



B.A.T (U.K. and Export) Limited
Woking

TRIP NOTES

Seattle and its vicinity
14th April 1992

1. Objectives

- To review the existing sales in this border area
- To evaluate the opportunity of increasing sales to areas.

2. General

- The closest town to the Canadian border, with Route-5, is Blaine and the next town is Bellingham
- There is also an Indian Reservation Area called which is about 30 minutes drive from the border
- Seattle is the biggest city but is around 2½ hours drive
- The control on the Canadian border is a lot tighter than the US border. Canadians returning to Canada, they are only allowed 200 cigarettes if they stay in the USA for more than 48 hours. More than 200 are not allowed to be brought into Canada without paying tax/duty.
- According to our distributor, the tax in Canada is very high, around CAD\$17.00/carton and the provincial tax is around CAD\$20.00/carton.
- The patrol along the border is also very tight. 45,000 cartons were reported to be confiscated by the US border patrol in November, 1991. Among which, 15,000 cartons were SEFK.
- The cross-border business has been quiet for a few months. Until recently, there were reports from the trade that part of the activities have been resumed
- Major Gateways
 - . Point Roberts
 - . Peace Arch Crossing
 - . Lynden

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TRIP NOTES

Seattle and its vicinity
14th April 1992

1. Objectives

- To review the existing sales in this border area
- To evaluate the opportunity of increasing sales to the Canadian visitors in these areas.

2. General

- The closest town to the Canadian border, with connections to the major highway Route-5, is Blaine and the next town is Bellingham which is 30 minutes away.
- There is also an Indian Reservation Area called Lummi Indian Reservation Area which is about 30 minutes drive from the border.
- Seattle is the biggest city but is around 2½ hours drive from the border.
- The control on the Canadian border is a lot tighter than New York area. For the Canadians returning to Canada, they are only allowed to carry one carton of cigarettes if they stay in the USA for more than 48 hours. Otherwise, cigarettes are not allowed to be brought into Canada by the Canadians without paying any tax/duty.
- According to our distributor, the tax in Canada is very high. The Federal tax is around CAD\$17.00/carton and the provincial tax is around CAD\$20.00/carton.
- The patrol along the border is also very tight. 45,000 cartons were reported to be confiscated by the US border patrol in November, 1991. Among which, 15,000 cartons were SEFK.
- The cross-border business has been quiet for a few months. Until recently, there were reports from the trade that part of the activities have been resumed
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- . Huntington Crossing
- . Trunk Crossing

The last one is mainly for commercial use and the heaviest traffic is Peace Arch Crossing.

3. **Distribution Channels**

- Around the border area, products are mainly distributed through 3 channels.
 - . Border Shops
 - . Duty Free Shops
 - . Indian Reservation Areas

- Border shops include convenience stores, mini-markets, gas-stations and all tobacco shops. SEFK is only available in those stores in Bellingham. Their price are as follows:

	<u>Per Pack</u>	<u>Per Carton</u>
SEFK	US\$2.75	US\$25.00
SE INTL	US\$3.00	-
SILK CUT	US\$3.25	-
EXPORT 'A'	US\$3.25	-
DUNHILL INTL	US\$3.00	-
MARLBORO	US\$2.30	-

- Duty free shops, as in the Eastern border, are also managed by Ammex Inc., Besides, Ammex also own quite a few small border shops in Blaine.
- The control in the Indian Reservation Area is very tight in comparing to those areas in the East Coast. Only Indians with identification can purchase those tax free cigarettes. Americans or Canadians have to pay tax when they purchase cigarettes. The price, in general, is slightly cheaper than those shops outside the area, but the difference in price is not high enough to attract loads of Canadians to enter these areas to purchase cigarettes. The following shows the price in Lummi Indian Reservation Area.

	<u>Per Carton</u>
Full Price	
- KS	US\$16.87
- 100s	US\$17.40
Generic	
- KS	US\$14.82
- 100s	US\$15.25

The variety of Canadian cigarettes is very limited and SEFK is not available

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in these areas.

- In Bellingham, SEFK is supplied by BIT's distributor Golden International Inc. in Seattle.
- In Seattle's Chinatown, including some shops in Tacoma, there are a total of around 30 outlets. Their SEFK is mainly supplied by 2 companies - Golden International and North West Trading. Golden International is supplied directly from BIT and North West is supplied through BIT's distributors in San Francisco. During my visit, I have not seen any white label in the market. According to our distributor's estimation, the monthly sales volume of SEFK in Chinatown is around 90 cases, of which 70 cases are supplied by Golden International.
- Due to the language problems, some Asians from Canada prefer to do their shopping in Seattle's Chinatown. Hence, I estimated 40% of the 90 cases being sold in Chinatown per month were being purchased by these Canadian visitors.
- The cross-border business is very difficult to estimate. The control over the border affects the business directly. In 1991, Golden International sold 1523 cases. If our earlier assumption is correct, 504 cases were consumed in Chinatown and 1019 cases were sold through different channels to the Canadians.
- As a contrast to the East Coast, neither the Canadian nor the American manufacturers spent a lot on money in advertising their products in this border area. This reflects the potential of selling cigarettes to the Canadians in this area. However, BATUKE should evaluate the need of having POS items in this area in order to increase the visibility of SEFK to the Canadians.

Kelvin Ling

Distribution:

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JVC/27.4.92

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