THE TROUBLES OF MAY CO./6 P&G'S GILLETTE CHALLENGE/12

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WWD FRIDAY

Beauty

PHOTO BY JOHN AQUINO; STYLED BY BRYN KENNY

Boy Meets Girl

NEW YORK — Perhaps buoyed by the news that fragrance sales were up for the first time in four years, manufacturers are rushing to add even more product. The latest two: Z Zegna, an upscale men's fragrance from Ermenegildo Zegna that echoes the edgy positioning of the brand's signature apparel line, and So in Love, a pricy new women's scent from Victoria's Secret Beauty. Both were unveiled the same day.

For more, see page 11.

January Surprise: Markdowns, Gift Cards Drive Strong Comps

By Meredith Derby

NEW YORK — Those infamous "tough comparisons" aren't hitting retail same-store sales just yet: January comps came in stronger than expected.

And it seems retailers such as Neiman Marcus and American Eagle Outfitters Inc. knew when to hold 'em and when to fold 'em regarding post-holiday merchandise markdowns, resulting in January comps gains of 12.2 and 22 percent, respectively.

Other winners include Bebe, Christopher & Banks, and Talbots, which had same-store sales

See **January**, *Page* **8**

Carrefour CEO Steps Down

By Robert Murphy

PARIS — In a major shakeup at the world's second-largest retailer, Carrefour said on Thursday that Daniel Bernard, its chairman and chief executive for the last 13 years, has resigned.

Bernard is set to be replaced by Luc Vandevelde, the Belgian executive who oversaw the restructuring of Britain's Marks & Spencer, who will become president of the supervisory board, and Jose-Louis Duran, Carrefour's chief financial officer, who was named president of the management board.

The changes appear to validate speculation over the last few months that Carrefour's controlling family shareholders had lost patience with Bernard's attempts to stimulate its sales, especially at its core French hypermarkets.

Investors were particularly annoyed when Bernard issued a profit warning in October only two weeks after pledging to meet financial targets for 2004.

Vandevelde, 53, who gave up his position as chairman of Promodes after the French retailer merged with Carrefour in January 2000, has represented the Halley family's interests on Carrefour's board over the last year. The Halleys — former owners of Promodes — control 13 percent of Carrefour, with the March family owning about 4 percent and about 25 percent of the voting rights split between them.

Rumors have regularly surfaced over the last year that Vandevelde would replace Bernard. A polished, dynamic executive with a blunt style, Vandevelde competed with Carrefour during his time at Promodes and then went on to restructure Marks & Spencer as its chairman and ceo during its last run of difficulties in the Nineties. Despite immense skepticism that Vandevelde had the experience to run the British retailer, he confounded critics by simplifying its sourcing, slashing overheads and introducing new, more fashion-forward apparel collections. However, Marks & Spencer began to unwind once Vandevelde stepped down from day-to-day management and Roger Holmes took over as its ceo. Holmes was ousted last year and replaced by current ceo Stuart Rose, although the retailer continues to lose market share.

Carrefour's merger with Promodes strengthened its position as the world's number-two retailer behind Wal-Mart. If Wal-Mart's U.S. operations are excluded, Carrefour actually is bigger than the Bentonville behemoth and, in most cases, has had longer and more consistent success abroad than has Wal-Mart. But the Carrefour-Promodes merger never resulted in the synergies originally forecast by Bernard and Carrefour has struggled over the last few years in its domestic market against increased competition from the likes of Auchan, Leclerc and deep-discount food retailers such as Aldi.

News of the management shuffle sent Carrefour stock up 2 percent to close at 40.24 euros, or $52.31 at current exchange, in trading on the Paris Bourse.

Carrefour said Bernard quit after the board decided to split the executive's job in two parts, between a management board and supervisory board.

Bernard said he "didn't wish to head the supervisory board, nor the management board, [so] I decided to leave."

Joel Saveuse, who joined Carrefour as head of European operations only two months ago, also will leave as part of the reshuffle, Carrefour said.

The changes in structure and the executive appointments will be put up for approval at a general shareholders' assembly in Paris in April.

Merged Kmart-Sears Falls Short in Rating

By Vicki M. Young and Arthur Zaczkiewicz

NEW YORK — Edward Lampert may be aware of what it takes to build a strong Sears Holdings Corp., but it wasn't enough to push the corporate credit ratings of a merged Kmart-Sears into investment grade territory.

On Thursday, ratings agency Standard & Poor's assigned a "BB+" corporate credit rating to Sears Holdings Corp., the parent of the soon-to-be-merged retailers Sears, Roebuck and Co. and Kmart Holding Corp. The merger is expected to be completed in early March. The ratings outlook, S&P said, will be negative.

Separately, Lampert, who is chairman of Kmart and founder of ESL Investments, which took the retailer out of bankruptcy two years ago, filed a revealing Form 4 with the Securities and Exchange Commission.

According to the document, filed on Monday, Lampert bought 21.8 million shares of Kmart Holding Corp. at $10 per share, or $218 million. At Thursday's close of $100, this translates to $2.18 billion worth of stock on paper. The buy brings Lampert's direct and indirect holdings of Kmart to 84 million shares, or $8.4 billion.

It appears that Lampert exercised a special option relating to the reorganization of Kmart back when it was still in Chapter 11. The original restructuring involved a $293.4 million investment by Lampert's ESL Investments and Third Avenue Trust. His investment was to be in exchange for stock of the emerged company, Kmart Holding Corp.

Lampert and Kmart could not be reached for comment.

Shares of Kmart have been flat since the beginning of the year, at around $100. Its 52-week high is $119.69, and the low is $26.10.

Regarding the Standard & Poor's action on Thursday, the agency assigned its "BBB-" rating to the new $4 billion senior secured revolving credit facility co-borrowed by Sears Roebuck Acceptance Corp. (the financing arm for Sears) and Kmart. A recovery rating of "1" was assigned to the loan, indicating the expectation of a full recovery of principal in the event of a default.

Hirschberg said.

The analyst disclosed that he also met with the executives at Sears, and noted that all of them neither underestimated nor overestimated what those challenges would be.

Hirschberg said on the call that the reason for the prospective ratings has to do in part to Sears' off-mall strategy, which he described as being in its infancy because only a few stores exist. He said it will take "at least several years" before anyone can gauge the viability of the strategy.

In the S&P research update, the analyst pointed to continued profitability pressure on the existing Sears and Kmart businesses from competitors such as Wal-Mart, Target and J.C. Penney.

The report noted that the recovery assessment on the revolving credit facility was based on a "scenario of Sears Holdings Corp. reorganizing as a smaller entity. This could entail selling off entire market or business segments, or a smaller base of Sears mall stores."

On Wednesday, Sears said once the merger is done, shares of the new company will be listed on the Nasdaq. The stock is currently listed on the New York Stock Exchange.

> **"[Lampert] had a very good handle on what has to be done to make this combined company successful."**
>
> **— Gerald Hirschberg, S&P analyst**

According to S&P, "BBB-" is the lowest investment grade rating, while "BB+" represents the highest speculative grade rating.

In a conference call to investors, S&P analyst Gerald Hirschberg said that S&P visited with Lampert to gauge his feelings about Sears Holdings and his plan for the future.

"He had a very good handle on what has to be done to make this combined company successful. He spent a lot of time on what he had accomplished at Kmart and how he went about doing that. He is also very aware of what it takes in terms of a management team to build a strong Sears Holdings Corp.,"

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Beauty

GENERAL

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Quote of the Week

"Let's be real — I'm obviously not at the level of a John Galliano…But I do have a certain style and a certain image that people respond to."

— Jennifer Lopez on the launch of her Sweetface collection.

In Brief

• **M&S SELLS:** Marks & Spencer plc has let go of a part of its past. The firm said Thursday it sold its former corporate headquarters at Michael House on London's Baker Street for 115 million pounds, or $216.2 million, to London & Regional Properties. The property had been on sale since September, after M&S moved to its new, purpose-built headquarters at Paddington Basin. Richard Ratner, head retail analyst for Seymour Pierce in London, said while the property was sold at its net book value, he was expecting a price as high as 150 million pounds, or $282 million. The Baker Street site is just one property in M&S's bulging asset portfolio. The British retailer owns real estate worth 2.15 billion pounds, or $4 billion, according to the latest annual report. Analysts say that figure is actually much higher because of London's hot property market.

• **BURNS GETS INTIMATE:** Pat Burns has been promoted to president of Kellwood Intimate Apparel and chief executive of Gerber children's wear. At the Intimates division, he replaces Jim Mogan, who had been president and recently left the company to pursue other opportunities, Kellwood said. Burns, who reports to president and chief operating officer Robert C. Skinner, was most recently president of Gerber. Kellwood is conducting a search for a new Gerber children's wear president.

Correction

The first Child magazine children's fashion show will be held on Monday, Feb. 7. The date was incorrect in a Fashion Scoop on Wednesday, page 7.

Plump up lines.
New for eyes and lips.

Ceramide Plump Perfect™
Moisture Cream SPF 30

New **Ceramide** Plump Perfect
Lip Moisture Cream SPF 30

4 out of 5 women reported:*
- lips were fuller, visibly plumped
- the appearance of vertical lines on and around the lips was minimized
- lips were smoothed and moisturized.

New **Ceramide** Plump Perfect
Eye Moisture Cream SPF 15

9 out of 10 women noticed:*
- crow's feet were visibly plumped
- undereye puffiness was reduced
- skin looked smoother, tightened and toned.

Elizabeth Arden

The **Plump Perfect** collection with Argireline, the anti-aging ingredient that excels at plumping surface lines and wrinkles with remarkable results. Visible signs of aging seem to disappear with this non-invasive skincare. Moisture-rich Ceramide Triple Complex and SPF help reinforce skin's protective barrier. Proven plumping benefits for face. Now, available for eyes and lips.

The Players Club ● Painting It Red ● No More Playboy

Suzy

By Aileen Mehle

This is the weekend of the superdazzling, glittering, unbelievably chic Corviglia Club's 75th or Diamond Jubilee. The Corviglia in St. Moritz and the swells who have belonged to this exclusive ski club for years relish their exclusivity, as do the newer members (supposedly "corviglia" means a bird that flies high in the sky — but you knew that).

The club, founded in the Thirties, is still, after all these years, one of the most glamorous sporting clubs in Europe. Its roster includes royals, aristocrats, European blue bloods and a sprinkling of Americans (**Drue Heinz** comes to mind). As you read here, the highlights of the weekend are the Jubilee Fun Race, complete with couples dressed in Thirties ski gear skiing down the mountain, and the Diamond Jubilee Ball, where the young and the not so young celebrating in white tie and diamonds keep alive "a spirit of elitism" and are happy to do so. Ten guests will arrive from Paris, and others from Spain and Germany.

