non-cigarette devices and more tobacco experts maintain that innovation will drive growth.

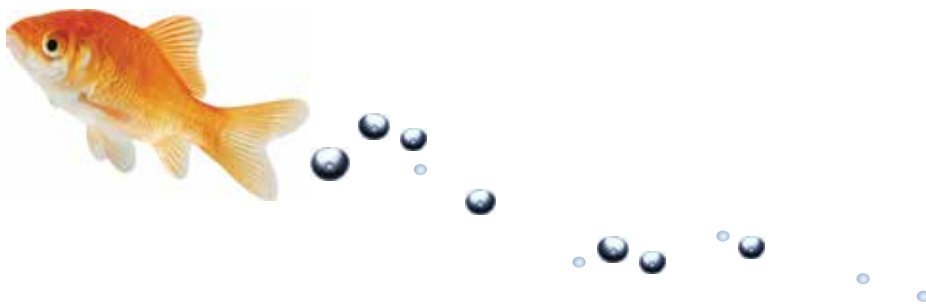
Have you caught the latest tobacco alternative technology? Be careful, it's a trick question—there isn't only one, and they are collectively and continuously on the move.

So rather than “catching” them, it's more realistic to keep an eye on the ever-evolving harm-reduction, modified-risk, heat-not-burn, new-generation electronic nicotine/vapor devices and more—the names in front of the advanced tobacco technology that many industry experts agree is the key to industry growth.

Reduced-harm or modified-risk tobacco products (MRTPs) will likely be “the lifeblood of the industry,” according to Jim Dillard, senior vice president of regulatory affairs and chief innovation officer of Altria Client Services.

Scott Balin, director of the Alliance for Health, Economic and Agriculture Development, believes that science, technology, innovation and new players entering the tobacco industry are all playing key roles in the new era of harm reduction.

Wells Fargo senior analyst Bonnie Herzog recently reiterated her stance that innovation is expected to drive growth this year, particularly in the e-cig/vapor/reduced-risk product categories. She called Philip Morris's



iQOS heat-not-burn platform “a game changer.” She also praised Reynolds American (RAI) for its development of non-combustible nicotine products.

Reynolds American recently created RAI Innovations Company, a new subsidiary “focused on product development, innovation and commercialization of next-generation vapor and nicotine products,” according to the company, with Carolyn C. Hanigan, most recently vice president of consumer marketing at Swander Pace Capital, as its president, effective this January. “By centralizing new-product development in these areas, we will be able to drive speed-to-market with new products across a range of platforms and to more efficiently meet the preferences of consumers in a rapidly evolving marketplace,” says RAI President/COO Susan M. Cameron.

Meanwhile, data collected from January through October 2015 for the Gallup-Healthways Well-Being Index shows that the smoking rate among U.S. adults aged 18-29 has declined 12 percentage points to 22 percent over the past decade, a steeper decrease

than any other age group, which could be related to young adults switching to non-cigarette tobacco alternatives, says the survey report. Curiosity, appealing flavors, peer influences, high cigarette taxes and smoking bans may be leading young adults to use alternative tobacco products, according to the study.

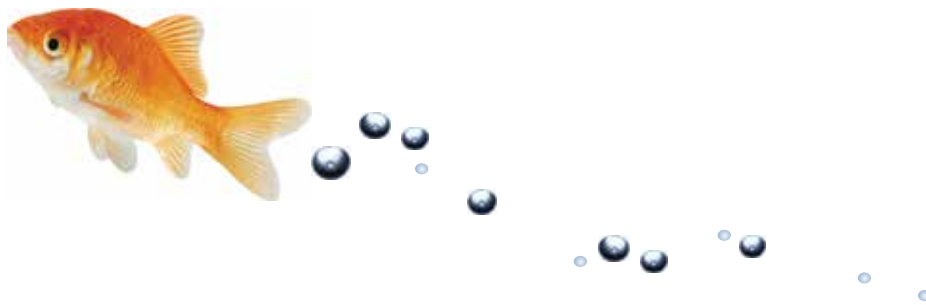
**ANALYSTS OPINE:
BIG TOBACCO'S BIG PLANS**

Earlier this year, analysts weighed in on the major tobacco company's innovation positions at the Consumer Analyst Group of New York (CAGNY) Conference.

REYNOLDS AMERICAN

Regarding RAI's Vuse, Stifel said that trial rates remain high at 60 percent among current smokers, but the conversion rate is low at 7 percent, suggesting that current products do not replicate the cigarette experience in a “user-friendly format.” RAI is expected to launch new product lineups in 2016 and to continue investing





in the e-vapor category to maintain what Stifel refers to as its “category leadership.”

Goldman Sachs agrees that RAI’s investments behind Vuse and other vapor technology products could continue to rise for 2016 and beyond.

Wells Fargo noted that RAI remains one of the most innovative consumer product companies and has succeeded in integrating technology in an effort to increase the value proposition for consumers.

PHILIP MORRIS

Goldman Sachs said that “the most impressive part” of PMI’s presentation at CAGNY was its discussion on its iQOS heat-not-burn platform, including findings from its toxicology studies, such as that iQOS does not negatively impact indoor air quality, and exposure to iQOS for eight months leads to significantly lower levels of lung emphysema and atherosclerotic plaque.

PMI said it plans to continue its geographic expansion of iQOS through 2017, after seeing the product achieve

1.6 percent of the market share in Japan and 2.4 percent in Tokyo as of January 2016. It also plans to expand its distribution in Italy beyond Milan to Modena, Rome and Turin; and it will introduce iQOS across Switzerland, in Bucharest, Lisbon, Moscow and Kiev. In fact, PMI plans to have iQOS launched in 20 key cities by the end of 2016.

