

...of crowns and princes!

by *Sung Ho Cheung, Foreign Correspondent*

The other day, I spent some time chatting with Nicky Peck, the dynamic driving force behind the ever-expanding *Aficionado Cigarros* empire in Hong Kong and China. The interview went something like this...

Here we go, a not-so Pandora's box of (25) Questions...

1. Describe briefly your background?

Let's see ... 5 years in financial futures trading, then to Standard & Poor McGraw Hill as a Managing Economist for Asia doing macro economic policy etc. that lasted for about 8.5 years; and the next 8 years was spent at Dow Jones.

2. What was your last job before starting the business?

I was with the LSEs (London School of Economics) research arm - IDEA (Institution for Development of Economic Analysis) as Managing Director Asia for about a year and a half, dealing mostly in macro economic and risk analysis - the results of which were for sale to major institutional investment houses and banks etc.

3. What attracted you to the cigar business initially and then convinced you to start your business?

I started the business in 1997 after I left IDEA – looking forward to planning my retirement. I had about 20 projects under consideration. And after going through them all with much thought, I was left with the cigar business. What persuaded me was a combination of factors - a) it's what I like – I've been enjoying cigars since 1982; b) and since I retired, I wanted to smell the roses for a while ... not so much to make money, more an extension of my hobby – and if I make it - then good, but if not – at least I'm having a good time; and c) the cigar trend was rising in Hong Kong and finally d) many of my friends / peer group in the financial markets are cigar lovers too, and it's a great way to maintain connections.

4. Describe your HK business operations?

Small! (har har har) ... we have 2 shops now in HK – **Aficionado Cigarros** here in Lan Kwai Fong (a very trendy part of HK close to the Central business district) and the **898 Cigar Bar** located in the JW Marriott Hotel (on Hong Kong island). We were the fourth company to arrive on the HK cigar scene; but nowadays, local business is extremely difficult, and so - patrons bargain very hard indeed. So, we are now diversifying into China and manufacturing our own line of cigar accessories etc. which are selling nicely in the USA and beyond. What

drove me to get into accessory manufacturing/wholesaling was that initially, I was purchasing 100% of my accessories from the USA, and when they arrived, they all had labels “Made in China” or “Made in Taiwan” or “Made in Korea” – so this got me thinking – ‘hey, I’m here already, so why should I pay for a round-trip ticket when I can source them directly myself?’ And being an end-user myself, I appreciate quality.

5. *Where do you see your (HK) business in 3 / 5 / 10 years from now?*

I will probably open at least one more divan in the Kowloon area (opposite HK island) and focus more on China, and concentrate more on accessories, merchandising and wholesaling to the USA.

6. *Describe your China business venture(s)?*

The trend is not yet there in China but whatever happens in Hong Kong will no doubt (eventually) spill over into China. And on that note, we are cautiously optimistic on the long-term outlook for our China business. To date, we have a number of joint ventures with major 5 star hotels in China including – in Guangzhou: The White Swan Hotel, The China Hotel, the Ramada Pearl; and we have just reached an agreement with The Garden Hotel; and we are also in The Shangri-La Hotel in Shenzhen. Remember, these are all joint ventures and not stand-alone stores. We supply all stock, accessories and training and thereby adhere to our business philosophy in keeping our fixed costs down to a minimum yet expanding through quality partnerships.

7. *Where do you see your (China) business in 3 / 5 / 10 years from now?*

We hope to be No.1 in China! We are no. 1 in Guangzhou already and it’s not through the absence of any other interested parties. We also serve 33 major nightclubs and restaurants. Our next steps will be towards Shanghai and also towards Beijing. Davidoff, Dannemann and Macanudo are already in Beijing, we plan to be there soon too! Our very next venture will be in the new JW Marriott Hotel in Shengyang, Liaoning province - in northern China.

8. *Do you think you might expand the Aficionado Cigarros concept into a Sino/Asia-wide franchise?*

Franchise? ... well, some people are in talks with us at the moment about such matters in China but nothing definite has so far emerged. If people approach us say from Singapore, then yes – we’d be interested to listen and maybe talk some more.

9. *Describe precisely just what the Aficionado Cigarros concept is (for the benefit of all potential franchisees)?*

Essentially, to put the consumer first! And to carry all the premium brands from all cigar producing countries as well as the widest range of affordable quality accessories.

10. Do you plan to open any stores in Shanghai (particularly) or elsewhere in China or Asia?

Shanghai – Yes! Currently we are negotiating with a number of five star hotels. In fact, we are now being approached by a number of hotels that have heard about us and are interested in learning more. I suppose, we are basically setting up a model for a franchise that can be easily adopted by interested parties who share our love of cigars and are like-minded in their business outlook.

