



SPRING, 2004

NEWS

VOLUME 8, ISSUE 1

CUBAN CIGAR PRICES DECLINE

The news just keeps getting better for fans of Cuban cigars in Canada.

As first reported by Cigar Studio in our January bulletin, wholesale prices for selected Cuban brands began to drop significantly in January 2004. We immediately passed these decreases onto our customers. Effective January 5, the Montecristo No 4 for example retailed at Cigar Studio for under \$16, and the Montecristo No 2 for under \$30 (6 year lows!). Over 50 cigars from brands such as Cohiba, Montecristo, Romeo Y Julieta and H Upmann were priced lower by 10% - 30% based on the new wholesale prices we received.

On February 19, this list got bigger and better again as Havana House, Canada's exclusive distributor of Cuban product, released their entire 2004 wholesale price list. It contained some of the best news Canadian consumers have received in years.



These guys have reason to smile. Dave Latorre and Ed Wojna 4-3-2-1 Champions. Again! More on page 4.

The wholesale price of the majority of cigars in all premium brands have now dropped in price 10% - 20% and in some cases more. In fact, some cigars that were priced lower in January have come down further. And it is not just less popular sizes that have seen the big declines but some best sellers and consumer favorites; the Bolivar Belicosos Fino is down 27%, H. Upmann Connoisseur No 1 down 20%, Hoyo De Monterrey Churchills and Juan Lopez No 2 down 16%, the Romeo Y Julieta Exhibicion No 4 and the Vegas Robaina Unicos down 20%. The list keeps on going and going.

We moved immediately. Effective March 1, every Cuban Petit Corona was priced under \$15 at Cigar Studio, the majority of Cuban robustos under \$22, and the majority of Cuban torpedo's under \$27. These are huge breaks for the consumer when Cuban powerhouse cigars like the Bolivar Belicosos Fino Cabinet sells for \$23.90, the #1 rated Fonseca Cosacos sells for \$13.90 or great robustos like Saint Luis Rey Regios and Rey Del Mundo Choix Supreme and Vegas Robaina Famosos sell for under \$20 bucks!!

Senior management at Havana House cite 2 main reasons for the price decline at the wholesale level. They have had some success in negotiating lower prices from Habanos SA in Cuba and favorable currency exchange rates have provided Havana House with pricing room they have not enjoyed in years. But they also want to sell more cigars in Canada and the competitive market that it is, realized that lower prices is one way to build share.

Other suppliers and manufacturers of premium cigars have taken notice and as a result there has been price adjustments on some non-Cuban cigars as well. The Puros Indios #2 for example now retails for \$10.90 (versus \$20 a year ago), the Macanudo Lord for \$15.75 (versus \$19), and the Indian Tabac Boxer for \$10.75 (versus \$13.00). Even some cigarillos have declined – all Agio Mehari's are down 13%. We expect more brands to follow. Stay tuned.

Postscript

Publication date for this newsletter is prior to

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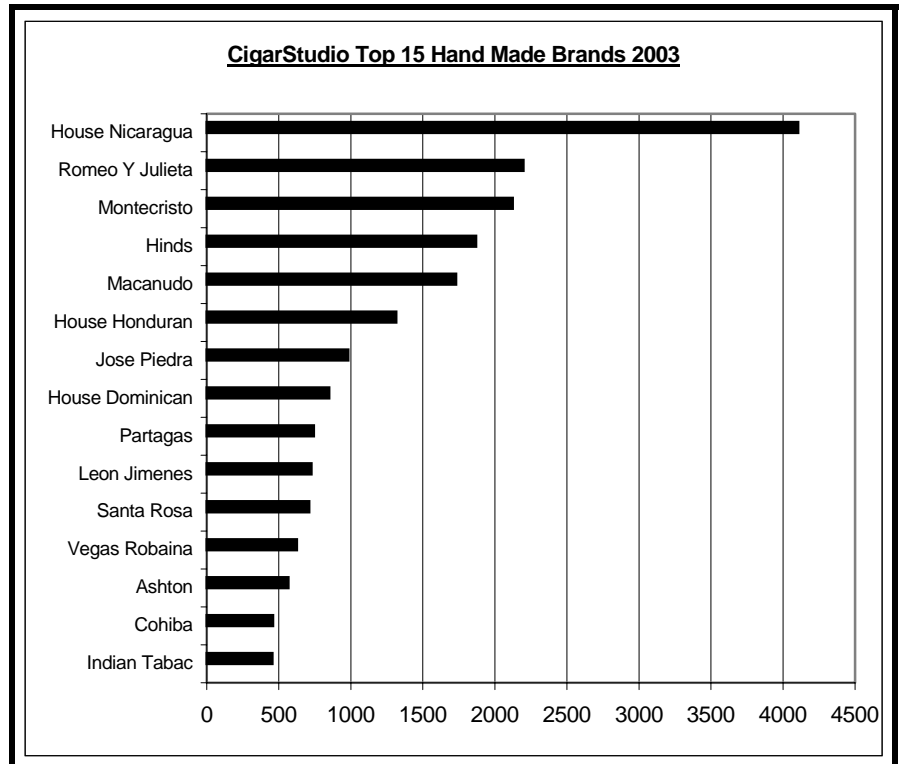
FAQ'S: OUR BEST SELLING BRANDS