Philip Morris is also planning a city test for a new reduced-risk product (RRP) platform in Q4 2016, followed by a national rollout in 2017. Additionally, it is aiming to roll out a new nicotine-containing platform in a city test next year. PMI mentioned it plans to submit an MRTP application and a scientific evidence package based on its findings to the FDA by the end of this year.

On concerns about initiation by unintended audiences, PMI CEO Andre Calantzopoulos said that in the U.S., only 1 percent of nonsmokers and 5 percent of former smokers indicated a desire to try next-generation alternative products.

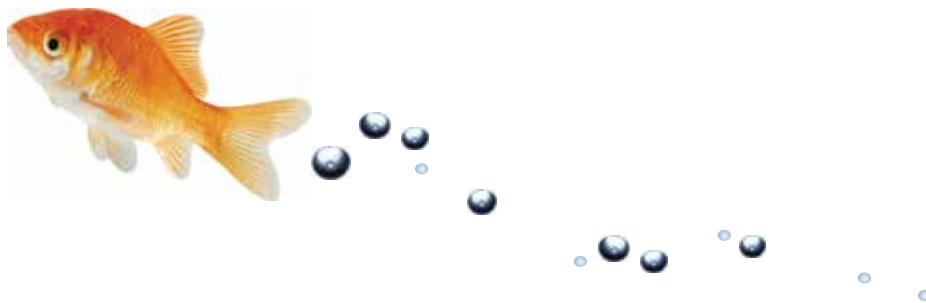
Wells Fargo noted that PMI is “changing the way consumers smoke with its groundbreaking advances in



Platform 2



iQOS



reduced-risk products,” placing it in a “unique competitive position.” Wells Fargo added that it came away “very impressed by and incrementally more positive on” PMI after its CAGNY presentation. It also stated that PMI now has “robust and compelling” scientific evidence to support its MRTP application.

Stifel also reported favorably on PMI’s innovation lineup, stating that “it is clear that iQOS provides a compelling reduction in risk to current smokers,” and that the company is well positioned to monetize its opportunity around reduced-risk products (RRPs) starting in 2017. Stifel noted that according to PMI’s presentation on RRP, “iQOS has, thus far, shown at least a 90 percent reduction in harm to the consumer across all measures,” while its benchmark surrounding its development of RRP is at least 75 percent harm reduction compared to continued smoking.

Specifically addressing PMI’s Platform 2 RRP, Stifel said it is a heat-not-burn technology without a required device, potentially making it “quite appealing to consumers.” Platform 3 is closer to a vapor product with nicotine but no tobacco. Looking at these and

its other innovations, PMI appears to be targeting a diverse set of markets with varying restrictions and varying marketing plans, according to Stifel.

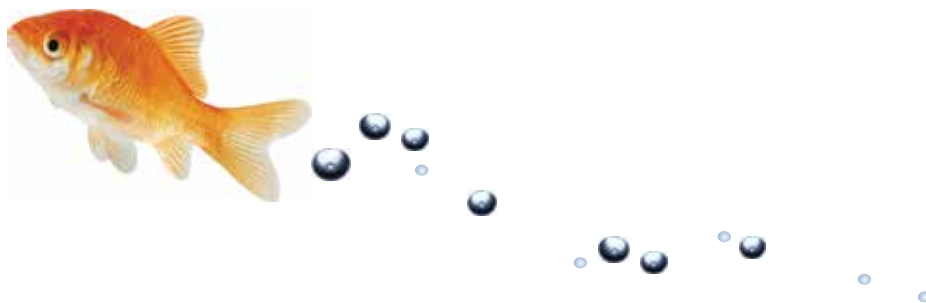
ALTRIA

At the CAGNY presentation, Altria Group said that it remains focused on MarkTen and is optimistic about its opportunities with PMI, noting that Altria has exclusive U.S. rights to PMI’s iQOS platform. It also reported that consumer response to MarkTen XL was positive and resulted in stronger share performance than the original MarkTen.

Wells Fargo noted that Altria represents “exciting opportunities ahead regarding the eventual commercialization in the U.S. of the reduced-risk iQOS product.” Altria is not expected to commercialize the product until 2018 at the earliest, but Wells Fargo believes iQOS could be a game changer for the global tobacco industry.

Wells Fargo also said that both Altria and Philip Morris will be “very meticulous and thorough” in their MRTP and Pre-Market Tobacco Applications (PMTA) that are expected





to be filed toward the end of this year. Altria could commercialize iQOS in the U.S. by the second half of 2017, with no reduced-risk claims, and in fiscal year 2018, with claims, assuming its MRTP and PMTA applications are approved, Wells Fargo stated.

SMALLER PLAYERS DO UP INNOVATION, TOO

Of course it's not all about Big Tobacco innovation. The smaller players are in the game, too, establishing bigger names for themselves in the process.

Perhaps one of the most widely publicized non-Big-Tobacco innovation companies is New York-based 22nd Century Group, which says it shipped 4.95 million SPECTRUM brand research cigarettes containing eight different nicotine yields and a fixed tar yield, for the National Institute on Drug Abuse and the University of Pittsburgh's Phase III study on helping smokers "lose their addiction to nicotine."

SPECTRUM cigarettes come in 11 regular and 13 menthol versions, are strictly for research purposes, and are not sold commercially. The available scientific literature, obtained in part through clinical trials using SPECTRUM

cigarettes, shows that smoking these very-low-nicotine cigarettes results in lower nicotine exposure with minimal compensatory smoking behavior and no increase in exposure to harmful or potentially harmful components, according to the company, which has submitted an MRTP application to FDA for its "BRAND A" very-low-nicotine cigarette.

