

TRIBAL TOBACCO NEWS

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Indian Country is our
distribution territory!

SENECA BRAND INTRODUCES NEW PREMIUM CHEWING PRODUCTS

HCI Distribution (HCID) now offers the **Seneca Premium chewing tobacco products**, which are now available in original, straight, wintergreen, mint, cream, grape flavors. Coming soon, *the citrus, rum, & soda flavors*.

National data shows the Other Tobacco Product (OTP) segment represents 8 to 14% of total tobacco sales on non-tribal lands. OTP is expected to grow due to the high prices of major brand cigarettes.

These chewing products are a sub-segment of the overall OTP market & represent a significant opportunity for our tribal retail customers. The chewing consumer prefers chew

tobacco over cigarettes. **Seneca Premium chewing tobacco** is a value added product because the price is lower than the *Skoal* type brands, the taste is comparable, the retail store will earn higher margin per unit, & the tribe can collect tribal OTP tax.

"The Seneca are first to the tribal market with these new products. HCID customers will definitely benefit by adding these new products to their overall tribal product brand mix offerings. In so doing, our tribal customers can expect increased revenue in the form of higher profit margins & increased OTP tax collection rates. To



SENeca PREMIUM CHEWING TOBACCO PRODUCTS

*maximize the benefit, I would phase out the lower tier of Grizzly brand type chew products, strategically position the tribal product above the higher priced Skoal brand product, & promote it," says Maunka Morgan with HCID. **CALL HCI NOW FOR PRICING!***

HCI DISTRIBUTION UPCOMING HOLIDAY SCHEDULE

It is that time of year again. Both the Christmas and New Year holidays will fall on a Monday. Therefore, HCI Distribution offices will be closed on Monday, December 26, 2011 for the Christmas holiday and

again on Monday, January 2, 2012 for the New Year holiday. All of our Monday orders will be processed on the Tuesday following each holiday. Please call and order in advance and plan for those long holiday

weekends.

The HCI Distribution Team appreciates you & wishes you the best holiday season & the most prosperous upcoming new year!

Viva La Tribal Tobacco!

LEGAL UPDATE: "SMALL BUT POTENTIALLY IMPORTANT VICTORY"

The Second Circuit Court of Appeals gave a small but potentially important victory to "Indian Country" in the Red Earth LLC versus the United States case. The court upheld a preliminary injunction that stays the enforcement provisions of the *Prevent All Cigarette Trafficking* (PACT ACT) that require mail-order cigarette sellers to pay state excise taxes.

This means the court thinks that Red Earth LLC has a substantial chance of winning on due process grounds and

stopping the state. The due process argument does not have much to do with Indian Country issues. However, it is related to other rulings, which have helped mail-order and Internet companies by stating that it is a violation of a company's due process rights to hold



Lance Morgan, HCI CEO/President

them accountable for every sales tax in the nation.

Unfortunately, the court has left in place the ban on mailing tobacco products. So the Internet business is still essentially dead for tribal tobacco products. The good news is that some of the tax provisions of the PACT Act, which require tribal retailers to pay state taxes may be invalidated in the future. *Email me at: HoChunk@aol.com.*

OTHER TOBACCO PRODUCT TRIBAL TAXATION

HCID has been a strong advocate for Native nations to implement their own tribal tobacco tax codes. These tribal codes should include taxing both cigarettes and other tobacco products (OTP). However, cigarettes and OTP are actually taxed differently and tribal tobacco tax codes need to reflect this difference.

More specifically, cigarettes are taxed using a flat rate, such as a .10 cent per pack or more for example. Whereas,

the OTP tax will use a percentage on the wholesale price. For example, the tribe's OTP tax might add a 10% to 30% flat percentage tax rate on to the wholesale price.

The OTP tax is important because not all of our customers have implemented an OTP tax rate. Many have a cigarette tax rate but lack the OTP tax rate. Interestingly, the Winnebago Tribe of Nebraska lacks an OTP tax rate. Winnebago uses a .5 cent per

pack flat cigarette tax rate

"Tribe's really need to examine their tribal tobacco tax codes to ensure an OTP tax is in place. If not, then the tribe is missing out on the opportunity to capture OTP tax revenues, which would help fund tribal government," says Maunka Morgan with HCID.

but has no OTP rate, which means lost tax revenue to fund tribal priorities.

MEET THE TEAM: MR. KELLY LONEWOLF, WAREHOUSE CLERK

Meet our team member Kelly Lonewolf, an enrolled member of the Winnebago Tribe of Nebraska and Buffalo (*Chexji*) Clan. His Ho-Chunk name means "Bull Buffalo." Mr. Lonewolf is also Oklahoma Kiowa. He lives in Winnebago with his wife Nicole & three children Shay,



Kelly Lonewolf, Warehouse Clerk

Warrick, & Deacon, all of whom are Winnebago tribal members. Kelly graduated from Riverside California boarding school in 2003 & has worked for Ho-Chunk, Inc. for 4-years serving in five different jobs. Within 3-years, Kelly plans on coaching high school football. He aspires to move up in the company &

become a sales person for HCI Distribution. His interest is traveling to other tribal lands to meet other people. A big Nebraska Cornhusker fan, his bowl prediction: Huskers 21-17 over the South Carolina Gamecocks. "Please continue ordering from HCI Distribution. On a slim chance an order is messed up, I guarantee it will not be because of me," explained Kelly.