The weekend includes a Bavarian dinner at Chalet attended by "the superaristocracy of the century." The Corviglia itself is run by **Rolf Sachs**, the son of **Gunter Sachs**, the automotive heir and immensely rich one-time world-class playboy who was married to **Brigitte Bardot**, should you care. Each year since its inception, the club has chosen a "Glamour Girl" from its membership. She should be well known, well-liked, of a good family, beautiful and sportif because, listen, she has to ski down that mountain like a pro, which, as I recall, involves leading an entourage of other members carrying flaming torches and what have you. Among these glamour girls is the enchanting **Countess Jacqueline de Ribes**, a social queen of Paris and perhaps the most famous of the lot, being, along with her other attributes, a trophy-winning skier. Glamour Girls through the years also have included such beauties as **Marella Agnelli**, **Lita Livanos**, **Tina Onassis**, **Alexandra Theodoracopulos** and **Dolores Guinness**.

Years ago, the life members of the Club always spent two months in St. Moritz. They would bring their own maids, their own physiotherapists and their own mistresses, who were all said to keep them very happy indeed.

●

First Lady Laura Bush is in town today for the Heart Truth's Red Dress collection in Bryant Park. The First Lady is the ambassador for the organization, which educates women about heart disease. **Lauren Bush**, the President's niece, will wear a long, red, strapless dress with slanted pockets on the hips covered with brown leather buttons. The dress, which she codesigned with **Tommy Hilfiger**, will lace up the back with rawhide and have a small train. Lauren, an Elite model, and Tommy did the final fitting Thursday and she looked at Chopard's diamond heart jewelry to go with the outfit.

Twenty-six designers have created red dresses, the national symbol for women and heart-disease awareness, for the show. Walking down the runway will be **Sarah Ferguson** in Ralph Lauren, **Christie Brinkley** in Calvin Klein, **Sheryl Crow** in Narciso Rodriguez, **Rosanna Arquette** in Zac Posen, **Vanessa Williams** in Kenneth Cole, **Rachel Hunter** in Badgley Mischka, **Paula Abdul** in Esteban Cortazar, **Venus Williams** in Luca Luca, **Debbie Mazar** in Marc Jacobs and **Elettra Rossellini** in Catherine Malandrino. Carolina Herrera, Oscar de la Renta, Vera Wang, Michael Kors, Donna Karan, Diane von Furstenberg and Richard Tyler have also made dresses for the show, which will be worn by **Mariel Hemingway**, **Phylicia Rashad** and **Alexandra Richards**, **Keith Richards**' daughter. Heart disease is the number-one killer among women of all ages, so put on a red dress today.

●

Cindy Crawford has turned down $1 million to pose for Playboy for a third time. The stunning 38-year-old mother of two has this to say about her decision: "Now that I have kids, it's different. My son's five and he's not quite aware yet, but I wouldn't want him to get hassled. Herb Ritts, the photographer I did it with both times, has passed away and I don't know if I would trust anyone else." And thata is thata.

●

Minnie Driver, on the road with her album, "Everything I Have in my Pocket," has hooked up with a young Australian musician named **Dan Rossen**. He's 26. They began dating four months ago, but whether she will unveil him at the Oscars is yet to be seen.

●

It's fashion week in Barcelona, where **Helena Christensen** has made a stunning comeback as a runway model after six years out of the biz. Helena pranced down the catwalk in a romantic floral-print dress by her pal, **Joseph Font**, and leading the applause was none other than Spain's beautiful new **Crown Princess Letizia**, who, with her lovely figure and keen sense of style, has made boosting the popularity of her country's fashion industry one of her pet projects. Olé!

●

Catherine Zeta-Jones has been selected as Harvard's Hasty Pudding Woman of the Year for her lasting and impressive contribution to the world of entertainment. On Feb. 10, the star will lead the parade through Harvard Square, a tradition that began in 1951 when the late great actress Gertrude Lawrence won. Other winners through the years have been Rosalind Russell, Katherine Hepburn, **Debbie Reynolds**, **Meryl Streep**, **Joan Rivers** and **Julia Roberts**. This year's Hasty Pudding Man of the Year is **Tim Robbins**.

●

Coco and **Arie Kopelman**, **Anne Bass** and **Joanne** and **Roberto de Guardiola** are among the chairmen of the School of American Ballet's first annual winter gala, "An Enchanted Evening at Jazz at Lincoln Center" on March 7. The SAB students will be dressed by Hermès for the Forties ballroom dance they will perform on stage. The 400 guests have been asked to dress as if they were going to El Morocco in its heyday, even if some of them weren't even born yet. **Chelsea Clinton**, **Jill Kargman**, **Melissa Berkelhammer** and **Celerie Kemble** are all on the junior committee. SAB was founded by the great choreographer George Balanchine in 1934 and has been turning out brilliant dancers ever since.


Countess Jacqueline de Ribes

Cindy Crawford


Laura Bush

CINDY CRAWFORD PHOTO BY JEMAL COUNTESS/WIREIMAGE; LAURA BUSH PHOTO BY MARK WILSON/GETTY IMAGES

Barneys Co-op Gets Southern Exposure

By Georgia Lee

ATLANTA — Barneys Co-op is the new kid on the block in Atlanta.

Kicking off a major expansion, Barneys New York opened a 7,000-square-foot Co-op store here Thursday in Phipps Plaza, a luxury mall in the Buckhead district. It's Barneys' second freestanding Co-op outside New York. The first opened in Miami's South Beach in September 2003.

The Atlanta unit is the first of three planned openings this spring. A Costa Mesa, Calif., Co-op store is to launch March 10, followed by one in Chicago March 24. Barneys has three freestanding Co-ops in New York.

The retailer, which Jones Apparel Group acquired for $397.3 million in November, is poised for a national expansion with four to five more Co-ops set to open in 2006. Barneys' flagship also will begin a rollout next year, though the number of stores and specific cities haven't been disclosed.

Barneys Co-op is the young contemporary counterpart to the flagships, offering hip lines such as Marc by Marc Jacobs, Theory, Diane von Furstenberg and a heavy concentration of denim and sexy tops. Some see Co-op as a vehicle to drive an ultimate expansion of the flagships. Howard Socol, Barneys chairman and chief executive officer, said one doesn't necessarily follow the other.

"It's a lot different opening a 7,000-square-foot store than a 50,000-square-foot store," Socol said. "Co-op is an entry to the Barneys experience, but we're taking much more time to develop appropriate spaces for the flagship store expansion."

While Socol said Jones "was interested in Barneys as a growth vehicle," flagship locations require the right combination of the best high-end luxury environments, customer demographics and negotiations for the best real estate deals." The six full-line Barneys stores include: Madison Avenue in Manhattan; Beverly Hills; Manhasset, N.Y.; Chicago; Chestnut Hill, Mass., and Seattle. Barneys also has 11 outlet stores.

In Atlanta, Barneys is banking on the strength of its name and reputation.

"We are Barneys," Socol said. "Our stores are so different and distinctive, from our merchandise sensibility to the way we edit lines to our private collections. It's in our DNA. We put what we believe in, and then customers will lead us."

Buying will be centralized out of New York, but each store will be tweaked based on climate and lifestyle differences, Socol said.

Beginning with a charity benefit party for 500 people Thursday night at the Atlanta store, Barneys also will get the word out through direct-mail campaigns and promotions. The retailer will try to wow Atlanta customers with exclusive lines not seen here before, and with collections edited with Barneys' fashion-forward sensibility, said Terence Bogan, vice president and divisional merchandise manager.

With denim at about one-third of product, jeans lines exclusive to Barneys include Stitches, Salt and Antique. Barneys' private collections, now at less than 10 percent of product, is growing, as the store zeroes in on key items each season, Bogan said. For spring, he expected peasant skirts with beading and embellishment to be hot trends.

Barneys irreverent approach is evident in the Atlanta store. A large papier-mâché cat greets customers. Displays include vintage refrigerators, surplus airline and bus equipment and milk crates. The ambience was described by Simon Doonan, Barneys creative director, as "arty, glamorous, funky, eco-tech."

Designed by the architectural firm Robert G. Lyon and Associates, the store includes flea market finds such as giant ceramic greyhounds. Barneys is in a former Abercrombie & Fitch space in Phipps Plaza, a mall with more than 100 specialty stores and anchored by Saks Fifth Avenue, Parisian and a Nordstrom that will open this March.

"Barneys in Atlanta is a good move, as in the past, most retailers haven't given Atlanta the cosmopolitan credibility it deserves," said Jan Martinez, president, Ashford Management, an Atlanta retail-executive search firm.

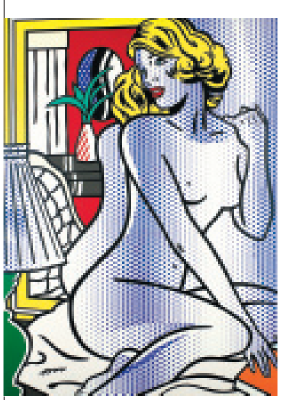
Exterior and interior of Barneys Co-op in Atlanta.

PHOTOS BY DAEMON BAIZAN

Place Your Bid

MILAN — Roy Lichtenstein paintings and Greek marble statues are just a few of the Versace family artworks going on the auction block this spring through Sotheby's and Italian house Porro & C.

Sotheby's has categorized the art from the Versace New York town house by period and will auction it off with other works of the same era. Most of the art — including works by Jean-Michel Basquiat, Andy Warhol and Francesco Clemente — falls into the contemporary category and will hit the block in New York May 10-11 and in London June 22-23.



A Roy Lichtenstein work.

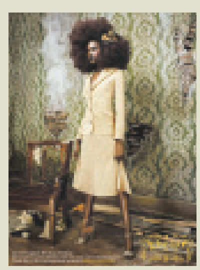
Lichtenstein's "Blue Nude," worth an estimated $2.5 million to $3.5 million, is considered a highlight.

The Versace family has decided to sell the New York town house as it can't justify keeping such an expensive and underused property. Sotheby's said it's scheduling a second auction this fall of the town house's furnishings and other decorative arts.

Meanwhile, in Italy, Porro & C is selling off a selection of micromosaics, silver lamps, furnishings and other art objects from Versace's house in Milan's Via Gesu and the Villa Fontanelle residence on Lake Como. The Milan auction is slated for April 7, while the Cenobbio auction will take place May 28.

Fashion Scoops

GRAY JOINS THE FRAY: Macy Gray, the eclectic R&B singer, will launch her first fashion collection at WWD Magic later this month, joining fellow singers such as **Jennifer Lopez**, **Jessica Simpson**, **Beyoncé Knowles**, **Lil' Kim**, **Mandy Moore** and **Missy Elliott** in the fashion game. While Gray's collection is called Ghetto Line By Macy Gray, there's nothing ghetto about it. The collection, which hits stores this fall, includes key pieces such as two-piece pant- and skirt suits, dresses, trousers, blouses, denim jeans and suits, knitwear, scarves, coats, sweatsuits and a three-piece tuxedo, all made with high-end silks, tweeds, wools and cottons. Wholesale prices range from $20 to $30 for T-shirts up to $250 to $350 for suits. "The ghetto has a rep for being about poverty and danger, but it is a beautiful place. It influences everything in life like fashion, literature, music, art, even the way we speak," Gray said.