President/CEO Henry Sicignano, III, says that he is "very pleased with the FDA's prompt attention to our MRTP application." Nine members from 22nd Century Group, including executive management, consultants and attorneys, met with 22 FDA staff members in January, while over 20 additional FDA staff members attended by phone. The company says that according to independent lab testing, BRAND A cigarettes contain less than 0.6mg of nicotine and less than 0.05mg of nicotine yield per cigarette.

Vaporcade, an e-vapor company based in Studio City, California, recently introduced what it reports to be the world's first and only cellular vaping device named "Jupiter," along with "Europa," a maintenance-free, cartridge-based mod that uses Vaporcade's self-contained Human-Proof Shuttles, a



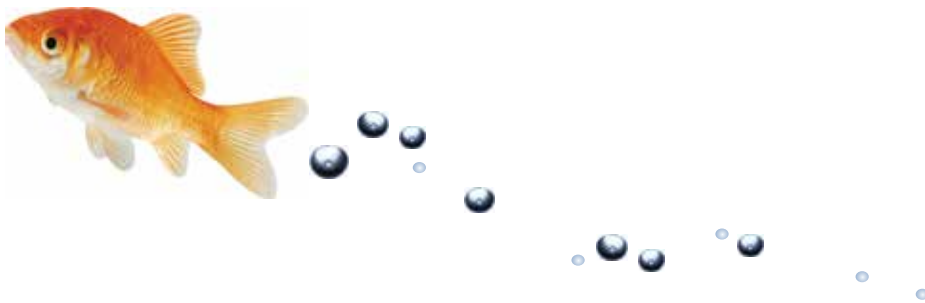
Vuse



Spectrum



Brand A



proprietary e-juice cartridge system.

Jupiter integrates Android and vape technologies to allow “users to talk, text and vape simultaneously,” according to Vaporcade. It also says that users can create a “unique vaping experience” by using the phone’s suite of applications and user interface.

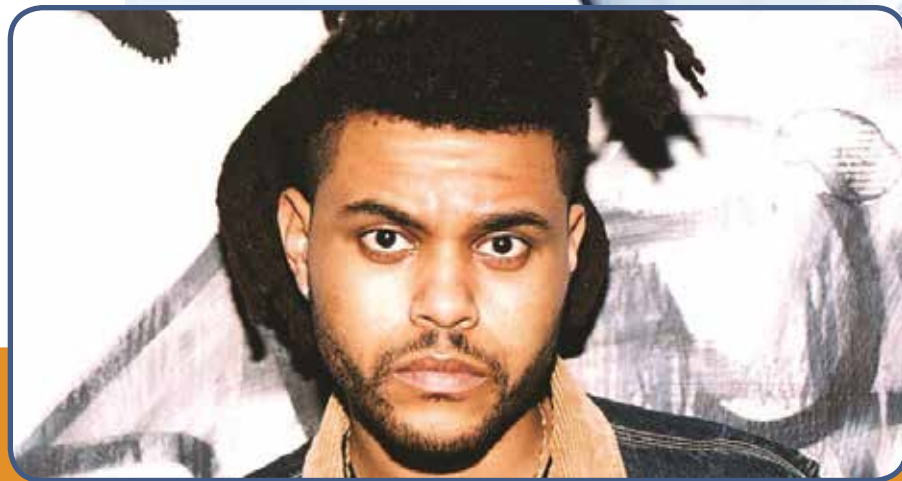
Jupiter has one battery to power the phone and another to power the vaporizer, and the battery life is shared between the phone and the vaporizer. To use the vaporizer, the user removes a small plastic cover off the top and attaches

the e-liquid cartridge and a mouthpiece. Each cartridge provides about 800 puffs of the equivalent of about four cigarette packs, according to Vaporcade. The phone has a Vaporcade app that tracks battery life, how much e-liquid is left, what flavor is loaded and how many puffs have been taken.

Meanwhile, more established smaller players, such as Mystic E-Cigs based in Charlotte, North Carolina, are continually improving and adding to its lines. The company recently introduced two new flavor profiles—Shadow Cut (“tobacco-like”) and Dark Ice (“minty sweet”)—for its HAUS Craft Collection, taking the total number of e-liquid flavors to five, which includes the existing flavors Moon Milk (“vanilla-like”), Sweet Voo-Dew (“sweet and fruity”) and Cloud Punch (“fruity, berry-like”).

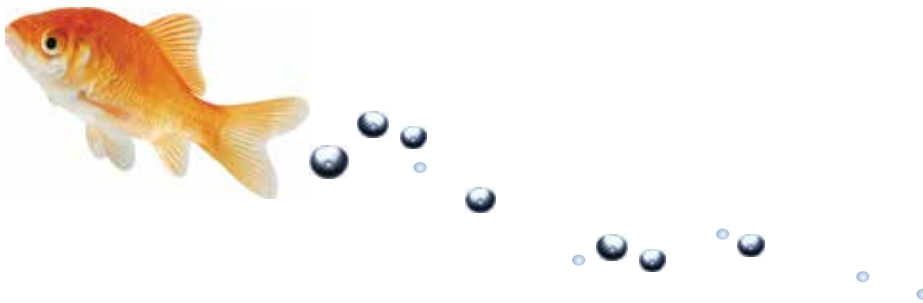
According to Mystic CEO John Wiesehan, Jr., the collection, which also includes vaping hardware introduced late last year, is “seeing a better-than-expected response.” Wiesehan adds that the brand is experiencing an expansion of its user base, as customers upgrade to its MOD kit that comes complete with a sub-ohm tank and coils. The full Craft Collection line, which is already being rolled out to 15,000 stores nationwide, is expected to be available in more than 55,000 stores by the third quarter of this year, according to Mystic.

