

# Cigar Insider

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## 2008 RETAILER REPORT

WE RANK THE BEST-SELLING AND HOTTEST BRANDS IN AMERICA, AND FIND SURPRISING CHANGES

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It's an election year in the United States, a year with change on the horizon, and we've had some eye-opening changes in our annual cigar retailer survey. New names have appeared on our list of the hottest cigar brands, our longtime No. 1 cigar in America has been replaced, and for the first time ever an iconic American brand has missed making our list of the top-selling cigar brands in the United States.

Another new entry to the list is the Oliva Serie V brand, whose Torpedo size was *Cigar Aficionado's* No. 4 Cigar of 2007.

The cigar business, like many others, has been affected by the ailing economy. In our 2007 survey, 76 percent of retailers reported that sales were up compared with the previous year, and a third of them had double-digit sales gains. This year is different. Fewer than half the shops (46 percent) reported a sales gain, and only five (10 percent) said sales were up by 10 percent or more. Sales decreased for 38 percent of the shops surveyed, and 54 percent said their sales were flat or had decreased, up from 20 percent in the 2007 survey.

The phrase "bargain hunters" came up more than once. "We're getting the same number of customers through the door, but they're not spending as much," said Ken Neumann of Cigars and More in Chicago. "They're looking for more bang for the buck," said Robert Morrow of Lil' Havana in Vacaville, California. "They're switching more towards the bundles," said Stephen Castro of Davidus Cigars, a six-store chain in Maryland, which saw a steep sales decline. "It's a disposable income problem—people are saying, I have to cut something out. They're choosing to spend their money on gas or other things."

"The guy that was smoking the \$10-plus cigar is now smoking the \$5 to \$8 cigar," said Jorge Valdez of Sabor Habana in the Miami area. "We have the same volume of people, [but they're] buying lower-priced cigars."

### HOTTEST BRANDS

Percentage of retailers naming these brands as those their customers request most often.

Fuente Fuente OpusX	50%
Padrón 1964 Anniversary Series	38%
Tatuaje	34%
Rocky Patel	24%
Oliva Serie V	22%

### BEST-SELLING SIZES

Robusto	88%
Toro	76%
Churchill	36%
Torpedo/Pyramid	30%
Corona	16%

### SALES REPORT

Shops reporting an increase in 2008 sales	46%
Shops reporting flat or decreased sales	54%
Average Sales Increase	8.7%
Average Sales Decrease	-7.6%
Shops Reporting Increase of 10% or More	10%

Source: CIGAR INSIDER

**How we conducted the survey:** We polled some of the best tobacconists in the United States, including large shops, mom-and-pop stores and major chains: 50 shop owners and/or managers answered our poll. The numbers add up to more than 100 percent because retailers were allowed to name three brands and sizes in each category.

“In the past month, I’ve seen guys cutting back a bit,” said Bert Bruning of Palm Desert Tobacco in Palm Desert, California.

Some stores haven’t seen a decrease in cigar sales. “I don’t really see any change [in buying habits],” said Stephen Willett of L.J. Peretti in Boston. “We’re a box store, and we’re still selling boxes.”

Because finding a place to smoke cigars is increasingly a problem, more and more cigar shops are providing that place, via a smoking lounge. “More people are smoking inside the shop,” said Eileen Braem of Stogies on Grand in Saint Paul, Minnesota. The smoking lounge has become a vital part of the cigar business: 88 percent of the stores we surveyed said they have smoking lounges, up from 79.5 percent in 2007.

“Our lounges are packed with people,” said Craig Cass, owner of four Tinderbox stores in and around Charlotte, North Carolina.

After the economy, the biggest worry among retailers was taxes and legislation. “We are being nickel-and-dimed out of existence,” said George Brightman, manager of J. Barbera Tobacconist in Garden City, Long Island.

Prospective changes to the federal State Children’s

Health Insurance Program, which would likely raise the federal excise tax on cigars, is also a huge worry. The cigar industry received a reprieve last December when President Bush signed legislation to extend funding for the existing program for 18 months, but Congress is expected to reconsider the measure in 2009. “It’s a very, very critical issue,” said Pesh. “It could devastate us. The face of the industry could completely change.”

“I’ve always said the Internet [was the biggest problem facing the industry],” said Jay Fox, who owns six shops in the Dallas area. Now he fears government legislation. “I’m afraid that if this keeps up, you won’t even be able to smoke a cigar on the golf course, and that really concerns me. Can you believe we’re scared of our own government?” ■