What is your best selling cigar brand? This is a question Shawn and I get asked a lot.

To no surprise our House Cigars dominate the best sellers list. Customers buy about 5 boxes of these a week on average! While some of this is for corporate promotion (we label lots of these cigars for companies in the summer), customers have recognized the great value they represent and have put them at the top of charts for 7 years running, now.

But private label is not for everyone and as you can see, a number of world-class national brands make our top 15 list. Not surprising, the 3 most famous Cuban brands, Romeo Y Julieta, Montecristo and Cohiba rank 2, 3, and 14 respectively. Combined Havana cigars contribute 6 brands to the list. Macanudo, a top 5 brand at Cigar Studio since the day we opened in 1996, and Ashton, Leon Jimenes and Santa Rosa indicate that the smoker who prefers mild and creamy taste is alive and well. The great value of Hinds cigars and the improved flow of Indian Tabac into Canada, add these brands to the list.

As we have said before, with the passing of the first quarter, new trends are developing for 2004 especially given all the new product introduced into Canada recently. Stay tuned.



CATEGORY 301: THE EXPANSION CONTINUES...

Category 301 is our non-tobacco gift department. Since we opened in 1996, we regularly get asked if we carry all sorts of items – many non tobacco related, to satisfy personal and corporate gift giving requirements — everything from Father's Day and birthday needs, groomsman gifts, to business appreciation and sales achievement acknowledgments.

Category 301 products are complimentary to our core department —the end user is primarily male — yet reflect an opportunity to provide a non-smoker with a quality, branded gift item.

We have recently expanded this area and have added

- Laguiole Knives and Accessories.
- Balfour Single Malt Scotch and Wine Glasses
- More Cross pens
- JBW Leather Wallets and Card Cases
- Portable BBQ, and picnic sets by Greenbrier
- Jeep Accessories and Gadgets.

So the next time you are looking for a gift as a way to say thank you to your neighbor for taking in your mail, congratulations to a colleague on their promotion, a 50th Birthday present, or a graduation gift, drop by and have a look at Category 301.

MACANUDOS AND MALTS IN MAY

May is approaching and that means one thing: it is Macanudo Month at Cigar Studio. And to kick it off in style we are hosting our annual "Macanudos and Malts in May" at the Ontario Club on Thursday May 6. In conjunction with the Companions of the Quaich, the night will consist of a single malt whiskey tasting, gourmet 4 course dinner and 3 cigars from the Macanudo Family.

Here is what we have scheduled:

- 3 Macanudo Hyde Park Cigars – The Café, The Maduro and The Robust Series.
- 3 Malt Whiskies including a 29 Year Old Aberfeldy, a Glenfarclas 105-60% Proof Cask Strength, and the MacDuff 12 Year old
- 4 Course Dinner consisting of Smoked Atlantic Salmon, Wild Mushroom and Garlic Soup, Oven Roasted Cornish Hen with Apples and Cranberries, Crème Brule

Sherwin Seltzer, "brand champion" for Macanudo's corporate parent, General Cigar, will bring guests up to date on the latest news on Macanudo and offer comments on the latest developments in the US cigar market.

This is a great evening to enjoy fine cigars and scotch whiskey with customers or friends. The Ontario Club offers a very cigar friendly environment and is our favourite downtown locations in which to host our events. Reception and cigars at 6:15 with dinner at 7. Tickets all-inclusive are \$85 and are available at the store or through The Companions of the Quaich.