San Francisco, California-based PAX Labs reports that its “most intelligent, superior and high-performance vaporizer,” PAX 2, which was introduced in the UK and Germany in September, is now available in France, the Netherlands and Italy. Richard Mumby, chief marketing officer of PAX Labs,



The Weeknd

Richard Mumby, chief marketing officer of PAX Labs, said that the company is widening its distribution following launches in London and Berlin by identifying “vibrant markets with the same passion for cutting-edge technology, innovative design and sophisticated style.” The brand is also being integrated into the fashion, music and art spaces, most recently through the development of a limited-edition device in honor of its partnership with Canadian singer/songwriter The Weeknd, which it says has similar “multi-faceted campaigns” planned abroad.



Looking ahead, alternative tobacco experts are lined up to continue keeping the industry abreast of the rapid advancements.

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Some innovations were recently launched with retail partnerships. Chatsworth, California-based Vape Holdings, which focuses on the designing, marketing and distribution of vaporization products, recently entered into an agreement with Vapor Hut, an e-cig retailer from Illinois, for the distribution of its new

portable vaporizer to be launched under its newly formed, wholly-owned subsidiary Revival Products. Vape Holdings CEO Justin Braune said that the new line of vaping liquid would be launched under the Revival Vape brand in pre-filled cartridges that allow customers to easily switch flavors and concentrations.

Some innovations have been launched—and relaunched—in anticipation of regulations. VitaCig relaunched its namesake disposable e-cig brand, which comes in flavors such as Cool Citrus, Marvelous Mint, Boisterous Berry, Vintage Vanilla and Charming Cherry. The VitaCig reportedly lasts for 500 puffs each, and delivers vapor that contains vitamins, natural aroma and natural plant constituents. According to VitaCig CEO Paul Rosenberg, “we have formulated, designed, and even named our flavor choices to make sure our e-cig

product is fully compliant with current e-cig regulations, as well as the ones we anticipate in the future.” VitaCig plans to initiate an aggressive marketing, advertising and sales drive in the next few months.

Looking ahead, alternative tobacco experts are lined up to continue keeping the industry abreast of the rapid advancements, which are taking place not only in products, but also in the venues that support them.

Prof. Michael Siegel of Boston University’s School of Public Health is just one who is speaking at the new Tobacco Harm Reduction Conference that is being jointly sponsored by the New York City College of Technology, City University of New York, and Community Access, to take place on April 22, 2016 at the New York City College of Technology in Brooklyn.

TBI

By Jennifer Gelfand

D&R Tobacco: Celebrating 25 Years

Daughters & Ryan
Tobacco, and the
man who founded it,
have come a long
way, baby.

Even in a business known for colorful characters and people passionate about their business, Mark Ryan stands out. If you've ever attended a cigar show, you've probably spotted him holding court in D&R's booth, sporting his customary tux and wide smile. If you're lucky enough to have had the pleasure of chatting with Ryan about his company, you probably came away smiling—and a little dazed by the sheer enthusiasm with which he approaches the business of making great tobacco products.

But I digress. For those who don't know the company's history, D&R came into being after Ryan decided to jettison a corporate career for a more entrepreneurial endeavor. That journey proved rocky and strewn with hurdles as his fledgling company coped with onerous regulation and taxation, but Ryan persevered, evolving his business in tandem with the regulatory environment and continually improving and expanding his product lines.

As a result, while D&R Tobacco is still best known for its pipe tobacco blends, the company has created strong contenders in categories ranging from premium cigars to e-liquids, including private label products, and serves as a distributor for an even wider array of products. Recently, *TBI* caught up with Ryan to get an update on the company and his plans for 2016.



Mark Ryan





D&R's new English Hoopla pipe tobacco blend plays tribute to Ryan's father with a traditional English blend featuring deeply smoky Latakian; sweet, grassy Virginian and rich Oriental accented by creamy vanilla with a touch of anise.



Last year, D&R won accolades for resurrecting the famous London Dock pipe blend.

A PRESENCE IN PIPE TOBACCO

"Pipe tobacco continues to be our anchor product," says Ryan, who currently manufactures 29 pipe tobacco blends, including the Windsail, Rowland, Wingate and Vengeur lines. Committed to continually freshening the lineup with new offerings, he's recently found inspiration at industry events. "Both the new blends we came out with last year and the new larger 16-ounce bags were a response to market demand from going to pipe shows," reports Ryan, who also introduced "Better Smoke a VPB," an affordable pipe tobacco brand available in full-bodied (red) and smooth (blue) blends in 2015.

Recent moves, including purchasing a leaf-cutting machine and hiring tobacco blender Michael Woods, position D&R for further expansion. "Being able to do the cutting in house now will give us more flexibility,"

explains Ryan, who says Woods will oversee the cutting, blending and tinning of all tobacco for the company.

This year, D&R is also looking to let enthusiasts get in on the blending fun. "We are getting ready to come out with Blenders Bench, where we will give a variety of leaves for people to blend on their own," explains Ryan. "At a trade show last year, I gave out a selection of eight and people played with blending their own. In the traditional pipe tobacco category, we're now working on coming out with a package of seven or eight Orientals, Periques, and Virginia dark-fired that will let hobbyists blend their own."

CIGARS: SEEKING PERIQUE PERFECTION

Building on the Perique cigar franchise he launched with the purchase of L.A. Poche Perique Factory in 2005, Ryan recently introduced six new

cigars from the Tabacalera Incorporada factory in Asia to his 1881 Perique line. The company is adding five new cigar shapes—Toro, Lonsdale, Corona, Robusto and Short Robusto—as well as making its Toro Torpedo and Torpedito 1881 Perique cigars available with a Maduro wrapper.

"Our 1881 Perique cigars are robust and full-bodied, and the Maduro wrapper adds a new bold cigar profile to the Tabacalera line," says Ryan. All the 1881 Perique cigars are rolled with a Filipino (Isabela) binder, a Brazilian, American (Perique) and Filipino filler, and feature the signature Perique tobacco, which is produced in limited quantities in a small region of Louisiana and is highly coveted for its unique spicy flavor.