Macy Gray

THE BOY SHOW: With the first show for his men's and women's line, B-Rude, coming up on Sunday night, **George O'Dowd**, aka **Boy George**, is eager to prove that he isn't just another celebrity in the fashion game. "It will be slightly humorous," he says of the show. "But I'm quite keen on being taken seriously. We've been careful to not get too much publicity until we were ripe to manufacture because that's where you can go really wrong." The pop singer-cum-designer is working on the collection with **Mike Nicholls**, who created the costumes for Taboo. Nicholls also worked with **Thierry Mugler** back in the day and legendary corsetmaker **Mr. Pearl**.

So far, it seems to be working. Buyers from American RAG Japan previewed the collection and are planning an in-store boutique for the line. And **Patricia Field**'s House of Venus store has carried B-Rude since December. And, like many British designers such as **Luella Bartley**, **Matthew Williamson** and now **Zowie Broach** of Boudicca, George is quite pleased to have chosen New York over London as his show's backdrop. "Doing new things is a lot easier in New York," he says. "And you don't have that kind of London cynicism."

In a slightly yucky homage to his temporarily adopted home, George is using the cockroach as a recurring motif in the line. "You know there's that old joke that after a nuclear holocaust, the only thing left will be cockroaches and **Cher**," he laughs.

DONNKENNY'S DEAL TIME: Donnkenny Inc. might be ready to move out of its financial holding pattern. The financially strapped firm, which has been exploring strategic options including a sale of the company, almost inked a deal Thursday afternoon, according to a source. For several months, the company has said in filings with the Securities and Exchange Commission that it was not meeting the financial covenants under its credit agreement with CIT Group/Commercial Services. All of the firm's cash and liquidity requirements are met through the $65 million line of credit. Absent support from CIT, Donnkenny would not have enough working capital to function as an ongoing concern. The company produces the licensed Nicole Miller New York line of better-priced sportswear and ready-to-wear as well as fashions under other brands, including Pierre Cardin.

The Trials and Tribulati

By Sharon Edelson

NEW YORK — The name of a nostalgic Oleg Cassini display in Lord & Taylor's Fifth Avenue windows, "Now & Then: 50 Years of Fashion," hasn't been lost on retail observers, who said it epitomizes many of the problems of its long-suffering parent, May Department Stores Co.

While L&T has made significant efforts over the last 18 months to modernize and capture a younger customer, such a promotion of a longterm, established designer sends a mixed message that is borne out inside the store. On the second floor, where contemporary collections are sold, music blares and racks of HotPants, ponchos, shrugs and other "hot trends" are reduced by 50 to 80 percent. And customers appear to be in their 50s and 60s, far from the target market for such merchandise.

The floor above, where designer collections are housed and Cassini's "couture" dresses hang in a circle, has a nostalgic feeling with gray carpets and sales associates speaking in hushed tones. And while the chain is trying to attract customers with deeper pockets, anything with a price tag of $500 or above is connected to a security device, which puts a damper on trying garments on.

May Co. has admitted that Lord & Taylor is a work in progress. Yet it and every other aspect of the May business has come under scrutiny since Gene Kahn abruptly resigned as chairman and chief executive officer of the retail giant last month and news leaked that Federated Department Stores was in talks about acquiring the St. Louis-based retailer.

Whether Federated buys May, is acquired by another suitor or is left to turn around its business under a new chairman and ceo, a new team will have to cope with the aftermath of Kahn's tenure, which has left an indelible mark on employees.

Kahn could not be reached for comment, while current members of the May board did not return telephone calls and May executives declined comment.

But Kahn is said to have fostered a culture where dissension wasn't broached. As a result creativity — and results — suffered.

Under Kahn's leadership, net profits at the $13.34 billion, 500-department store operation have been shrinking steadily over the last few years, from $927 million in 1999 to $434 million last year. Same-store sales and the stock price declined, although in recent days, the stock price has picked up, only to fall again on Thursday.

The company has closed 34 underperforming L&T stores, but has not yet developed a cohesive image for the chain. Meanwhile, May Co. has yet to articulate a plan for Marshall Field's, which it bought last summer for the steep price of $3.24 billion, and its other nameplates are awaiting redos of their women's sportswear departments. The plan uses a prototype designed by Fort Lauderdale firm Pavlik to try to attract new vendors into the company's stores.

May's senior executives were deeply involved in the effort to sell the makeover. One vendor remembers being treated recently to a full court press by Kahn, vice chairman William P. McNamara and Jay Levitt, president and ceo of May Merchandising Co. and May Department Stores International.

But critics say May nameplates such as Foley's, Hecht's, L.S. Ayres, Famous-Barr and Kaufmann's are in need of more than women's sportswear updates. The retailer had batted around ideas for updating its men's and young men's businesses, but those plans appeared to go nowhere. In addition, May's private label merchandise is in need of an injection of fashion and a quality upgrade, observers said.

When Kahn took the reigns from David Farrell in 1998, the American retail landscape was already in the throes of a seismic shift. Consumers were beginning to cross-shop everywhere from Kohl's to Wal-Mart. May Co. stores, which traded mostly in moderate goods, found themselves under pressure from Kohl's, which was presenting brand names in new easy-to-shop stores. May's reaction was to compete on price.

"The inevitable department store consolidation started to occur and the overall culture of the May Co. changed," said a former May executive. "The responsibilities of a merchant began to change. Corporate began to have more control and told stores who they should be doing business with and how much business they should be doing. May Co. was trying to leverage its size to get the best deals possible. The business became more about deal-making than merchandising and product development."

The development of the merchandising matrix had a big effect on May, with Farrell an early and avid proponent.

"The matrix system made it very difficult for small creatively designed products from smaller fashion houses to make it to the floors of May Co. stores," said Laurence Leeds, chairman of Buckingham Capital Management. "Other companies use the matrix, but they have other ways for small manufacturers to show their stuff."

But while Kahn and Farrell share common characteristics in management and style, their results were radically different. Farrell obsessed over details and inspired fear in employees, but grew the company successfully. Workers recalled painting store walls the night before a last-minute visit by Farrell and how the ceo drilled down to the micro level in a branch store to find out why one item was selling better than another item. "He created a culture where people would be up for all hours of the night," the executive said. "It was like cramming for a final exam. You had to make sure you knew all your numbers and all aspects of the business. But it was a merchant-oriented culture as much as it was a culture of detail-orientation."

As Kohl's and discounters put the squeeze on May, Kahn reportedly commissioned a report from McKinsey and Co., which convinced him that the stores needed to attract younger customers.

"Our key initiatives in the better and young elements of our business, and in proprietary product, must be more productive," May Co. vice chairman William P. McNamara said on a conference call with investment analysts last year. "We must be more successful in keeping pace and moving faster with the ever-changing needs and wants of a broader customer base."


Lord & Taylor on Fifth Avenue.


Gene Kahn

Executives said Kahn was obsessed with the McKinsey study. "What ended up happening was May Co., in an attempt to fund the younger business, ran away from and neglected the core customer," said a former staffer. Evidence of this could be seen on the retailer's ready-to-wear floors, where the side of the floor dedicated to youthful lines was redecorated and recarpeted. "They cut the funding back on the side of the floor for the older customer," the staffer said, so that it was left with the old carpet. "Gene didn't do it incrementally. He went after the younger customer with a vengeance."

Another former executive who spent over a decade at the company said, "It was chaos there, absolute chaos. Gene could never make any decisions and micromanaged everything. The minutia we went through was mind-boggling. When David Farrell ran the company, we operated with about five different reports that we used to run the business. When Gene got done there were 100 reports that we were expected to use. He paralyzed people's ability to run their businesses because they couldn't think."

The jewel of the group has always been Lord & Taylor, which has been scaling back its national ambitions to focus on the Northeast at the same time as it has been trying to attract a younger customer. But some critics say the efforts at L&T are evidence of the problems all of May faces.

One L&T vendor cited $5,000 evening dresses at L&T next to Nine West shoes. "Those 'better' customers need service and they don't have the support staff to do that kind of business. Their focus is very inconsistent throughout the store. They need to have a consistent flow of better merchandise in each department. They don't react to business — you can have the hottest item and they wouldn't reorder. They always have money issues. Every season in the last three years there's been a problem. Financially they can't get a flow so orders are pushed back or canceled altogether."

The vendor said buyers are frustrated because they are told what to buy and how much. "They're extremely aggressive with markdown money. I had a buyer recently ask for markdown money. I said no and they completely cut me off for spring and summer."

Others, however, appreciate the efforts at L&T. "She [Jane Elfers, L&T's ceo] has got the right idea," said Bud Konheim, chairman and ceo of Nicole Miller. "I hope May Co. would give her more backing and understand her entire message. L&T isn't the biggest part of the May Co. Still, Federated has understood the meaning of Bloomingdale's to the whole picture. It acts as their halo. I haven't quite seen that happen at May Co."

ons of May Co.

The Marshall Field's flagship in Chicago.

Comparisons between Federated and May Co. are inevitable, two giant retail chains with multiple nameplates (although Federated is in the process of changing its remaining chains other than Bloomingdale's to Macy's). Federated has invested in talent at Federated Merchandising Corp., where private label brands such as Charter Club, INC and Alfani have been nurtured. Chairman and ceo Terry Lundgren said these lines do more volume than any powerhouse brand, including Estée Lauder and Ralph Lauren.

"There's a tremendous amount of dissension from May Merchandising Co. down to the stores and the way Jay Levitt [president and ceo of May Merchandising Co.] manages things," said a former executive. "He doesn't know how to get along with people at all. They had a couple of important programs that did $200 million to $300 million a year. The minute they changed the specs for younger customers they ran customers out of the stores. Valerie Stevens was one [private label brand]. 'Be' was a nightmare."

After spending more than $12 million to start the "be" brand in 2002, including more than $3 million for advertising, May Co. was sued by Bebe for trademark infringement. May was forced to change the brand's name to Identity.

"There's an army of people developing private label outside MMC for L&T and that's not working either," the executive said. "Private label is a big problem."

Sources estimate May Co.'s private label penetration is 14 to 18 percent, with rtw accounting for around 30 percent of that and home about 6 percent. Kahn reportedly began an initiative two years ago where he expected to get the total company's private label penetration up to 20 percent over a three-year period. "Stores were basically forced to buy to those plans and the product wasn't right," the executive said.

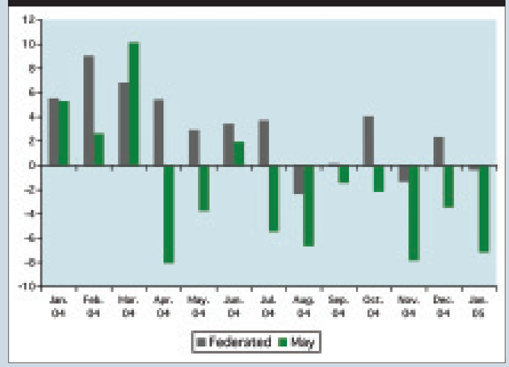
Former board members were perplexed as to why the current board waited so long before taking action over Kahn. Andrell Pearson, former chairman of YUM who retired from the May board in 1999, said, "I'm heartbroken. I'm surprised that the board took so long to act. It's hard to believe. All of the board has stock and the stock has gone nowhere."