11. Your company recently assisted in the launch of the Asian launch for “La Corona” - a new cigar from BAT/Henri Wintermans. How did that come about and why did they pick your company instead of say - Pacific Cigar Co. Ltd?

(silence) I don't know! (har har har). No, I was only assisting with the launch. They were a customer for whom we undertook some special projects and from that, it came about.

12. Are they a possible future partner / investor in your business?

No. This issue has never been raised or discussed at all. It's simpler than that - we are a supplier, they are a customer.

13. Pacific Cigar Co Ltd acts in HK as a wholesaler/retailer. They are your (main?) source for Cuban cigars in Hong Kong yet they are also perhaps your major retail competitor. Do you think this represents a conflict of interests on their part and how do you counteract such competitiveness in such a tight market?

It is definitely a conflict of interest! On the one hand, we buy stock from them which makes us their customer, then on the other hand – they treat us as a competitor ... they have stores in The Mandarin, The Ritz Carlton and in Kowloon too; it seems they want the best of both worlds.

Sometimes, they withhold (QED –SHC) difficult to get cigars which we request e.g. HDM Epicure No.2 – which they then sell in their retail stores. By refusing to sell wholesale to us and then sell those very same cigars at the retail level is definitely a conflict of interest. (QED – SHC) As their customer, how can we survive on that? To us, it's very clear: we are a retailer of cigars yet they seem confused and don't know whether they are a wholesaler or a retailer or what?? This is one reason why I refuse to sign a 100% exclusive supplier contract with them ... yet they don't get it? We must have our own niche in the market and under the current arrangement, whatever they (Pacific Cigar Co.) don't have, we have to have...

Now, I am exploring opportunities to import directly and sourcing cigars which they don't carry such as vintage cigars (cigars from 5-20yrs old).

13. Has this been a cause of conflict when purchasing new stock and do they take any notice of your complaints/suggestions about price or quality issues?

(Struggling to find the correct words, followed by a thoughtful silence...)

'Pacific' act as if they are the number one and don't take positive criticisms from us at all. They never listen to us. All they want to do is compete with the parallel importers which is killing the market for everybody. As for quality issues, we reserve the right to refuse product if it does not match our requirements. We only select first class product. It's what our customers expect and receive ... that's why they are our customers.

14. There are several other sources for Cuban cigars in Hong Kong e.g. IMEL - will your company consider to purchase from them (and others) to level the retail playing field somewhat?

Frankly, only to top-up my stocks as and when required.

15. As an economist, given the economic slump in Asia do you think 'cigar sales' are a predictable economic indicator?

Well, erm – actually it is not a leading indicator but we have noticed a downturn due to the retail slump in Hong Kong. Yet we are also finding that cigarette smokers are converting to cigars, and new cigar smokers are coming in every day. In essence, we are selling less now than when we opened in 1997 – but this is to be expected given the general economic slump in Asia. In those days, the record was one customer who purchased 22 boxes and now – maybe one or two boxes only. The days of the big spenders have long gone.

16. What percentage of your business is tourist / local?

In the Lan Kwai Fong store (sometimes known as *Harry's Cigar Bar* amongst long time local patrons) the split is 80% local : 20% tourist; and in the 898 Cigar Bar at The JW Marriott Hotel - it is the other way around i.e. 80% tourist : 20% local.

Note: Harry is Nicky's affable younger brother and a favourite amongst local patrons.

17. Do you think the Chinese palate / taste for cigars is radically different from westerners?

Erm, it's hard to say ... each person's palate tells a different story. In truth, people generally (especially the HK & Mainland Chinese) are brand aware and very brand conscious. Take for example Davidoff: in china, they're doing great because people there recognise the brand name

over the actual product. It's the power of advertising ... it's the same just about everywhere, I should imagine?

18. Which brands / shapes sells the most?

In order - Cohiba, Montecristo and RyJ; and for shapes, I would say in HK – belicoso, robusto and corona: yet in China – they prefer the smaller sized cigars e.g. petite corona and corona. This is what it used to be in Hong Kong too, as recently as 1997 – but now, the HK market is more mature hence the move to the larger sizes. I would expect a similar reaction in the China market too.

19. What was the trend in HK before/after you opened your business?

Well, in 97 it was rising and now, it seems to be flattening out.

20. What's the trend now – in China?

It's rising.

21. Your company has its own brand 'Aficionado Cigarros' - a personalised label of cigars from DR - describe them and how successful are they in HK market / China market?