A VAPOR AVOCATION

It's no surprise that a tobacco connoisseur like Ryan would thrill to

“Our e-liquids are unique in that they’re made with tobacco extractions and actually taste like tobacco. It’s expensive to do extractions so our e-liquids are not cheap, but they’re quality products made in the most advanced lab in the world.”



1881 Perique cigars are packaged 25 to a box and retail for \$8 to \$10 per stick.

the challenge of developing a nicotine e-liquid capable of satisfying former smokers. “Our e-liquids are unique in that they’re made with tobacco extractions and actually taste like tobacco,” he explains. “It’s expensive to do extractions so our e-liquids are not cheap, but they’re quality products made in the most advanced lab in the world.”

Each of D&R’s six e-liquids—U.S., Perique, Oriental, Menthol, Virginia and American—mimics a specific tobacco varietal blend and is available in four nicotine levels. “The decision to focus on tobacco narrows our market,” admits Ryan, who is well aware that flavored e-liquids are the trendier product. “We’re going for adult consumers of combustible cigarettes—but that’s okay. There’s so much controversy over flavors that I’d rather not get involved in that.”

Like many in the e-liquid business, he’s keeping a close watch on regulatory developments. “You can’t wring your hands and not move ahead, but you can’t over-commit when things are so uncertain either,” he says. “I’m comfortable with going for the regular consumers—not the kids doing clouds.” **TBI**

THE VAPOR TECHNOLOGY ASSOCIATION: **New and Innovative Leadership in the Vapor Industry**

Over the course of the past five years, vapor technology has been one of the fastest-growing industries in the U.S., in large part driven by small and mid-size businesses in local communities across the country. Now, as regulators and legislators at the highest levels of government are on the precipice of making industry-changing decisions, vapor technology leaders from across the U.S. and the world have come together to launch the Vapor Technology Association (VTA) with the simple goal of giving a voice to the industry as a whole.

More than 70 members strong and growing, VTA represents manufacturers, importers, wholesalers, distributors, suppliers and retailers who have played a significant role in developing innovative and quality vapor products that provide adult consumers with a safer alternative to traditional combustible products.

One of the biggest challenges we face as an industry—and one that our industry has been outflanked on up until this point—is the rampant misinformation disseminated about our technology. Let's be clear: vapor products are not only a safer alternative to traditional combustible products, but they also provide thousands

upon thousands of Americans with a viable path to reducing tobacco smoking, and even quitting altogether.

So it should surprise no one that FDA Center for Tobacco Products Director Mitch Zeller, a lifelong antismoking advocate, stated: "If we could get all those people [who smoke] to completely switch all of their cigarettes to noncombustible cigarettes, it would be good for public health."

But what about our institutional health groups? Yes, groups such as the American Cancer Society, American Lung Association and American Heart Association must be applauded for the great work that they have done over the years to reduce the number of smokers. Still, even with all the antismoking advertisements, education campaigns, and the ubiquitous over-the-counter availability of nicotine gum and nicotine patches, 43 million adults are still addicted to tobacco cigarettes and nearly half a million smokers are dying in the U.S. every year. At some point these groups must recognize the limitations of their abstinence campaign against all things tobacco.

Yet, in the absence of *any* legitimate

One of the biggest challenges we face as an industry—and one that our industry has been outflanked on up until this point—is the rampant misinformation disseminated about our technology.

Unreasonable regulations that treat vapor products like traditional tobacco products and impose restrictions that cannot be met by small businesses will lead to two consequences: first, all of the innovation that has gone into the vapor industry will be lost; second, all of the big tobacco companies, whose activities the government is trying to curtail, will only be strengthened.

scientific evidence, these groups have decided that they are going to do everything they can to kill the hope of vapor products. “Unscientific” does not go far enough in describing the types of messages that these groups and their allies are disseminating. Rather, “dangerous” is a more apt term.

We know this because there is a large and growing body of research that proves the promise of vapor products. We know this because the *entire public health community* of Great Britain, led by the British government and physicians groups, has reached the scientific conclusion based on its extensive review of research that electronic cigarettes are 95 percent safer than tobacco cigarettes.

Blatant misinformation and “junk science” has been circulated in the public domain for far too long by these once-advocates of public health. Rather than embrace the hope that vapor products provide, they mislead American citizens and our policymakers. After all, what could be easier than claiming that the tobacco-boogeyman is lurking around every corner, even if it is not? And how facile is it to cry, “we just don’t know what’s in them” as a

justification for rejecting the entire category when the research is already available to them? You see, the common thread between denigration out of ignorance and calling for regulation based on fear is, in a word, demagoguery. But, as history has shown, demagoguery has never saved a single life and has never produced sound public policy.

One of VTA’s primary missions is to fight unreasonable regulations at the federal and state level. That is not to say that VTA and its members are not committed to strict industry standards. On the contrary—we must ensure the quality of our products. So while the U.S. federal government is falling behind the rest of the world, VTA is working with the international community, including the International Organization for Standardization and the European Committee for Standardization, to establish a set of standards to guide the vapor industry.

Vapor products are the future, and the future is here. This is the first time we have seen a game-changing technology that has the potential to put a significant dent in the 43 million adult smokers of traditional tobacco products.

Unreasonable regulations that treat vapor products like traditional tobacco products and impose restrictions that cannot be met by small businesses will lead to two consequences: first, all of the innovation that has gone into the vapor industry will be lost; second, all of the big tobacco companies, whose activities the government is trying to curtail, will only be strengthened.