Edward H. Meyer, chairman of the board, president and ceo of Grey Advertising Inc., who retired from the May Co. board of directors in 1999, said, "Gene inherited a situation where the segment itself, the deceleration of department stores, speeded up a little bit and became a harder area in which to compete. Federated has been more imaginative in trying more different things. The Federated strategy of renaming everything Macy's is the right thing to do. This is something I used to preach to the May board. There are economies of being able to advertise nationally. A company is at a disadvantage if it preserves local names and is forced to use expensive local media."

Another former May executive was surprised at the way the board tolerated some of Kahn's spending; for instance, upgrading the company jet from a GII that Farrell had purchased years ago to a GIII that reportedly cost $25 million.

"They knew the difference of what was going on," the executive said. "Gene romanced them. He took them away on long board meetings to places like Napa Valley, Calif. The board should have done something two years ago. Now it's going to be a long haul back."

Comps: Federated vs. May



When It Comes to Comps, Federated Betters May

By Vicki M. Young

NEW YORK — As far as comps go, it was a top-notch year for Federated Department Stores, but the same can't be said for May Department Stores, the rival retailer Federated is said to be eyeing for acquisition.

Federated finished its fiscal year with a gain of 2.6 while May came in with a decline of 2.4.

An analysis of same-store sales of the two department store companies showed that from the beginning of 2004, both were on the same positive track, hitting gains in comp sales for the first three months.

However, May stumbled in April, posting a 8.1 percent comps decline, while rival Federated saw same-store sales rise 5.4 percent. After that, except for a blip in June, May remained mired in negative territory.

"What went wrong was that May had a huge overhang of inventory from the year before that they couldn't give away," explained retail consultant Kurt Barnard. "May was able to get rid of some of the inventory in early 2004 through markdowns, and that boosted sales and comps, but not margins."

> **"May was able to get rid of some of the inventory in early 2004 through markdowns, and that boosted sales and comps, but not margins."**
>
> **— Kurt Barnard, retail consultant**

Barnard said the merchandise that's been hitting the sales floor, however, "hasn't been the kind of stuff people would buy at any price. They've marked them down, and marked them down even more, but still no one's buying and that's why comps have gotten worse. It's the reason why Gene Kahn [chief executive officer, until last month] is no longer at May."

Meanwhile, anticipated consumer spending might not provide much of a boost to May's nameplates for February.

Retail Forward's Future Spending Index downshifted in February, indicating that a moderate period of consumer spending is in store for the month. The Index declined to 100.9 from 104.9 in January. Last month, the Index bounded to its highest level in six months, according to Retail Forward.

"Following the healthy post-holiday bounce in spending, consumers appear ready to take a break in February," said Steve Spiwak, economist at Retail Forward, in a statement.

Spiwak added that the pause in spending was "expected," reflecting the fading stimulus of holiday gift cards and the recent retreat in the stock market.

But for Barnard, neither the month's Valentine's Day nor Presidents' Day sales events will help May.

"Valentine's Day is primarily a holiday for the younger set. The problem for May is that its targeted customer doesn't shop there anymore, and the ones that do — women way over 50 years old — eventually die. The young people stay away from May and that is one clear difference between May and Federated," Barnard said.

The consultant credits Terry Lundgren, Federated's chairman, chief executive and president, whom he referred to as a "master of good merchandising," for that retailer's success.

"While May is now a rudderless chain, Federated has the younger shopper in its stores. Terry recognized early on that the youth represents Federated's future," Barnard concluded.

January Sizzles for Retailers

Continued from page one

increases of 29.3, 19 and 13.4 percent, respectively.

The strong results came despite a weekend blizzard that shut down stores and shopping malls in the Northeast and Midwest in the last half of the month. Gift card redemption was cited as one reason for the robust results.

Among the 50 retailers tracked by WWD, 35 posted positive January comps, while 15 said comps fell into the red. The specialty sector was the clear winner with a 5.3 percent average jump in comps. The mass merchants showed an average gain of 4.5 percent, thanks in part to a 9.4 percent rise in Target Corp.'s same-store sales, while the department store sector came in with a 2.5 percent increase.

The Goldman Sachs Retail Composite Index experienced an overall 2.8 percent increase in January same-store sales among the retailers it tracks, which compared with a 5.9 percent rise in January 2004.

"Consumers came out in force redeeming their gift cards and taking advantage of winter clearance sales, giving retailers a better-than-expected sales month," said Mike Niemira, chief economist and director of research at the International Council of Shopping Centers, in a written statement. "Despite the fact that January is typically a clearance month, these results indicate that consumers are still in a positive spending mood."

As the product transition to spring assortments begins, however, experts have guarded optimism in regard to spring sales trends. While several retailers said consumers are already reacting positively to the season's first batch of goods, ongoing — and possibly overblown — concern resides in the fact that comp-store sales, or sales at stores open at least a year, in February and March face the hardest comparisons of 2005 with the prior year, according to data from the ICSC.

Moreover, analysts are concerned that retailers can't top the newness and excitement that surrounded spring 2004 merchandise, which many see as the beginning of luxury's reign.

"What I haven't seen yet is that kind of standout [spring] trend. Last year, you had lot of style and color coming off of a pretty long period of not very exciting products," said Chris Donnelly, a partner in Accenture Inc.'s retail and consumer goods practice.

Meanwhile, upward revisions to fourth-quarter earnings estimates were common among the retailers that reported strong comps Thursday, such as J.C. Penney Co. and American Eagle, based on both stronger-than-expected full-price selling of spring merchandise and robust sales of marked-down goods.

Despite January's strong comps —which were up against an aggregate 6 percent last year, according to the ICSC — harder year-over-year comparisons remain a focus for the retail industry.

It's also a source of contention for industry analysts. Some say retailers use the strength of the prior year's results as an excuse for the current month's weakness. According to Annette McEvoy of the retail consultancy that bears her name, however, these so-called "harder comparisons" will fail to negatively impact sales if retailers are spot-on with hot apparel trends.

"Always superior execution can overcome the harder comparisons," she said, adding that this spring "there's going to be a limit as to what customers are going to spend in each [retail] channel....It's more of a market share movement dynamic versus some major new growth initiative."

Still, the connection is hard to deny in some cases. For example, harder comparisons appeared to have a big impact on January results for May Department Stores, while others, such as Neiman Marcus, Target Corp. and Nordstrom, posted gains on top of the prior year's gains.

Then there's Kohl's Corp. and Gap's Old Navy division, which had relatively easy comparisons with last year, but January comps still came in somewhat weak.

Overall, comp results that had been strong during the holiday season remained strong in January. McEvoy said retailers that showed a new and fresh direction in their merchandise offerings were the clear winners of the post-holiday selling season, including Abercrombie & Fitch and Talbots. The latter, said McEvoy, was able to turn around sales in January by abandoning a previous strategy of offering apparel in colors that were too bright before and during Christmas.

Target Corp. same-store sales rose 9.4 percent.

"Consumers came out in force redeeming their gift cards and taking advantage of winter clearance sales, giving retailers a better-than-expected sales month."

— Mike Niemira, International Council of Shopping Centers

Talbots said on a recorded sales call that its 13.4 percent January comp advance was driven primarily by markdown selling. Yet, it also saw "a healthy increase of regular price selling of transitional spring merchandise," such as casual separates like jackets and denim, as well as silk scarves and silver jewelry.

"They're satisfying their pent-up demand from people who might have left," McEvoy said of Talbots.

The company also tightened its fourth-quarter earnings-per-share estimate to 28 to 29 cents a share, versus a prior projection for 27 to 31 cents. Analysts' consensus is 29 cents.

Shares of Talbots ended Thursday's session up 4.1 percent at $29.04 while shares of Abercrombie surged 10.4 percent to $55.

As for Gap, two of the company's three segments posted negative January comps. The company said on a recorded call Thursday that early selling of spring merchandise at Gap has been weaker than expected, while comp store traffic at Old Navy was down 5 percent in January. The company expects to earn 36 to 38 cents a share in the fourth quarter, versus analyst expectations for 37 cents.

In the mass merchant sector, Target was a big standout, posting a 9.4 percent pop in same-store sales from continuing operations, citing strength in shoes, jewelry and accessories, holiday merchandise and pharmacy sales.

The company, however, said in a press release that changes to two accounting metrics will pull down fourth-quarter earnings results by 6 to 7 cents a share. Last month, Target said earnings would come in below analysts' then-consensus of 94 cents due to heavy holiday promotions. The Wall Street consensus is now for 91 cents in the quarter.

JANUARY SAME-STORE SALES

	Jan. 2005 % Change	Dec. 2004 % Change	Nov. 2004 % Change	Oct. 2004 % Change
DEPARTMENT STORES				
Bon-Ton	6.6	6.6	5.4	(5.2)
Dillard's	3.0	1.0	(3.0)	(5.0)
Federated	(0.4)	2.3	(1.4)	4.0
Gottschalks	0.9	0.0	(8.1)	(1.9)
Kohl's	(1.6)	3.1	0.0	6.0
May Co.	(7.2)	(3.5)	(7.9)	(2.2)
Neiman Marcus	12.2	10.8	8.4	13.6
Nordstrom	8.8	9.3	3.1	11.5
J.C. Penney (dept. stores)	3.3	(1.2)	12.0	2.1
Saks Dept. Store Group	(0.9)	2.8	(0.6)	5.0
Saks Fifth Ave. Enterprises	3.0	12.1	6.8	3.6
Sears Roebuck (U.S. stores)	0.8	(3.0)	2.8	1.9
Stage Stores	3.7	3.1	6.0	1.8
Average:	2.5	3.3	1.8	2.7
SPECIALTY CHAINS				
Abercrombie & Fitch	17.0	10.0	2.0	11.0
Aeropostale	2.5	0.5	4.1	9.1
American Eagle (U.S. stores)	22.0	32.8	24.3	31.7
Ann Taylor	(3.6)	(1.5)	(8.3)	6.2
Banana Republic	7.0	(2.0)	(3.0)	3.0
Bebe	29.3	28.0	23.2	30.6
Buckle	8.6	4.4	(0.4)	8.4
Cache	2.0	7.0	3.0	1.0
Cato	4.0	2.0	3.0	5.0
Charming Shoppes	(3.0)	(3.0)	3.0	6.0
Chico's FAS	8.2	18.6	8.6	9.3
Christopher & Banks	19.0	(7.0)	(3.0)	7.0
Claire's	7.0	5.0	3.0	9.0
Deb Shops	(0.1)	5.0	(1.8)	3.7
Dress Barn	1.0	2.0	4.0	(4.0)
Gap (U.S. stores)	(6.0)	2.0	1.0	7.0
Goody's Family Clothing	(3.4)	0.7	(0.6)	(1.7)
Guess	4.4	5.6	0.5	6.2
Hot Topic	(2.5)	(6.2)	(8.0)	(3.8)
Limited Brands	9.0	2.0	(5.0)	1.0
Mothers Work	(3.7)	(1.9)	(11.6)	1.0
New York & Company	1.2	(5.0)	(0.4)	4.1
Old Navy	(13.0)	(1.0)	(5.0)	4.0
Pacific Sunwear	8.1	5.3	2.7	8.5
Talbots	13.4	2.8	(0.5)	4.7
United Retail	8.0	6.0	11.0	11.0
Walgreen	10.0	4.2	11.4	8.1
Wet Seal	8.2	(11.8)	(19.5)	(15.5)
Wilsons	(1.1)	(4.7)	(3.1)	9.4
Average:	5.3	3.4	1.2	6.2
MASS MERCHANTS				
Family Dollar	5.2	4.0	5.2	0.9
Retail Ventures	2.9	(0.7)	(5.3)	(0.2)
Ross Stores	(1.0)	2.0	(2.0)	4.0
ShopKo	(1.7)	(5.3)	(4.8)	(3.1)
Stein Mart	13.1	10.3	2.0	12.3
Target (discount stores)	9.4	5.1	3.2	6.0
TJX	5.0	6.0	2.0	7.0
Wal-Mart (discount stores)	3.2	2.6	0.3	2.4
Average:	4.5	3.0	0.1	3.7
Tally:				
Up	35	34	27	40
Flat	0	1	1	0
Down	15	15	22	10
Total	50	50	50	50

SOURCE: COMPANY REPORTS
PARENTHESES INDICATE DECLINES

WWD BEAUTYBIZ

PHOTO BY JOHN AQUINO

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Scent Sales Leap at Christmas

NEW YORK — The fragrance industry got a big present at Christmas in the form of a huge sales gain.

