

Cigar report: travel retail retains importance, domestic sales boom

The Chinese consumer is an important part of Davidoff's global strategy; limited editions such as the Year of the Tiger selection offer excellent gifting opportunities

Travel retail is a strategic channel for Davidoff. Jean-Christophe Hollay - VP Head Partner Markets & EMEA Duty Free says his team expects the next three years to be extremely exciting in the channel, not only in terms of growth but also in terms of relationships with their partners. "Our priority is to collaborate with the retailers to improve the management of the category in general," he says. "The cigar & cigarillo category has an important unexploited potential in travel retail. We have identified important gaps between the performance of the category today and its real potential. All our data and research are converging to the same conclusion. The cigar & cigarillo segment should deliver more — at least double — if properly managed and integrated into the total retail offer. The profile of cigar shoppers characterized by 'high basket spends' and 'above average cross-categories purchases' is key for retailers. We have developed a unique commercial tool, possessing the capability to reconnect the cigar shoppers with the total retail offer."

Tools in travel retail

Hollay confirms that the company will continue to expand distribution through installation of new walk-in humidors in important airports when justified, but also through other more flexible tools. "We believe that the potential to reconnect the cigar shoppers with the total travel retail offer is important," he says. "Our priority is to collaborate with the retailers to improve the position and the management of the category in general but also in terms of portfolio, merchandising and display. We believe that it is necessary to better enhance navigation in the shop, simplify portfolios, and clarify the presentation on shelves."

Asian consumer

Asia, and China in particular, is part of Davidoff's global strategy, and has been for many years already. "It is obvious that this region represents an important potential for additional growth. Chinese travelers are therefore an integral part of our target group," says Hollay. "The pandemic has not changed our strategy in this regard but just temporarily stopped travel opportunities for the consumers. Nevertheless, all travelers need to be approached at a global level, not only locally or regionally."

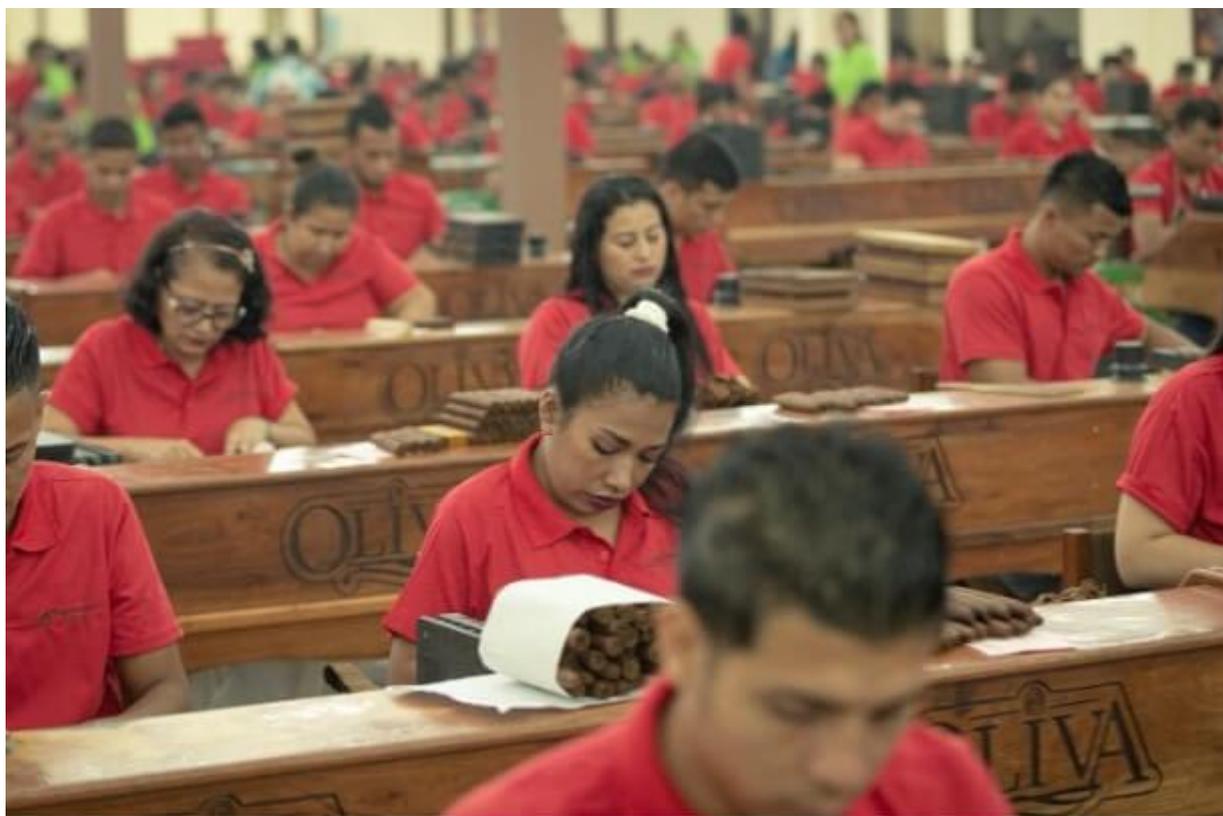
The Asian cigar market in general and for mainland Chinese in particular is driven by the luxury segment; customers are constantly seeking limited and innovative products, says Hollay. "Davidoff has been present in Asia for close to 50 years and has contributed greatly in building the local cigar culture, resulting in a strong brand recognition. Over the last decade we have seen the emergence of the Mainland Chinese consumer, a younger demographic versus elsewhere, who are increasingly willing to embrace the cigar lifestyle." He adds that, with the strong gifting culture in the region, the company will ensure an excellent gifting proposition, including limited editions and exclusives.