Vapor technology is a growing industry comprised of the best that America has to offer. We are small businesses. We are jobs. We are entrepreneurs. We are what is next in technological innovation. It is time that our story is heard.

Tony Abboud is VTA’s national legislative director.

EDITOR’S NOTE:
For a related feature on VTA, see p. 78.





VTA: Promising the Vapor Industry a Fresh Perspective

The newly formed Vapor Technology Association pledges to advocate for emerging vapor technologies.

By Jennifer Gelfand

Like many in the vapor industry, Tony Abboud, national legislative director of the newly formed Vapor Technology Association (VTA), is alarmed by what he sees. “We have a concerted effort among groups that are hostile to vapor products—for reasons that are somewhat unbeknownst to us—to categorize this product like any other tobacco product when it is, in fact, quite different,” he says. “One of the reasons we felt it necessary to start VTA is to counteract that message.”

That sentiment echoes a frustration that many in the vapor industry are feeling as they brace for regulation that could well mean the demise of the majority of vapor products currently on the market—and of manufacturers, wholesalers and retailers whose businesses depend on them. As everyone following the issue knows,

On Board With VTA

Vapor Technology Association's board has the experience to guide the industry through the adoption of standards, says Tony Abboud, who relays that the board is comprised of industry veterans, public policy advocates and legal experts.



SANJIV DESAI
VMR Products



ARNAUD DUMAS DE RAULY
FIVAPE



BRITTANI CUSHMAN
Intrepid Brands



GEORGE CASSELS-SMITH
Tobacco Technology



PATRICIA KOVACEVIC
Nicopure Labs



RON TULLY
Next Generation Labs

FDA has proposed regulation that would require a pre-market review of any e-cigarette or vaping product unless the manufacturer can show the product to be “substantially equivalent” to one that was on the market prior to the February 2007 predicate date. Given the nature of the vapor industry—one launched by a revolutionary idea that has since evolved through continuous innovation—this would essentially

relegate every product in it to undergo a costly pre-market evaluation.

As Gregory Conley, president of the advocacy group American Vaping Association (AVA), puts it, “Essentially the FDA regulation is a guaranteed death knell for over 99 percent of the companies in the industry.”

THE DEEMING DILEMMA

Enter VTA. “Our top priority

is addressing the one-size-fits-all deeming regulations,” says Abboud. “The attempt to overlay a somewhat anachronistic regulatory scheme that applies to tobacco products onto a technology product that has virtually none of the same characteristics as traditional tobacco products is an incorrect approach. The pre-market tobacco application is such an expensive endeavor that you will see an enormous



“At the end of the day, unless we balance the discourse and get people the actual information that is truthful, then there really is no hope.”


contraction in this cottage industry, and all of the innovation that has been going on will be washed away.”

To combat that effort, VTA intends to work to educate mainstream media and legislators about vapor technology, helping to get both consumers and policymakers the facts that they need to understand the products and the issue. A first priority is to dispel information that is sending a confusing message to consumers, notes Abboud. “There doesn’t seem to be a coordinated positive direction as far as the media is concerned,” he explains. “More and more

people are believing that vapor products are as dangerous as traditional [tobacco] products, which is a disconcerting trend,” he says, noting that it takes an enormous amount of time to educate the media. “If we don’t do something about that, the policy won’t matter. All of the people trying to scare folks away from the product segment will succeed and people will continue smoking. At the end of the day, unless we balance the discourse and get people the actual information that is truthful, then there really is no hope.”

While Abboud acknowledges that

there are already several industry associations working to represent the needs of the nascent vapor community, he says that VTA will distinguish itself by bringing a more inclusive, disciplined approach to representation. “No one has been taking a comprehensive, coordinated approach to the issue; that is the big differentiator we have—the fundamental distinction between us and the other associations out there,” he says. “Our membership will include the entire distribution chain—importers, manufacturers, distributors, suppliers and retailers, both online and brick-



and-mortar. We feel it is imperative to defend the industry from top to bottom. You cannot represent only one sector and be effective.”

SUPPORT FOR ALL SIZES

As part of its effort to welcome all vapor companies into the fold, VTA has chosen a tiered fee structure. “Rather than one arbitrarily set fee, we base our membership dues on company size so that people at all levels of the industry can join,” says Abboud. “In exchange for that, they will have access to a sophisticated lobbying team that can help put members in touch with Congress in a thoughtful and comprehensive way. The battles being raised in [Washington] D.C. are only a piece of the overall puzzle, so we will also partner with associations to address threats at the state level.”

The association has already attracted 70 new members since its launch in late January of 2016, including Tennessee Smoke Free Association (TSFA), a leading advocacy group with a focus on tobacco harm reduction through the use of personal vaporizers. “VTA and its leadership bring a much-needed, fresh perspective to the industry and a responsible approach to the public policies that impact it,” says Dimitris Agrafiotis, TSFA’s executive director. “The Tennessee Smoke Free Association is committed to promoting greater public health through vapor products, and we will work hand-in-hand with VTA to fight proposed federal regulations that only serve to eliminate this antismoking alternative.”

In addition to working with its members to push back on misleading

information, VTA plans to pursue strong industry standards and responsible regulations that will, by ensuring the safety of consumers, calm fears and correct misperceptions. “Product safety is incredibly important,” says Abboud. “The industry has an obligation to put standards in place that will make sure these products operate properly. The deeming regulations as proposed don’t do anything to address concerns about batteries heating up and so on. And the mainstream media and public health groups are ebullient when negative news comes out because it’s an opportunity to denigrate the product, which, in turn, influences decision makers. That’s why the market has to do more to put standards in place.” **TBI**

NOTE: For more on Vapor Technology Association, see “A Vapor Voice” on p. 72.