The December sales gain was massive enough to save the entire year, putting the women's business into the plus column for the first time since 2000, according to Timra Carlson, president of NPD Beauty, a division of the consumer tracking firm. Carlson analyzed last year's results during a forum held at the Metropolitan Club here on Monday, titled "Hot Off the Press." The session was sponsored by NPD and the Fragrance Foundation.

In women's fragrances, the December business showed a 6 percent jump in dollar terms, while men's advanced by 4 percent.

That December leap salvaged an otherwise dismal year. For the first 11 months, women's fragrances were flat and men's were lagging by 3 percent. But once December was added, for the full 12 months, women's showed an overall gain of 2 percent and men's stretched to practically flat at minus 0.8 percent.

Overall, celebrity fragrances were hot and newness continued to rule, Carlson noted, adding that without the new fragrances, the business would have been 13 percent down. However, "consumers still bought some classic brands," Carlson said, pointing to Chanel No.5 and Giorgio Armani's Acqua di Gio for Men. She added that one bright spot was the 'solid performance" of basic business — single bottles of fragrance — in both men's and women's. Gift sets fared unevenly with women's gaining by 2 percent and men's falling 6 percent.

The results are key since the December business accounts for 30 percent of annual fragrance sales.

The December sales gain was massive enough to save the entire year, putting the women's business into the plus column for the first time since 2000, according to Timra Carlson, president of NPD Beauty, a division of the consumer tracking firm.

As an aside, Carlson pointed that the entire U.S. beauty business, including hair, has grown to $40 billion, picking up $2 billion in the last two years. Those figures do not include travel retail, which would add another $1.5 billion to the U.S. total. The growth during the last two years came mostly from specialty store chains, TV shopping channels, warehouse clubs and the Internet.

Department stores still contributed $8 billion to the total last year, which represented a 4 percent gain in dollars and a 1 percent increase in units.

Later in the program, Carlson led a panel discussion that included Alison Slater, director of brand marketing at Sephora; Bob Briddon, group vice president of U.S. marketing at Avon Products, and Barbara Zinn Moore, senior vice president and general merchandise manager of Lord & Taylor.

Sephora had a strong December with comp-store gains of 14 percent in women's and 7 percent in men's. "The celebrity trend is booming," agreed Slater.

Avon rolled the dice with a high priced $30 fragrance from Selma Hayek. But the fears of price resistance proved unfounded. "it was a huge success for us," said Briddon, adding that the launch added $15 million at retail for the fourth quarter.

"There's no question that newness still works," said Zinn Moore, who added that celebrity is the hot ticket. That was underscored by the huge push that the Nicole Kidman advertising gave Chanel No.5. "The red carpet is more important than the Oscars themselves," she said. "No one remembers if J.Lo won an Oscar. But everyone remembers the green Versace dress."

Zinn Moore asserted that the business will not grow if manufacturers continue to trudge through the same routine, even with a groundswell of new product launches. "Someone has to have the courage to break the mold and reenergize the industry," she said, adding that in-store support is critical.

— Pete Born

Uemura Hopes for Shu-In With Mascara

The new mascara launches in May.

PHOTO BY JOHN AQUINO

NEW YORK — Shu Uemura plans to go to new lengths with its upcoming mascara launch.

FiberXtension Lengthening Mascara, coming in May, makes lofty claims: that it will deliver a lash-lengthening formula with a complement of compatible brushes. But at least one makeup artist swears it delivers. Polly Osmond, who plans to use the mascara backstage at runway shows including Tuleh, Cynthia Steffe and Rebecca Taylor this week, quipped Wednesday, taking a break from preparing for the shows: "The only thing this mascara doesn't do is the ironing and the washing."

The formula comprises of flexible fibers, which are said to emphasize the lashes' curl, and adhesive firming fibers that attach to the tips of lashes, intended to build length without flaking, said Chris Salgardo, general manager of Shu Uemura.

The formula is complemented by the brand's patented Triple Stroke Brush, a low-density spiral brush designed to layer the mascara on each individual lash without clumping, said Salgardo. However, he added, the tube is compatible with five additional Uemura mascara brushes, each $10: an 18-mm. version for precision application; a 20-mm. model for magnifying corner lashes, complementing almond-shaped eyes; a 25-mm. one to help create soft, moderate lash curl on the eyes' inner and outer corners; a straight brush to emphasize lash curls, and corn, with long center bristles to intensify the middle of the lashes for a wide-eyed look.

FiberXtension will be available in five shades — Xtra Black, Pearly Grey, Aqua Blue, Ivy Green and Shiny Bronze. Each will retail for $23.

While Salgardo wouldn't comment on projected sales, industry sources estimated that the new mascara could do $4 million at retail in its first year on counter. In the U.S., the brand is currently in 13 doors — mostly Neiman Marcus stores — and sold via its own e-commerce site, shuuemura.com, although additional doors will roll out throughout 2005, said Salgardo.

Also this spring, the brand will launch Velvet Perfect Adjusting Powdery Foundation SPF 14, a foundation that can do double-duty. That's because it's packaged with a two-textured sponge — one side spongy, the other a puff. The sponge side is for a more opaque finish, while the puff side is intended for sheer coverage and for touch-ups, he said. The applicator can be used either wet or dry for varying degrees of coverage.

Velvet Perfect also has a high-tech formula, noted Salgardo. A combination of fluoric polymer and silicone polymer-treated powder pigments gives a finish that is "waterproof, sebum-resistant and nearly fade-proof," he said. The foundation will be available in eight shades, each packaged in reusable compacts. The compact with one sponge will retail for $45, while refills will cost $32.50.

— Julie Naughton

Kiehl's Nabs Mancuso

PHOTO BY DIMITRIOS KAMBOURIS/WIREIMAGE.COM

Kevin Mancuso tries out new styling products from Kiehl's on actor Terrence Howard at Sundance.

NEW YORK — You could call Kevin Mancuso the hair apparent.

Kiehl's Since 1851 has signed the noted editorial hairstylist to a consultancy gig, helping to create and refine the brand's new Stylist Series of hair products.

The new line, expected to hit stores in late June, will comprise nine technologically advanced styling products. Pricing, which has not yet been finalized, will be in the $10-to-$20 range.

And the development process is already on its way with some unusual test subjects: Hollywood A-listers such as Renée Zellweger, Naomi Watts, Britney Spears and Evan Rachel Wood. Mancuso, who helped staff the brand's celebrity suite at the Sundance Film Festival and who is also prepping for Oscar night, sought feedback from stars on several of the products while in Utah. The results? Favorable. "Everyone's loved them — and I basically saw all hair textures at Sundance," said Mancuso, taking a break from a shoot Thursday.

Mancuso said that he's been a longtime fan of the brand's cult favorite Silk Groom, which he uses in multiple ways — to emphasize curls, slick back short hair and create tousled looks. "The quality's amazing on all of their products," he said, adding that he's worked with the brand "informally" over the past 10 years. "It's been amazing to work on this line. It's going to do well because it's not just a set of products that everyone has — the formulations are unique. Take the straightening gel. These types of products can be hard to use, but the Kiehl's version is more of a cream, and it's not too light or too heavy."

Other favorites include the wax and hair gel in the line: "The wax doesn't have the heavy, greasy texture that a lot of other waxes do," he said. "It can even be used on fine hair without weighing it down too much. And the hair gel's texture is so good that after you put it in your hair, you can run your hands through it without getting a handful of goo."

— J.N.

Zegna: Rhapsody in Blue

NEW YORK — There's a sporty new man headed for Ermenegildo Zegna territory.

The dapper Italian men's brand will, along with fragrance licensee YSL Beauté, introduce Z Zegna, the house's second fragrance, later this spring.

YSL Beauté made a conscious decision to echo the name of Z Zegna, the house's edgier apparel and accessories line, given how well the fashion and fragrance complement each other, said James Ragsdale, senior vice president, designer brands, for YSL Beauté.

"The name of our new fragrance is not very original — we stole it from the fashion house," admitted Ragsdale, who joined Maggie Ciafardini, chief executive officer and managing director of YSL Beauté's U.S. business, and Alessandro Sartori, Z Zegna's creative director, for a party showing off the fragrance at the Museum of Modern Art here Tuesday night.

But that's just fine by the apparel line's executives. "Z Zegna is a great opportunity to extend the brand, but still embrace its style and quality," said Sartori. "In working with YSL, we wanted to provide another, updated scent for the Zegna consumer. It is a complement to the fashion."

The first Zegna fragrance, Essenza di Zegna, was launched globally in the spring of 2003 in a selective distribution. Ragsdale described the original as "classic and traditional, while Z Zegna is sporty, modern and younger in spirit. The Essenza man is distinguished and buttoned-up; the Z Zegna man doesn't take himself too seriously."

The Z Zegna ad visual.

That lighthearted feeling is reflected in the scent, produced by a troika of Givaudan perfumers: Pierre Negrin, Antoine Lie and Olivier Gillotin. It has top notes of Sicilian bergamot, rosemary, mirabelle plum, red currant and casoar, a blueberry from New Guinea; a heart of powdery iris, nutmeg and white pepper, and a drydown of cashmere wood, tart patchouli and oakmoss.

"The Essenza man is distinguished and buttoned-up; the Z Zegna man doesn't take himself too seriously."

— James Ragsdale, YSL Beauté

The Z Zegna collection will consist of eaux de toilette in two sizes, 1.6 oz. for $40 and 3.3 oz. for $57; a 3.3-oz. aftershave lotion, $38; a 3.3-oz. aftershave balm, $36; a 6.6-oz. hair and body wash, $20, and a 2.6-oz. alcohol-free deodorant stick, $16.

The fragrance's sleek glass bottle, designed by Partisan Du Sens, is banded with a black rubber belt imprinted with the Z logo that is the hallmark of the apparel brand, and has a grooved silver-tone cap. The juice inside is tinted a soft steel blue.