Reactivating

With the progressive reopening of travel retail, Davidoff is now reactivating plans that had been put on hold. "As in previous years, we have developed an exceptional program of Limited Editions to complement our ongoing range of products," says Hollay. "This kind of program is expected and

particularly important in the channel all around the globe, including exclusive editions prepared for different major operators. As part of our ongoing portfolio, major launches like Davidoff Dominicana and Zino Nicaragua deployed in domestic markets recently are now expanded into travel retail.”

Vandermarliere Cigar Family sees sales boom in the US



Recently, Oliva opened its new factory TABOLISA II in Esteli, Nicaragua. The new factory solely focuses on the art of rolling cigars of the group’s various brands (Oliva, Nub and Cain), with a current daily capacity of 25,000 cigars

During Covid, J. Cortès — which now lives under the Vandermarliere Cigar Family name along with Oliva cigars — saw growth in the US, Europe and Africa. Export Manager & Travel Retail Coordinator Thomas Gryson says the company is doing so well in the US that colleagues are calling it a “cigar boom” in the country. Of late, this is mainly domestic business.

“Duty free is slowly starting up again, but the impact of testing and quarantine regulations in the various markets are still having a negative impact on the sales. Also Brexit causes issues in the duty free market because it’s not that easy anymore for Europeans to travel to the UK,” he says.

The company’s Oliva brand, which the Vandermarliere family acquired in 2016, is growing quickly in the Americas, Africa, the Middle East and Europe. Asia is also doing well but suffers more at the moment from the Covid crisis, according to Gryson.

Since the purchase of Oliva by J. Cortès in 2016, the company has been fully invested in expansion within Nicaragua, and has opened two new factories in the country. The first TABOLISA factory, “Tabolisa Uno” went through a renovation and expansion process throughout 2018, resulting in a serious capacity increase and improved working conditions for the employees.



Since J. Cortès owners the Vandermarliere family purchased Oliva handrolled cigars in 2016, the company has opened two new factories in Nicaragua

Soon after, the company opened Tabolisa Dos in Esteli, Nicaragua. Tabolisa Dos solely focuses on the art of rolling cigars of the group's various brands (Oliva, Nub and Cain), with a current daily capacity of 25,000 cigars. In total, Oliva employs around 1,500 people in Nicaragua.

"From the very beginning since acquiring Oliva we always emphasised the fact that nothing would change regarding the brands and the quality on the one hand, and the management and composition of the company on the other. We did and do see plenty of potential for Oliva, with corresponding modernisation where necessary," says Fred Vandermarliere, CEO.

The internationally renowned Oliva premium cigar business was acquired by J.Cortès back in July 2016, but part of the tobacco growing operation had been retained by the Oliva family. The Vandermarliere family recently purchased the Oliva family's leaf operations in Nicaragua. The three new farms — Pre Industria, Terranova and El Manguito, all in the Condega region — are in addition to existing fields acquired with the purchase in 2016.

The farms are fully operational, curing, harvesting, cultivating and also preparing land and seedling. The crop is mainly filler tobacco, with plans to eventually grow binder and wrapper as well. The Vandermarliere family has pledged to uphold standards of sustainable farming, using as little water and pesticides as possible and creating a clear traceability path from the plantation to the customer.