Liquid Soul Launch

E-Alternative Solutions (EAS) has launched Liquid Soul Vapor, a premium American-made liquid vapor. Liquid Soul incorporates HydraVape Technology, a proprietary process that minimizes “vape tongue” while providing a liquid formula that can vaporize at all standard temperatures—giving consumers the ability to use any device without a discernible difference in their vaping experience.

“Whether you’re a cigarette smoker looking for an alternative or a die-hard vaper, you should be able to easily find the brand that suits you,” says Jacopo D’Alessandris, president of EAS, which is a division of Swisher International. “But a lot of people who want to vape are confused by or alienated from vaping by the subculture that’s become synonymous with the market. We want Liquid Soul Vapor to be the brand [that] consumers can trust with no reservations, and the brand of choice for all vapor retailers who want to develop a safe and profitable e-liquid business.”

Liquid Soul Vapor blends are made with ingredients free of known harmful substances such as diacetyl, acetyl propionyl and acetoin. All packaging is tamper evident and all bottles are certified child-resistant. EAS has pledged to provide retail partners with best-in-class, full-service brand support, including traditional and digital media programs, adult consumer education and engagement activities, as well as in-store support with customized point-of-purchase and merchandising systems.

Most importantly, EAS will bring category management practices to its retail partners to help them maximize profit and efficient inventory management, adds D’Alessandris. “Our retailer partners will benefit from our modern category management strategies to help consumers navigate the different brands and nicotine levels,” he says. “The EAS team has the experience to work with vapor outlets to help them better understand their shoppers’ behaviors and optimize their product assortment to make the most profitable use of their retail space.” E-Alternative Solutions, Darien, Connecticut, liquid-soulvapor.com



New Distribution for Miramar

Arango Cigar is now the exclusive U.S. importer/distributor for Miramar Cigarillos, which are classified as “little cigars” and made by J. Cortès Cigars of Belgium. Miramar Cigarillos were formerly distributed by Swisher International, but are now available only from Arango.

Arango President Michael Gold states, “Miramar Cigarillos are presented in vanilla, chocolate and espresso flavors, as well as natural,” says Gold. “The blend features select tobaccos from Honduras, Sumatra, Java, Brazil, the Dominican Republic and Nicaragua. The smoking experience is a mild, creamy complexity seldom found in cigarillos. Their 3.25x20 size makes Miramar Cigarillos a perfect short but satisfying smoke for both long-time and new smokers.”

Miramar Cigarillos come packed 10x10 in metal tins in a cardboard countertop display at a wholesale cost of \$28.35 per carton. Arango Cigar Company, Northbrook, IL, 800-222-4427



An Argenti Fernandez Collaboration

Michael Argenti has announced the collaboration between himself and Abdel Fernandez of world famous AJ Fernandez Cigars on the creation of a new and exciting cigar line called La Grand Llave. "I've been working on the La Grand Llave (LGL) project on and off for the better part of 10 years," says Argenti, who has been in the cigar business for over 25 years, serving as executive vice president of Tabacalera Perdomo S.A., president and CEO of Cuban Imports, and most recently as president and CEO of Berger & Argenti. "It wasn't until recently, while sharing an LGL prototype with my current partner and friend Angel Aguayo, that he convinced me we need to bring LGL to life, and there was no better person to do it with than his 'hermano' Abdel Fernandez. Angel called Abdel and the collaboration on La Grand Llave began. It has always been our collective goal from day one to create the finest cigar in the world by utilizing only select, well-aged materials and in doing so, bringing to market a cigar the world rarely sees."

La Grand Llave is offered in five sizes, ranging from the diminutive but powerful Corona Extra (4x48) to the elegant and decadently rich Double Corona (7x55).

"Abdel could possibly be the finest cigar maker of his generation," says Argenti of the collaboration. "From his growing operations to pre-industry and his state-of-the-art cigar factory, his enterprise is nothing short of remarkable."

La Grand Llave is slated to be released at this year's Tobacco Plus Expo (TPE) show at the Las Vegas Convention Center March 16-18. La Grand Llave, 305-668-0303

Making Mods More Mobile

ProVape, a leading manufacturer and seller of electronic cigarettes, has released the ProVari Radius. This new personal vaporizer is ideal for vapers seeking an easy-to-use, powerful and lightweight product. Designed to fit the hand, the Radius is ProVape's first box mod form factor that includes all of the legendary features of the ProVari line of personal vaporizers.

Constructed of stainless steel and strong polycarbonate, the ProVari Radius continues ProVape's tradition of creating sturdy and long-lasting personal vaporizers that offer years of consistent performance. The sophisticated electronics of the ProVari Radius incorporate the company's patented AccuSet and HotShot Boost technologies, which work in tandem to ensure optimal vapor quality and flavor. AccuSet manages the device's vapor and flavor production to ensure the user gets the perfect vape with every puff. HotShot Boost gives users a customizable increase in vapor, eliminating the need for pre-puffs. Safety features of the Radius include battery monitoring, reverse battery protection, thermal monitoring and a number of other safety backups to ensure that it's the safest device on the market. ProVape, Provape.com



A "Berry Nice" Liquid

Transistor Ejuice has introduced Babyclouds, a strawberry e-liquid that combines flavor and texture while leaving your coils and wicks spotless. Its 70VG 30PG blend consists of the perfect balance of vanilla, strawberries and custard, culminating in a soft nutty finish. Transistor Ejuice is a Chicago-born company dedicated to using only the highest quality of ingredients and staying true to its motto of "A Juice for the People." Transistor Ejuice, vape312.com





BIC Celebrates Super Bowl 50

BIC Consumer Products USA has released its Super Bowl 50 Champion Series Lighters featuring textured and holographic foil, as well as the logo of the winning team. The lighters were made available to retail partners just days after the game, says Meghan Salonia, brand manager of BIC Consumer Products USA. "To be part of one of America's biggest sporting events in such an innovative way is truly an honor for us." BIC USA, 800-546-1111, ext. 2461

Mistic Introduces HAUS Craft Collection

Mistic E-Cigs has introduced HAUS Craft Collection, a new line of high-end vaping hardware and premium vape juice. The HAUS brand extension includes three new e-liquid flavors and a mod-style starter kit complete with a sub-ohm tank and coils, allowing retailers the opportunity to provide customers with products only currently available in vape shops and on the Internet.