The Z Zegna scent line will launch first in Italy, Spain and Portugal, in mid-March. It will hit the U.S. and most other global markets on April 1, followed by an April 15 debut in France. Total global doors for the scent will number 9,000, with 1,000 of those department and specialty store doors in the U.S. These numbers are 50 percent greater than the first scent's doors — 6,000 globally with 600 of that tally in the U.S.

While executives would not comment on projected sales targets, industry sources estimate that Z Zegna could do $30 million to $35 million globally in its first year, as compared with Essenza di Zegna's estimated $20 million at retail globally. Z Zegna's bigger payday is expected to come not only from the scent's additional doors, but also from its sportier, more accessible positioning in the market.

National advertising, shot by Jacques Olivar, will be produced in single and double-page spreads with scented strips, said Ciafardini. The visual features model Guillaume Gabriel reclining on a Ducati motorcycle, with an inset of the bottle. In the U.S., advertising will break in the April issue of GQ; placements will follow later in at least three other publications, still to be determined, she added. About 15 million to 20 million scented impressions are planned for the U.S. Advertising is planned in the United Kingdom, France, Spain, Italy and Germany, among others.

As well, the brand is experimenting with some nontraditional marketing on this launch — including an Internet awareness blitz.

"This is a line which lends itself to innovative marketing techniques," said Ragsdale. As well as giveaways: In selected global markets, the brand has partnered with Ducati to provide its bikes for display and giveaways. On the apparel side, the house has partnered with young celebrities whom it believes embody the brand's ideals, such as Adrien Brody and Diego Luna.

— Julie Naughton

PHOTO BY JOHN CALABRESE

Mark Knitowski, Marcia Mossack, Sherry Baker and Barbara Calcagni.

Victoria's Secret: She's in Love

NEW YORK — This May, Victoria's Secret is hoping to tap into a consumer with a taste for the finer things in life, from old-fashioned romance to pricey perfume, with the launch of its newest scent, So in Love.

With price points reaching $55 for a 2.5-oz. bottle of eau de parfum, So in Love is the lingerie brand's most expensive fragrance to date, according to Sherry Baker, president of Victoria's Secret Beauty. "There's an elegance to it that is distinctive, both in the fragrance and in the packaging," she said. "If you want to create something that is timeless, you have to go about it in a very aspirational way."

So in Love is not only aspirational in terms of price, but also in terms of its positioning: It was created for a woman who either is in love or wants to be in love, according to Baker. "As our portfolio develops, we look for those spaces on the emotional window of women that we haven't captured yet," she said. "It gives us an added opportunity to attract a new lingerie customer." Building a fragrance around such a heartfelt emotion is indeed a bit of a departure from the company's portfolio of sexed-up scents, including Very Sexy for Her and, most recently, Basic Instinct.

Although Baker declined to comment on sales figures, industry sources estimate So in Love could do up to $40 million in first-year sales.

The company's 13th fragrance, So in Love was created by Annie Buzantian of Firmenich. It opens with notes of fresh violet leaves, cognac, Moroccan rose, rose orient and rose de mai. In the center are notes of natural jasmine, spicy carnation, honey, cardamom, hedione, ylang-ylang and rose buds, while musk, ambrox and mysore sandalwood are at the base of the fragrance. The combination of rose with ylang-ylang and sandalwood provides just a hint of sexiness to the fragrance, according to Mark Knitowski, vice president of fragrance product development for Victoria's Secret Beauty. "It's a subtle sexiness, it's not as overtly sexy as other fragrances we've done in the past," he said. "It's more sensual and sophisticated."

The bottle is made of solid beveled glass, which creates more of a curvy, feminine effect, according to Marcia Mossack, executive vice president and chief creative officer for Victoria's Secret Beauty. Mossack went on to say that each aspect of the fragrance's packaging was inspired by the one possession that many women strive for, and the standard symbol of love in general: a diamond engagement ring. "We wanted something that was jeweled without having actual jewels on it," she said. The So in Love bottle rests on a velvet-like platform inside its elegant, light pink-and-silver box. In fact, the experience of opening the outer packaging feels strangely similar to that of opening, well, a box with a ring inside. "The [outer] packaging has a velvet platform, like a ring would," Mossack said.

This head-over-heels, storybook romance aspect runs throughout the So in Love experience, perhaps most explicitly in the ad visuals, which feature a sultry Adriana Lima lounging beneath the covers and sporting a rather stunning, 11-karat, emerald cut Mouawad ring. Lima was shot by Greg Kadel. "It's about how she is so in love with being in love, whether it's the moment she was proposed to or whether she's remembering the moment they met or walked down the aisle," said Baker of the visual. "What she's clearly focusing on is love and how that has transformed her, and the fragrance has the ability to transform in the same way love does."

So in Love will retail from $18 for a .25-oz. miniature purse spray to $55 for a 2.5-oz. bottle of eau de parfum. Ancillaries include a 6.7-oz. Body Lotion for $27 and a 6.7-oz. Body Wash for $22. In addition, a .5-oz. Shimmering Solid Perfume, housed in a jewel-like compact, will be available, as will a two-tiered So in Love Romantic Color Kit, featuring three shades of lipstick, one shade of lip gloss, four eye shadows, a highlighter and a bronzer. Both products will retail for $35 each.

The launch will be supported by promotional programs, including gift-with-purchase and a total of eight million scented impressions and samples, in addition to direct mail and package inserts, according to Barbara Calcagni, vice president of fragrance marketing for Victoria's Secret Beauty. Calcagni said that the fragrance will be featured at front-of-store both in May, when it officially launches, and then again in August. Baker said the second launch will help the company capitalize on the upcoming fall and holiday seasons. "When we launch [a fragrance] in the spring, we have an opportunity to pulse in before we hit holiday time," she said. "The objective is to widen the net as much as possible."

— Bryn Kenny

P&G's Task: Turning Razor

NEW YORK — Procter & Gamble may be basking in the afterglow of its planned $57 billion purchase of The Gillette Co., but the hard part, industry observers say, will be making it work.

Judging by P&G's track record with earlier acquisitions of Clairol and Wella, retailers and other market experts appear unconvinced that the Cincinnati-based consumer products giant can turn a razor blade manufacturer into a vibrant beauty brand. They cite P&G's penchant for jettisoning the talent of the acquired company, consolidating marketing spending and its inability to develop new markets that it has acquired as its main hurdles for a successful merger.

In addition, some major drugstore and discount retailers are voicing fear of being strong-armed by the new union, which will boast $60 billion in sales. "This is just part of the ongoing back and forth shift of power," said a discount store executive.

Whether P&G can absorb another acquisition is the question on many beauty executive's lips, most notably since the consumer company has a penchant for shedding the experts in charge of the brands it acquires, along with overhead. This is a critical point since P&G has no expertise in the razors and blades category. Succeeding in this new territory won't be easy, in the view of consultants.

Wendy Liebmann, president of WSL Strategic Retail, elaborated on P&G's typical acquisitions strategy: "The company tends to want to bring its acquired brands in-house rather quickly," rather than rely on the marketing expertise of the acquired executives. "It takes a long time to get your head around a new category," added Liebmann. "With each acquisition, [P&G] senior management can't continue to be totally devoted to the core categories."

Consumer products analyst Bill Chappell of SunTrust Robinson Humphrey predicts P&G likely will leave Gillette's razors and blades business as a stand-alone operation, and first bring its personal care brands in-house, namely the men's grooming line Gillette Complete and Right Guard deodorants. "It would be a monumental mistake if P&G brought the razors and blades business in-house, because Gillette does such a good job marketing to men," said Chappell, adding, "It's questionable that P&G could actually improve on that part."

> **"It takes a long time to get your head around a new category. With each acquisition, [P&G] senior management can't continue to be totally devoted to the core categories."**
>
> **— Wendy Liebmann, WSL Strategic Retail**

The deal, which a P&G spokeswoman said likely will take six to nine months to close, could cause P&G to take its eye off of its most precious asset: beauty. Over the past several years, P&G has been challenged in beauty by the formidable L'Oréal Paris, retailers said, as well as by up-and-comer Physicians Formula. One retail executive said his P&G beauty business has been down and that the company has done little to boost Clairol's hair color business. "Maybe this [deal] is to take our minds off of the fact we aren't seeing hair color growth yet," he said.

Indeed, sales gains of Clairol products haven't been realized since the 2002 acquisition brought P&G into the hair color arena. In fact, sales of Clairol's hair color brands fell by 6.7 percent for the 12 months ended Dec. 24. to $318 million, according to Information Resources Inc., excluding Wal-Mart. And while P&G was busy integrating Clairol, L'Oréal was launching new products such as Couleur Experte, a $20 dual-process hair color kit that shattered the price barrier in the category. In the skin care aisle, L'Oréal broke new ground with a $25 microdermabrasion kit that is selling like beauty's answer to the iPod.

As if to acknowledge its slow digestion of Clairol, P&G's Rob Matteucci, former head of the Clairol business, left the company last year and hair color was added to the title of Marc Pritchard, who is now president of Global Cosmetics and Retail Hair Colorants. Pritchard is credited with turning around the Cover Girl and Max Factor brands.

Clairol also brought Patrice Louvet, former general manager of P&G's Northwest Asia Hair Care division, on board, naming him general manager of North America Retail Hair Care Color.

Growth in the hair color category has been negative for at least the 12 months prior to Dec. 26. One drugstore buyer noted that P&G's ambivalent handling of the Clairol brands might signal what it will do with Gillette's brands.

"It's too early to tell what the acquisition will bring, but with Clairol, it seems that P&G just added the brand to an existing salesperson's bag of goods. Where once the salesperson was selling Pantene and Secret, they then started selling Nice 'n Easy and Herbal Essences, too. It doesn't seem to have the specialty it once did," the buyer said of the Clairol business, adding that he hopes that the same won't be the case for Gillette's technologically sophisticated product portfolio.

Others think the acquisition might dilute the Cover Girl and Max Factor businesses, perhaps even giving Revlon more time for revival.

"This can distract them," said industry expert Allan Mottus. He added that a big part of the allure of Gillette for P&G is to expand its international business — another component that could remove the emphasis for the short term from beauty.

Mark Griffin, president and chief executive officer of Lewis Drugs Inc., a regional drugstore chain based in Sioux Falls, S.D., is among those thinking that

P&G recently relaunched several Clairol brands, including Herbal Essences, to help bolster hair color sales.

Gillette entered men's skin care last year with Complete.

P&G's new Olay Quench skin care brand.

COVER GIRL PRODUCT PHOTOS BY ROBERT MITRA

Blades Into a Beauty Brand

the effort P&G must put into digesting the acquisition could give Revlon some wiggle room. "It gives Revlon a breather. No matter how you cut it, it isn't easy to take on a $57 billion acquisition."

The acquisition also could help L'Oréal flourish in mass beauty. "L'Oréal is kicking on all cylinders," said Mottus. "Their new products, such as the glycolic peel, are hot and the company is going to learn so much from its freestanding stores."

But the Gillette acquisition does offer P&G a real opportunity to immediately delve into the men's beauty business. Gillette, far from a true beauty brand with shave, batteries and oral care accounting for much of its revenue, last year launched Complete Skincare, a six-item men's line that includes a shave gel, an SPF 15 moisturizer and a cleansing bar. Men's beauty is a category that P&G has only dabbled in with its Old Spice brand, even as the segment grew from a niche market into an estimated $175 million business, $45 million of which comprises face lotions and cleansers, P&G's specialty. The balance comprises aftershave sales.

