



Nat Sherman, Inc.

Innovators in Tobacco Retail

Based in the heart of downtown New York City, Nat Sherman, Inc. has remained a luxury tobacco institution since the early 1930's. Their focus to not only provide and manufacture fine tobacco products, but to also serve as a social haven, sets Nat Sherman apart from the industry standard. One glance at the exterior of their new 5th Avenue location, makes it clear that Nat Sherman is not just another tobacco shop, but a true mark of excellence with a rich history in tradition and quality.

Throughout the decades, Nat Sherman has adapted to changing socio-economic conditions, new government legislations and fluctuating market demand by staying true to their founding ideals while also exploring new opportunities. The implementation of new technologies have provided the ability to better operate store and manufacturing operations and have created new avenues for marketing and customer service. The installation of the ECRS CATAPULT™ point-of-sale system is an example of one such technology helping Nat Sherman preserve their history while helping ensure future success.

History

Nat Sherman established his company with partner Charles Baer during the Great Depression. Through the crisis, they were able to look beyond to see the opportunities America still offered. The first store was opened at 1400 Broadway in the heart of New York City's garment district. Sherman soon became sole proprietor of what is now Nat Sherman, Inc. It didn't take long for the business to evolve into not only a retail operation providing high-quality cigars, but also a prominent hang-out for fashion

executives, show business people and gangsters. Nat Sherman provided a neutral-social territory where people could relax and simply enjoy a fine cigar. The first line of Nat Sherman branded cigars were produced in Tampa, FL during the end of the 1930's.

During the early 1940's, while Americans were fighting in World War II, Nat Sherman contributed to his country. Sherman, who was a trained Civil Defense Warden, actually ran drills in his 1400 Broadway store. It was also during this time when Joel Sherman, current President and CEO, was born. Nat Sherman entered the cigarette business later in the decade after one of his clients wanted a cigarette that tasted like a cigar for his frequent flights to New York from Dallas. This request resulted in the Havana 149, an oval cigarette made with Havana tobacco. Shortly after, Sherman introduced the first commercially offered 100mm cigarette, the Cigaretello.

Nat Sherman began to boom in the 1950's with further development and production of both their cigarette and cigar lines. The famous Fantasia cigarette was developed and marketed during this time. The Fantasia cigarette was manufactured with an American blend tobacco and colored paper wrapper. Women during this time would smoke the colored cigarettes to coordinate with their dress color. The Cigaretello also took off after Hollywood actors began smoking them and gained public notice. Cigars remained popular and continued to draw in people to the retail location.

As the decades continued to pass, Nat Sherman continued to succeed through the changing times. One of the most important turning points for the

company was their acquisition of Alexiou cigarette factory in the late 1960's. This helped pave the way for Nat Sherman to produce all of their cigarettes in house. The 1970's brought about the introduction of the MCD cigarette line and catalog mail order division. They also moved to a new retail space at 711 Fifth Avenue at 55th Street in 1976. Following this move, the company expanded its distribution business to wholesaler companies across North America.

The business struggled somewhat in the 1980's and began to lose focus on the quality tobacco that had created decades of previous success. Joel Sherman who had been a part of the company, left to pursue other endeavors and Nat Sherman's health began to decline. Nat Sherman passed away in 1990, and Joel returned to the family business, bringing with him a renewed focus and vitality. It did not take the business long to return to its original classy operation and new product lines to be developed. Nat Sherman's children, Bill, Michelle, Larry and Joel Sherman, all returned to the family business to create a 7000 square foot "smoker's paradise" in the heart of New York City. This new site was located at 500 5th Avenue and was designed with custom cabinetry, fluted columns and a unique humidor overlooking downtown Manhattan. As the years passed, the Sherman's focused on new marketing strategies for their products and launched an Internet catalog to provide even more customer convenience. They have since opened a state-of-the-art manufacturing facility in Greensboro, NC and corporate offices in Fort Lee, NJ. Their current retail location is located at 5th Avenue 42nd Street and features a full-line of Nat Sherman tobacco products, gifts, large humidor and popular smoking room downstairs, The Johnson Club Room. The Johnson Club room offers a unique, peaceful setting amidst the chaotic backdrop of downtown Manhattan. It is an intimate lounge where cigar lovers gather to relax, talk and enjoy fine tobacco products. Prominent locals can be found on a regular basis enjoying the tranquility the Johnson Club Room provides.