"The VTM [vapors/tanks/mods] category is growing very rapidly with advances in hardware device technology and higher quality e-liquids," says John Wiesehan Jr., CEO of Mistic. "With our HAUS Craft Collection, retailers can now give more choices to a wider mix of customers, ranging from former smokers who recently switched to vaping, to advanced vapers looking for more robust experiences. It's our goal to bring the vape shop and Internet consumer back to national retail with the best price and convenience."

Made in the U.S. in an ISO 8 class 100,000 clean-room facility, each HAUS Craft Collection vape juice is encased in a heat-sealed, child-resistant wrapping and packaged in individually branded boxes. Offered in 30ml glass bottles with easy-grip glass droppers, HAUS Craft Collection vape juices retail for \$23.99 and are available in 4mg nicotine levels in three highly popular flavors. Mistic, Misticcigs.com





LEX12 Adds to Its Lineup

S&M Brands has added Temptation (apple) and Red Krush (cherry) to its LEX12 cigar product line. Developed over the past two years to perfect these pleasantly aromatic and delicious handcrafted blends, the Temptation and Red Krush lines add eight new retail SKUs to the 113 SKUs of the entire LEX12 brand line of products.

“We continue to expand the LEX12 cigar line with preferred, proprietary flavor profiles that discriminating smokers enjoy,” says Steven Bailey, president of S&M Brands.

Available in regular and wide, the Temptation and Red Krush brand additions join the LEX12 cigar lineup of Classic (tobacco), Menthol Chrome, Sweet Chaos (clove), Napa Night (red wine) and Carnal Ecstasy (apricot brandy) SKUs. Featuring modern-appeal packaging, all LEX12 cigars are available in 12-count premium embossed tins and convenient “grab ‘n’ go” 4-count packs.

“The tins are unique in that they not only stand out among other brands at retail, but they become a functional keepsake to consumers after use,” notes Bailey, who says that the cigars are complemented by a vertically integrated and complete line of LEX12 vapor products, including disposable E-Sense, and e-liquids in five nicotine strengths ranging from zero to 2.4 percent for use in S&M’s popular LEX12 Staple E-Liquid vaporizer kit. S&M Brands, Keysville, Virginia, 800-766-5342, S&MBrands.com, LEX12.com, info@LEX12.com



Arango Unveils Ascorti Limited Edition

Arango Cigar, a national tobacco products distributor, now offers the limited-edition, one-of-a-kind 35th Anniversary Briar Pipe. Created by Italian master carver Roberto Ascorti, each pipe has a polished metal band. One style includes a lanyard that can attach to a ring on the band; the other has no ring or lanyard capability on its metal band.

The pipe is made from specially selected, century-old briar that has been dried and seasoned to eliminate excess resin and moisture. The result is a lightweight pipe that smokes cool and dry. Ascorti’s 35th Anniversary Pipe, like all Ascorti pipes, is hand-carved to maximize the briar’s natural grain, ensuring that no two pieces are exactly alike. The precision-fit, military-style mouthpieces are hand-carved from non-tarnishing black and clear acrylic. The limited-edition pipe is available in one shape, a Bent Egg, and seven finishes, ranging in price from \$432 to \$891. Arango Cigar, Northbrook, Illinois, 800-222-4427, ArangoCigar@aol.com



Scripting Excitement

Scripto’s new Emoji Lighters are a fun addition to the company’s line of popular disposable pocket lighters. Available in a 50-count display-a-tray, the lighters have a suggested retail price of \$1.19. Like all Scripto lighters, these colorful designs feature a patented child-resistant mechanism that exceeds Consumer Product Safety Commission requirements and yet is still easy for adults to operate. Scripto, 800-LIGHTER, calicobrands.com



Swisher Introduces Encore

Introduced in February, Swisher Sweets Encore Edition cigarillos feature new package designs featuring the Swisher Sweets shield. The Encore Edition line includes a limited-edition Wild Rush blend of fruits and watermelon, plus a brand-new White Grape flavor. These cigarillos are available in three price points: two for 99 cents, two for \$1.49, and save on two. Swisher, 800-874-9720

Gift of Gold



PAX Labs has introduced a limited-edition gold PAX 2, a gold-brushed aluminum version of the crowd-pleasing vaporizer it debuted earlier this year. The PAX 2 is a pocketable, premium loose-leaf vaporizer that incorporates new, intelligent technologies in a smaller, sleeker design, an upgrade of the highly praised first-generation PAX. The gold PAX 2 will be sold in addition to the current Topaz, Charcoal, Platinum and Flare color offerings for a limited time and will boast the same premium features, such as lip-sensing technology, self-optimizing temperature and power, and a user-friendly interface with a pristine finish.

PAX Labs also recently announced the release of a limited-edition PAX 2 vaporizer designed in partnership with Canadian singer/songwriter and Billboard chart-topper The Weeknd. PAX Labs is an official co-sponsor of his North American “The Madness” fall tour. The Madness Tour Limited Edition PAX 2 (MSRP \$324.99) features an exclusive black shell with signature artist branding, including an engraved “XO” logo, custom programming with a yellow LED light and hidden features. It will be sold alongside the tour’s merchandise at each concert and will be available for purchase in stores. Pax Labs, PAXvapor.com