Even with Old Spice, P&G has been a relatively minor player in the thriving men's arena. Compared with its competitors, P&G seems to have arrived at the party late. Since 2002, manufacturers such as Beiersdorf and Neutrogena have carved space on crowded mass retail shelves with product lines that defeminize the skin care experience and instead focus on true product benefit.

Beiersdorf's Nivea set the standard for what men liked and wanted in their personal care regimen with Nivea For Men. No-nonsense products with masculine packaging sealed its potential. Most recently, the brand launched the mass market's first men's antiaging treatment, Nivea Revitalizing Lotion Q10, and last year expanded the brand with several face products, including Fresh Cooling Shaving Gel, Oil Control Face Wash and Oil Control Lotion.

Neutrogena also has built a solid men's skin care business comprising face wash, shave gel, face scrub, face lotion and, most recently, a deodorant bar. Unilever, known in mass beauty for its hair care portfolio, designed an entire Suave shampoo and styling line for men, complete with 12 stockkeeping units. And L'Oréal, which has several men's hair color sku's, is rumored to be entering the blossoming men's skin care category this spring.

Retailers also are starting to respond to the growing category. Rite Aid, for one, has doubled the amount of space it dedicates to men's grooming, from four to eight feet. CVS last year signed an exclusive deal with King of Shaves' XCD brand to sell its men's skin care products.

Whether P&G can pull off supporting a men's skin care brand remains to be seen, let alone whether the firm can nurture it into a relevant, competitive business. Already some analysts are saying Gillette Complete may fall by the wayside as "the opportunity for P&G is [in making] line extensions of the Gillette brand," not necessarily retaining existing products.

But Gillette isn't just a men's company. Roy White, vice president of education for the General Merchandise Distributors Council, discussed its women's business. "Just look at what they've done in women's shave," he said. Since it hit the market in 2001, Gillette's Venus brand has amassed sales of $2 billion and continues to introduce new, higher-priced versions, such as the battery-power Venus Vibrance, due out this spring. And Gillette does have some beauty roots: The company once owned Germaine Monteil as well as Jafra, a direct beauty company.

What both companies have going for them — given their stature as category captains across several beauty and personal care areas — is their capacity to leverage reams of consumer research to help retailers build a more profitable, consumer-friendly assortment. And both have independently pushed retailers to adopt a "good, better, best" merchandising strategy to encourage consumers to trade up to more expensive products.

But will the consumer see a difference? Gary Crawford, director of nonfoods operations of United Supermarkets, believes consumers will see better products with higher levels of marketing expertise.

"Shrinking isn't always a good thing for the industry," said Crawford. "I don't think P&G will take its eye off anything. I think they'll add more lines as it sees fit and cut what needs to be cut."

And, Mottus thinks, in an interesting twist, P&G might actually become more entrepreneurial when it comes to product development. "Procter has been oriented to going big; this may give them the chance to innovate."

Added Griffin at Lewis: "P&G is creative and Gillette is known for manufacturing. Putting the two together is a coup. Consumers should benefit."

The verdict is still out whether retailers will feel the pinch from the megadeal. On a conference call with investors last week, Alan G. Lafley, chairman and ceo of P&G, said with the addition of Gillette, P&G is projected to grow to a $75 billion company by the end of the decade. The deal has been approved by the board at both firms, but must still be given the green light by regulators and shareholders.

Retailers as mighty as Wal-Mart might not flinch at P&G's beefed-up size, and may continue negotiating with the supplier as they normally do.

"Procter was a 400-pound gorilla before the acquisition," said SunTrust's Chappell. "Now, it's a 410-pound gorilla. Either one can crush the competition."

But deals of this magnitude generally hit regional retailers hard. "I think anytime you have fewer sources, it is a bigger challenge," said Lewis' Griffin.

Often, big vendors link with powerful retailers, leaving regional chains behind in new products and programs. However, Griffin said P&G has been attuned to regional needs and he expects that will continue.

However, retailers smaller than Wal-Mart will feel the impact of the deal, mainly since the acquisition means one less deep pocket to support lucrative retailer programs, such as trade shows. These venues can mean the loss of as much as $50,000 per show in support. But the real pain for retailers will come from the potential absence of Gillette's promotional dollars, especially when it comes to in-store promotions and cooperative ad campaigns.

"There will certainly be less promotional opportunities," said one industry consultant who works closely with retailers to build their beauty business.

He added, "Gillette was extremely aggressive in their spending. They would pony up increased funds to drive business, whereas P&G uses a standard percentage for their promotional budget. P&G always had a problem with Wal-Mart because [the retailer] was trying to drive prices down. But now P&G is a larger, broad-based player and is in all kinds of categories, such as shave and batteries," the consultant continued, asserting that P&G's bulk will now strengthen its influence because of its newly broadened base. This could have an impact on its negotiations with Wal-Mart.

"I think Wal-Mart has been insulated from this for a long time, but there will be less room for them to make demands," the consultant said.

Other retailers have mixed feelings about the marriage of P&G and Gillette. On one hand, retail chain executives are happy about the prospects of product innovation under P&G's tutelage combined with Gillette's expertise in manufacturing. But many grumble about the ongoing consolidation in the manufacturing sector. With fewer vendors, retailers fear tougher price negotiations and a lack of creativity.

Some drugstore executives think the ongoing compression shifts the balance from retailers to manufacturers, making it harder to strike opportunistic deals. "They just had to counter Wal-Mart," said one discount store source. Explaining the shifts of power, he continued, "First, manufacturers had more power, then point-of-sale scanning technology shifted it to retailers. Category management put it back in the vendors' court and then Wal-Mart rewrote the rules."

However, Wall Street seems unmoved by the deal's possible effect on retailers.

"I haven't really given much thought to it," said Jack Russo of A.G. Edward & Sons. "CVS will still be dealing with much of the same thing," such as the rising cost of prescriptions, not pricing issues from the P&G-Gillette deal.

Ulysses A. Yannas of Buckman, Buckman & Reid Inc. said the merger wouldn't likely affect drugstores since they traditionally pay more — and charge more — for consumer goods than retailers such as Wal-Mart anyway.

He was unfazed, too, about the impact on Wal-Mart, explaining that P&G's and Wal-Mart's relationship is decades old. P&G's second-largest U.S. office is practically across the street from the retailer in Bentonville, Ark.

"Wal-Mart buys 17 percent of P&G's inventory and 15 percent of Gillette's inventory. I doubt if P&G is interested in disturbing that relationship," Yannas said.

— Faye Brookman, Andrea Nagel and Molly Prior

Gillette's latest innovative razors.

P&G's lone brand in men's grooming.

Items from P&G's Cover Girl Indigo Island 2005 summer collection.

The Beauty Report

Jane's Second Act: Maturity

NEW YORK — When Lisa Yarnell, along with a group of investors, bought Jane Cosmetics one year ago, the beauty executive pledged to give up her beloved Chanel cosmetics — piece by piece — once the fledgling beauty company was able to offer mass shoppers a product of equal quality.

During a recent meeting held in Midtown here — two blocks from the corporate headquarters of Jane's former owner, The Estée Lauder Cos. — Yarnell brazenly dumped out her makeup bag, chock full of Jane products. Not a Chanel lip gloss, mascara or concealer in the lot.

Jane's mission, outlined the firm's vice president of marketing, Meridith Gray, is to entice prestige loyalists — like Yarnell — to shop the value-priced line in drugstores. To do this, said Gray, Jane is bringing department store aesthetics to its packaging, advertising and in-store displays. At the same time, Jane's low price points, added Yarnell, president and chief executive officer of the company, will encourage consumers shopping budget brands, such as Wet 'n' Wild, to trade up to Jane. Jane is not alone in its attempts to bring mass beauty shoppers department store quality. Other players, such as Sally Hansen Healing Beauty, Physicians Formula, Prestige Cosmetics, and newcomer NYX Cosmetics, are all touting the same positioning, albeit at varying price points.

Undeterred, Yarnell spent last year doing the heavy lifting to revive the brand: ditching teen items, such as fruit-flavored lip gloss, mapping out a marketing campaign and bulking up Jane's face makeup business with a cream-to-powder foundation and a foundation with SPF15 under $10 — a first for the mass channel.

Jane, which was positioned as a teen brand in the late Nineties, lost favor with retailers once the teen trend burst, and sales of girl-targeted cosmetics brands failed to yield sales gains. The brand was then relegated to out-of-the-way display space. When Yarnell took over the Jane business last year, many retailers were looking to ax the line all together. She had to convince them the line was worth saving, noted Yarnell. She argued that Jane did have a mature customer base, given face makeup accounted for 40 percent of the company's retail sales last year. "That's what told us that we could buy the business," said Yarnell, noting that the face category drives consumer loyalty in the beauty arena.

New from Jane: ColorStick Eye Crayons.

PHOTO BY JOHN AQUINO

The company has tweaked the packaging of its foundations, trading plastic tubes for glass bottles and outfitting its oil-free foundation with a pump-top dispenser.

Yarnell reported retailers have rewarded her elbow grease by increasingly moving Jane from promotional areas of the beauty department to the cosmetics wall. She added business is up more than 25 percent since its purchase, and that for the first time in 12 years the brand is profitable.

Jane also made inroads into the Canadian market last year. It has set up shop in Zellers and Pharma Plus, and is in the midst of testing its line at Shoppers Drug Mart.

While the company would not discuss the brand's distribution, industry sources indicated Jane is in 25 percent more doors than one year ago, and has nabbed 30 percent more retail space.

To reintroduce itself to consumers, Jane launched a marketing campaign at the tail end of 2004. This year's print ads, which broke in December's books, rely on four "Janes," or personalities, to capture the attention of its core consumers, women 19 to 39 years old. Each of the Janes, namely, Baby Jane, G.I. Jane, Mary Jane and Jungle Jane, represents a 21-piece color collection that will be merchandised on countertop displays and supported with a dedicated print ad. Baby Jane and G.I. Jane displays shipped in December, with ads breaking in February.

Their peers, Mary Jane and Jungle Jane, will follow in late spring. A fifth Jane, currently dubbed Jane Bond — a glamorous, mysterious incarnation — is scheduled to join the gaggle of Janes for holiday. Industry sources anticipate Jane's advertising efforts will total $5 million over 2005.

Yarnell and her team will present Jane's product at the Efficient Customer Response Management meeting, scheduled to take place in San Francisco next week.

The lineup includes a smattering of lip and eye products. Several of the dual use products include: Gloss 'n Line, a lip liner and gloss in one, and Shadow 'n Line, a cream shadow with eyeliner, for a suggested retail price of $4.99 each; ColorStick Lip Crayon, said to condition and plump lips, and ColorStick Eye Crayon, designed to smooth wrinkles and brighten eyes for $3.99 each, and Max Lash2 Primer +, a dual-ended mascara with primer on one end and pigment on the other for $4.99 each. Jane will also expand its mascara offering with Max Lash2 Mascara +, a dual-barreled wand with black mascara on one side and a vibrant pigment — either purple, gold or blue — on the other.