UPCOMING EVENTS

In addition to our Macanudo evening at the Ontario Club on May 6, there are a couple more things you may want to be on the lookout for.

Pipe Show . Last year's pipe show in Burlington proved successful enough that organizers are pulling another one together. The good news is that you do not have to go all the way to Burlington this time as it will be held at the Ramada Inn @ Hwy 427, on Saturday April 17 from 10 – 5. Tickets are only a buck (from here), or \$2 at the door. Organizers expect many pipe distributors to be showing their pipes, tobaccos and accessories. Enthusiasts are invited to come out and meet others who share in this great hobby.

Tobacconist Golf Day, Tuesday, June 1, Granite Ridge Golf Club, Milton. This will be the 3rd year that specialty tobacco shops in southern Ontario host a golf tournament for their customers (a Cigar Studio team won the inaugural event in 2002). This year we go to Milton and whack away at Granite Ridge. Why not book the day and join us. Cost is \$150 and includes lunch and dinner with wine, green fees. Cart and a few cigars. Any proceeds above costs will be donated to the Bloorview MacMillan Child Center.

Other events come up from time to time, which we announce outside of the publication schedule of this Newsletter. Make sure to check the Upcoming Events section at www.cigarstudio.com so as not to miss anything.

THANKS!

Now that the warmer weather is arriving and we get ready for what should be a pretty good season, we would like to thank all of you who visited the store in Q-1, between January 1 and March 31. And to thank those who dropped by in the most tangible way we can, we would like to offer you a store credit equal to 5% of your purchases to be used the next time you visit the store. It is our way of saying thank you for helping us get through a cold winter.

There is no \$ limit on this, so for those of you who came in a lot, we want to thank you a lot. However there is a time limit on this so please note all credits must be used up no later than Sunday, May 9th.

HOLE - IN - ONE CANADA INC.

As the golf season gets underway and you plan your own tournament schedule, have you thought about adding some value by adding a Hole-In-One contest and program to your event. A Hosted Prize Program can enhance the tournament for all players and guests. Hole-In-One Canada Inc. is an allied marketing partner of ours. Run by entrepreneurs who saw an opportunity to help golf tournament organizers, their services eliminate all the work and stress of volunteers and of coordinating prizes - they do all the work for you. Your golfers are welcomed at specialty holes with personal attention by trained staff who turn each Par 3 into a chance to win sponsored prizes. Hole-In-One Canada offers a variety of packaged programs or they can customize something specific to your company or industry. We have worked with Hole-In-One management before; the experience was great, they are total professionals and they made all the challenges of staffing, volunteers and prizes go away.

For more information call Peter Fehrens at 905 825 5688 or visit their web site @ www.hole-in-one.ca.

Team Che Retains Pool Crown

Congratulations to Dave Latorre and Ed Wojna, "Team Che" who became the first repeat winners of Cigar Studio's 4-3-2-1 Pool Tournament held March 9 at The Fan. Dave and Ed played like true champions in the final as they battled last year's runners-up, the Sunneylea Sharks, John Baird and Rick Gawlik. After splitting the first two games of the final match, Dave and Ed's chalk came to life and the trophy was theirs. Consolation Champions were Ken Shaw Jr and his son Ken III.

The tournament found a new home at The Fan and we would like to thank all the staff there and Dan Smardenka for making the night a big success. Special thanks to Joe Bondi for the cigars. And a very special thank you to **Ken Shaw Lexus Toyota**, who sponsored the **Safe Ride Home Program** for all players by giving out taxi chits to everyone. A very classy move! (See photo on page 1)

Postscript From page 1

the May Ontario budget. The industry is lobbying the Liberals aggressively about the need for a roll back in cigar tax rates (as it will ultimately produce more revenue for them) and that any further increases like we have seen with previous administrations will seriously affect the survival of the domestic wholesale and retail industry. Lets hope they listen.

"Now here's Buddy Scott and his 'ole guitar, always puffing away on his big cigar."

Louis Armstrong, introducing one of his jazz pals.

Business Hours

Mon – Wed: 10am – 7pm
Thu – Fri: 10 am – 8pm
Sat: 10am – 6pm
Sun: Noon – 5pm

WWW.CIGARSTUDIO.COM

Events. Information. Ideas.