LEVERAGING TECHNOLOGY TO GROW YOUR TRIBAL TOBACCO SALES

“Smart phones” with internet access are connecting more customers to business each day. Many retailers have created an “app,” which connects your retail locations to your target market. “Smart phone” technology helps customers locate your business, products, promotions, & prices quickly. Statistics show, 85% of cell phone users use a “smart phone.” “Our customers need a website pro-



Smart Technology Helps Business

moting their smoke shop. To increase website traffic, the webpage needs to be linked to the popular social networking sites. Websites should be updated regularly. Retailers need an E-marketing strategy.”

says Maunka with HCI.

The Heritage Express stores, an HCID

customer recently started the **VIP Mobile Club**. “Our customers already earn points through the rewards program but now can **OPT-IN** to the **VIP Mobile Club** by texting 4028580301; using key word “heritage.” Customers receive a text thanking them & a coupon for a free drink for joining up. Each location has a specific keyword that must be used for that location. It has been 30-days & our Club member list is growing,” says Marshall Bass, Heritage Express Operations Specialist.

INCREASING CASINO SALES FOR TRIBAL BRAND TOBACCO IS A SCIENCE

Many of our HCID customers recognize the value of selling tribal tobacco in their casinos. There has been a lot of analysis the past couple of years as more and more Native nations begin selling our tribal brand tobacco.

One of HCID tribal casino customers have their analysis down to a science. First, place large cigarette dispensing machines in various locations throughout the casino floors for a specified period of time. Next, track the results,

and then repeat the process until the optimal locations for these machines have been identified.

The data has shown that the dispensing machines perform best near high traffic areas, such as the Bar, Buffet, entrance connecting the hotel to the casino floor, poker

tables, and high slot machine traffic areas. As a result, higher margin on pack sales are earned, consumer awareness & repeat sales rise.

“It really is a science. I think more tribes should follow these guidelines and help themselves boost their tribal casino revenues. We have only seen positive results when these products become a focus for tribal casino operations,” says Maunka Morgan with HCID.

HCI DISTRIBUTION CUSTOMER APPRECIATION AWARD BREAKFAST



HCID customers enjoyed a customer appreciation award breakfast in Las Vegas. The 2011 winners are PBP Nation Station, winning the “Largest Volume” award; Sky Dancer C-Store won the “New Customer of the Year” award; and, Indian Country Mini-Mart, winning the “Largest Increase” award.



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HCI Distribution Tobacco (HCID) is a division of the parent company, Ho-Chunk, Inc. (HCI). HCI's immediate mission is to use the Tribe's various economic & legal advantages to develop & operate successful business enterprises & provide job opportunities for Tribal members. The long-term mission of Ho-Chunk, Inc. is to provide the Tribe with a large enough income stream from its business operations to enable the Tribe to reach economic self-sufficiency. HCI was launched in 1994 as the economic development corporation owned by the Winnebago Tribe of Nebraska. Since that time, HCI has successfully developed a variety of business enterprises both on & off the Winnebago Reservation and today employs almost 1,000 people in various industries throughout the United States & abroad. HCI Distribution is HCI's most successful on-reservation business whose main production facilities are located in Winnebago. HCID's success stems from our Native Nation customers leadership realizing the benefit of enacting their own tribal tobacco tax law. In so doing, tribes begin selling our tribal tobacco on their sovereign lands, diversifying their economy, & generating critical tribal government revenue used to rebuild their Nation.

CUSTOMER INTERVIEW: MESKWAKI'S ANOTHER SATISFIED CUSTOMER

Maunka: How did the Meskwaki start selling the tribal tobacco?

Mr. Youngbear: *The tribe wanted to make more money to help out the whole tribe. Our leaders were cautious at first but after getting Ho-Chunk, Inc. involved they become less worried. Plus, the tribe really liked the nation-to-nation commerce concept & tribe helping tribes. Partnering with HCI has been a good learning experience & has helped generate a lot of new tribal revenue. HCI is like family to us.*

Maunka: Do you enjoy reading the Tribal Tobacco News?

Mr. Youngbear: *I read & pay attention to the Tribal Tobacco News. It is good communication. The information con-*

tained within the newsletter influenced me to move the tribal brands to the best shelf space and it has worked! I would recommend HCI to anyone wanting to expand their business to listen to the little things the Tribal Tobacco News puts out there for tribes to help themselves. Marlboro is on our bottom shelf.

Maunka: What have you done in your tribe's store to grow the tribal tobacco sales?

Mr. Youngbear: *Please your customer & give them the lowest price possible. Open up space in the store. Move slow sellers out & give the big sellers the best space. Create a tobacco point-of sale layout. Allow customer to exchange their product*

for equal value; if greater value, they pay the difference. As customers leave give them price sheets for their friends!



**MR. TIMOTHY YOUNGBEAR, MESKWAKI TRADING POST
WAREHOUSE MANAGER**