Innovation and Technology for a Successful Future

The tobacco industry is met with a variety of new challenges on a constant basis. In order to maintain continued success and grow into the future, Nat Sherman continues to find new ways to maintain company vision while overcoming obstacles and finding new ways to excel. A huge part of this is innovation. Nat Sherman succeeds as a small manufacturer in a world of giants by setting industry standards. Nat Sherman creates for itself unique opportunities to grow by listening closely to their loyal customer base and always looking outside the box. Through this, they have become leaders and innovators in the tobacco industry while maintaining an unparalleled focus on customer service.



"Our retail store is the flagship for our brand," explained Larry Sherman. "We are selling a lifestyle, not just a product. This is how our brand started, and our store provides a great opportunity to reach our customers. We expose them to the complete Nat Sherman experience, let them sample products and listen to their feedback. This goes directly into our product development process."

Government regulations are a constant challenge for any tobacco retailer. Nat Sherman has approached these ever-changing and demanding regulations by not only complying, but exceeding, standards. Certain state regulations recently mandated that cigarettes be made of special paper that would extinguish if the cigarette was not smoked for a determined amount of time. Instead of creating a product only for those states requiring this type of paper, Nat Sherman made the decision to manufacture all cigarettes with fire-safe paper. This is just one example of taking a challenging situation and turning it into an industry-leading innovation.

Nat Sherman also uses technology to face obstacles, improve customer service and streamline daily operations. One such incorporated technology, was the recent implementation of the ECRS Catapult point-of-sale system.

"We wanted a system that would maintain our store and basically support itself," said Larry Sherman. "We wanted the system with the easiest interface and the system that was the easiest to learn." Lionel Legry, Director of IT for Nat Sherman, tested around 60 systems and/or software products before deciding on the ECRS complete solution.

“The system was cleverly designed and adaptable to our many needs. We required several unique features to maximize the use of such technology in our business. I also liked that ECRS was providing a complete solution. The hardware was tested and designed for use with their software, they had partners such as card processing merchants and they also provided installation and training.”



“The system has proven to be very stable and the ability to do transactions off-line is a big thing for us. The system works very well and provides peace-of-mind,” continued Legry.

Nat Sherman uses the ECRS system in many different areas of their business. Catapult provided the technology to manage inventory and easily gather needed reporting data. The system is also used to manage customer accounts and as a marketing tool through an interface with ProPhase Marketing.

Customer service is the most important focus for Nat Sherman. With customer tracking in Catapult, customer information is stored and easily pulled at the POS to provide an extra level of service. Customer service is also improved through simple, fast customer check-out and easy cashier training.

“During the Holidays, we get extremely busy. Because cashier training is so easy with Catapult, we can hire a bunch of part-time help just through the Holidays to manage the registers, while our more experienced staff are walking the floor helping people. It helps us out a lot,” said Legry.

The system’s flexibility enables Nat Sherman to manage multiple store functions through one system instead of multiple systems. Customizable drill-down menus allow them to use the POS in the Johnson Club Room downstairs where they serve light fare and drinks, and also upstairs for their retail space.

Catapult technology also helps Nat Sherman comply with government regulations. Items are flagged in the database to prompt for additional information such as age verification at the time of purchase. The process is easily controlled and customizable. Prompts can be easily adjusted as determined by changing requirements. The reporting features and signature capture also allow for records to be quickly accessed if needed for auditing purposes.

Inventory and price management is a tremendous challenge for tobacco retailers. Inventory control within Catapult helps maintain stock levels on all products and manages difficult inventory and pricing on items such as cigars.

Maintaining the Nat Sherman Philosophy

Nat Sherman moves forward with continued focus on the ideals that founded the company from the very beginning. The Nat Sherman name is recognized for fine tobacco products worldwide and the company continues to adapt and succeed when others in the industry are struggling against changing social behavior and strict government legislation.

Manufacturing and distribution are the main parts of the Nat Sherman enterprise today, but they also have the Manhattan retail store, mail order catalog, online catalog and the Johnson Club Room cigar lounge. Products are distributed to a wide network of partners ranging from large multi-store chains and retail outlets to smaller privately-owned tobacco shops. Nat Sherman products can be found in over 30 countries.

“At Nat Sherman, we look at everyone as a customer and customer service is our #1 priority. Our retail store visitors, distributors, club members; they are all treated the same. Everyone has a voice and we want to make sure they are treated with utmost respect,” said Larry Sherman. “It’s not about smoking more or less, it’s about smoking better and taking a moment to relax.”