In Hong Kong – not too bad; in China – great. Our 'Aficionado Cigarros' brand is a superb cigar made in the Dominican Republic, and appeals especially to the beginner. For brand conscious people – they won't touch it yet - if they were to sample one of ours without it's identifying band vs a Davidoff with no band – they definitely like our brand better. (QED – SHC)

22. Have any of the hotels asked you to create an 'own label' brand bearing their own logo?

No ... I don't think they want to go down that road, yet.

23. On a personal note: how many cigars on average did you smoke before you were in the cigar business and how many now?

Before - 2 per day; now – when I'm travelling in Central America visiting factories, it was sometimes up to 8 per day; but back in Hong Kong I normally enjoy about 3 per day – one after lunch, dinner and before bed.

24. Your all-time top 5?

I don't have a top 5 (har har) ... because I really do not have any brand loyalty – really, it's whatever I want to smoke at that particular time or whatever's available. However, if I was on a desert island and had to choose then this is what I would pick and they are in no particular order: Diplomatico No.2, Bolivar Royal Corona, HDM Le Hoyo De Dieux, Cohiba Lancero, RyJ Exhibicion No.4

25. With whom (any person/character past or present) would you most like to share a cigar with and why?

Any true cigar aficionado such as “A.C.Y.” (read - best customer) – but probably Che Guevara and a Cohiba Lancero ... simply because I admire him as a true cigar aficionado.

Thank you sir, end of interview.

Other News

A Truly Crowning Moment... took place in Hong Kong recently with the launch of the La Corona (DR) cigar line in Hong Kong – a dainty first step with a grand old dame into Asia Pacific by one of the true giants of the tobacco industry - British American Tobacco (BAT) / Henri Winteremans. “The Crown” (La Corona) is an old Cuban brand from way back when - in 1845; and is currently under production as a wholly machine-made line of strong cigars* .

This regal maiden’s carefully orchestrated debut in Asia was a hoot in itself, spoiled somewhat by the antics of the local media pack (read - monkey troop), running hither and thither whenever a local starlet / star (late, of course) chose to grace us with their presence - much to the consternation of those present who were more interested in cigars than ‘stars’. Anyway, that to one side (you had to be there to see it!), this fine line of premium hand-made cigars bears little or no resemblance to its Cuban namesake. La Corona (DR) comes in a range of several shapes and sizes – each cigar taking up to 3 years before being banded and boxed, and finally reaching the consumer. La Corona (DR) cigars comprise a Dominican long-filler and binder, with a Connecticut shade wrapper - presented in handsome well-made and over-logo’d boxes.

Shape	Size
Robusto	5” / 50
Lonsdale	6.5” / 42
Double Corona	7.75” / 50
Corona	5.5” / 42
Tubos	6” / 42
Torpedo	6” / 50

What does it taste like? Well, it’s a mild mannered and smooth smoke of excellent pedigree and behaves very well when lit i.e. no runners, no tunnelling etc. - offering a perfect draw every time. In terms of

construction - one would have to say simply exquisite. The aroma, according to one dear lady currently 'with-child' reckoned it was lovely and aromatic! In a nutshell, La Corona (DR) is an impeccable companion fit to grace any social gathering. However, for this writer – used to Cuban Bolivars for breakfast – the taste is somewhat too mild; nonetheless, I do occasionally fire-up a La Corona (DR) when I feel like a more gentle puff i.e. a light breeze instead of a raging hurricane of taste. (FYI: I am enjoying a Dbl Corona at time of writing – and it's yummy!)

When I raised the issue of La Corona (DR) being “too mild” for Cuban-trained palates in HK / Asia with *Frans van Rijsingen* (VP Asia Pacific / Henri Wintermans Cigars) he graciously explained that there are plans afoot for certain things to happen. I suggested maybe to introduce some dusky maidens (read - maduro wrapped) at some future stage ... but he would not be drawn (ha!) – “first, onwards and upwards!” said he.

When I spoke with *Tim van Romondt* (Regional Marketing Manager / Asia Pacific) and asked him about future plans for La Corona (DR) – he told me “Singapore next, thence to Macau and then ... we'll see!” What I did gather was that they (BAT / Henri Wintermans) are in this for the long term; and that is good for all cigar lovers who enjoy a mild and flavourful brand of unquestionable lineage with impeccable credentials. So, if you get the chance, be sure to take this elegant lady for a dance - and enjoy!

* Perelman's Pocket Cyclopedia of Havana Cigars (2nd Edition)

© Copyright Kevin Saunders 1999. All rights reserved.