Yarnell commented that this year, more than half the Jane products on its cosmetics wall are new. While the company would not comment on sales, industry sources expect Jane's sales, which were less than $25 million in 2004, to reach $40 million by the end of this year.

The company has also replaced Jane's current logo with a simplified version (without dots) on product cards, which will ship this spring. With the change, the company has prevented peg holes, used for merchandising the cards, from piercing through the Jane logo. Updates to the firm's wall display are slated for fall.

— Molly Prior

Henkel Cosmetics and Toiletries Net Up

BERLIN — The cosmetics and toiletries division of the Henkel Group had a strong fourth quarter ended Dec. 31, with operating profit rising 31.5 percent to 70 million euros, or $90.8 million at average exchange rates, and sales growing 22.9 percent to 664 million euros, or $861.1 million.

On Thursday, the Düsseldorf-based group said acquisitions such as Dial, ARL and Indola helped boost 2004 beauty sales by 18.7 percent to 2.48 billion euros, or $3.24 billion. Adjusted for currency effects, sales for the division grew 21.8 percent. Earnings before interest and taxes for the year rose 16.2 percent to 225 million euros, or $293.9 million.

The group, which also includes laundry and home care, consumer and craftsman adhesives and technologies divisions, reached its growth objectives in 2004. Group sales rose 12.3 percent to 10.59 billion euros, or $13.83 billion, with organic growth placed at 2.9 percent. Last summer, Henkel lowered its organic growth target from 3 to 4 percent to 2 percent.

Group pretax earnings surged from 706 million euros, or $922.3 million, to 1.92 billion euros, or $2.51 billion. This figure includes one-time proceeds of 1.77 billion euros, or $2.31 billion, relating to an exchange of Henkel's 28.8 percent stake in Clorox, the group pointed out.

In 2005, Henkel said it expects sales, after adjustments for foreign exchange rates and acquisitions divestments, to organically grow between 3 and 4 percent. Without exceptional items, the group is forecasting growth in pretax earnings, after adjusting for foreign exchange, to be in the high teens.

— Melissa Drier

TOPNOTES

GIVAUDAN APPOINTMENT: Givaudan Fragrances has named James Krivda as vice president of perfumery for the firm's New York Fine Fragrance Creative Center. He reports to Cosimo Policastro, executive vice president for Givaudan's Fine Fragrance division. Krivda, a 20-year veteran of the fragrance industry, most recently worked for Fragrance Resources.

ARCADE MOVES: Arcade Marketing Inc. has appointed two executives to its personal care, food and beverage and over-the-counter pharmacy businesses. David Richardson was named senior director of consumer packaged-goods sales. He was most recently director of agency-advertiser sales in the eastern region for Taylor Nelson Sofres Media Intelligence/Competitive Media Reporting. Additionally, Lisa Wolf was appointed marketing communications manager at Arcade. She previously served as a marketing communications professional at liquor distributor Schieffelin & Co.

ALSTER APPEARANCES: Dr. Tina Alster, Lancôme's dermatological consultant, made her first New York appearances for the brand at the Lancôme counters of Saks Fifth Avenue and Bergdorf Goodman on Jan. 26. The PAs were the final of several recent invite-only department store appearances in Los Angeles, San Francisco and Washington, where Alster is based. At the New York events, Alster educated customers about the brand's recently launched Resurface Peel Restructuring and Soothing System, which she helped develop. Alster's appearances have averaged between 40 and 50 attendees, according to the company, and resulted in about $25,000 in sales a day, according to industry sources. Alster's next appearance is planned for Lancôme's Short Hills, N.J., boutique. A date has not yet been set.

BRANDT OPENS IN TAIPEI: Dermatologist skin care brand Dr. Brandt opened its first store in Taipei, Taiwan, last month. Located in a district that is home to Hugo Boss, DKNY, Giorgio Armani and Shu Uemura boutiques, among others, the 1,000-square-foot Brandt store features stark marble and glass interiors to showcase the minimalist black and white products. Dr. Frederic Brandt himself is scheduled to make an appearance at the Taipei location in early March.

Linda Marshall, Annette Green, Dionne Warwick, Ed Kavanaugh and Jennifer Marshall.

PHOTO BY KEITH SMITH

OCD Event Raises $126,000

NEW YORK — Beyond Beauty, the cosmetics industry's fund-raiser for the James E. Marshall OCD Foundation, held its inaugural dinner on Jan. 26, saluting Ed Kavanaugh and Annette Green.

Despite the winter weather, Kavanaugh, the retiring president of the Cosmetic Toiletry and Fragrance Association, and Green, president emeritus of the Fragrance Foundation, drew a crowd of 215 top industry executives to the Union League Club, including Andrea Jung, chairman and chief executive officer of Avon Products, and Marc Pritchard, president of global cosmetics and retail hair colorants at Procter & Gamble. The dinner, which was emceed by Dionne Warwick, raised $126,000 to benefit genetic research into the cause of obsessive-compulsive disorder. The money also will be used to educate the public about body dysmorphic disorder.

The foundation was formed in honor of the late son of Linda R. Marshall, president of Elysée Scientific Cosmetics. James Marshall died from effects of OCD.

PHOTO BY JOHN AQUINO

23 by Michael Jordan.

Jordan's 3rd Scent Is a 23

NEW YORK — While he may spend more time on the links rather than on the court these days, retired basketball phenomenon Michael Jordan is returning — to the fragrance game, that is.

A new men's cologne, called 23 by Michael Jordan — a reference to the number he wore at his peak — will be introduced in mass, specialty and department store doors by Deer Park, N.Y.-based Five Star Fragrance Co, a wholly owned subsidiary of Quality King. The June launch is part of a two-pronged effort by Five Star to reinvigorate the nine-year-old Jordan brand. Also this year, Five Star will roll out to mass market doors Michael Jordan Grooming, an eight-stockkeeping-unit men's hair care and shaving line that was first launched exclusively at Rite Aid in November.

MEN'S CORNER

The 23 by Michael Jordan introduction is Five Star's first Jordan fragrance launch since it acquired the Jordan license from Bijan Fragrances Inc. in 2002. At that time, Five Star also acquired the license for Bijan fragrances, a property it expects to have until 2012. The Jordan license expires in 2009.

Jordan's retirement from the National Basketball Association following the 2002-2003 season has not impacted sales of his fragrances, Five Star executives asserted. Ray Piergiorgi, chief operating officer of Five Star, claimed that sales of Jordan's scents have risen 25 percent since Five Star acquired the license.

"We know the market for products that bear Michael Jordan's name," said Piergiorgi. "He is still one of the most widely known athletes worldwide. We're taking advantage of that."

By the end of last year, Michael Jordan fragrances generated between $12 million and $15 million in global wholesale sales volume and were backed by $1 million in advertising, according to industry sources. The brand is carried in 20 global markets, including the Middle East, Asia, Europe, South Africa and Latin America.

In addition to honing his golf swing at events such as the fourth annual Michael Jordan Celebrity Invitational tournament last month, "Michael is involved in approving product and packaging for the new fragrance," said Piergiorgi. "For the shaving and hair care line, he personally approved each."

As Jordan's third scent overall, 23 follows a signature scent the athlete introduced in 1996 and the subsequent launch of Jordan by Michael in 1999.

Five Star will launch 23 by Michael Jordan first at 242 Perfumania doors, then roll it out to about 13,500 mass, specialty and department store doors — including Walgreens, Ulta and Sears — in the second half. Simultaneously, Five Star will roll out Michael Jordan Grooming to about 7,500 doors.

"With the two new properties," said Piergiorgi, pointing to 23 by Michael Jordan and Michael Jordan Grooming, "we'd like to increase [sales] 25 percent [this] year."

While Five Star is trying to appeal to all males with 23 by Michael Jordan, according to Piergiorgi, the cologne has a more narrow target audience of active men 18 to 33 years old. The scent, blended by Mane USA, features olfactory accords of citrus, spice and musk. A 3.4-oz. version will be available for $45 and a 1.7-oz bottle is priced at $35. A 3.4-oz. aftershave is priced at $30.

Michael Jordan Grooming, which ranges in price from $6.95 to $7.99, includes conditioning and thickening shampoos; a pomade; Fiber Cream; Extreme Styling Gel; Easy Glide Shave Oil; After Shave Skin Toner, and Aloe Shave Gel.

— Matthew W. Evans

Ahava Revamps for U.S. Appeal

NEW YORK — Israel-based beauty company Ahava, which hails from a country no bigger than the size of the state of New Jersey, wants to blanket North America with its skin care products.

Ahava products, known for mineral-rich formulas derived from the Dead Sea, began selling in the States more than 10 years ago. Today, it's found in an eclectic mix of some 550 stores, ranging from Whole Foods to Bloomingdale's. Ahava is also sold in The Limited Brand's Bath & Body Works 66 flagships, as well as its new C.O. Bigelow format. Its worldwide business stretches across 25 countries.

To ramp up its presence on this continent, Ahava's parent company, Dead Sea Laboratories — located on the banks of the Dead Sea — has ended its deal with Ahava USA, its previous distributor based out of South Carolina, and formed Ahava N.A. led by president Jerry Rauchwerger in collaboration with New York Accessory Group.

The firm will be charged with widening distribution of the company's main collection, recently renamed Ahava The Source; a body care line for dry skin called Dermud, and its offering of antiaging products called Time Line. Retail price points range from $15 to $60.

Despite a boom in wellness products and day spas, Ahava sales remained flat last year, signaling time to revisit the company's approach to the North American market, said Rauchwerger.

Ahava N.A., which took over distribution Jan. 1, plans to jump-start the company's growth with brand-new packaging created by Ahava Israel, an advertising campaign and new retail partners. The goal is to grow its current N.A. sales from $14 million to $20 million by the end of 2005, and to reach $40 million in sales the following year.

New packaging, which launches this quarter, was designed to give Ahava a "more serious, therapeutic look," explained Rauchwerger. He added that the addition of the subbrand The Source to the main collection was intended to connote the exclusivity of Dead Sea minerals.

Ahava's marketing campaign — the first for the brand since it hit U.S. shores more than a decade ago — includes print ads that break in June beauty magazines, an aggressive public relations program led by the Gale Group and in-store events that will include sampling and gifts-with-purchase at department stores, namely Nordstrom, Bloomingdale's, Marshall Field's and Lord & Taylor. Industry sources anticipate Ahava N.A. will spend $1 million in marketing and advertising expenses.

Ahava's new packaging.

PHOTO BY ROBERT MITRA

"This brand is so ripe for growth," declared Rauchwerger, pointing to Lord & Taylor, which expects its Ahava sales to double in 2005.

The company, which has outlined a distribution goal of 750 doors by yearend, is also eyeing specialty retailers, such as Saks Fifth Avenue.

— Molly Prior

SNIPPETS

REVLON'S CATWALK: In a first for the 73-year-old beauty company, Revlon will preview its fall-holiday cosmetics collection during New York Fashion Week. The company has teamed up with budding design duo Christopher Crawford, 25, and Angela Deane, 27, of the fashion label Christopher Deane. In addition to creating the makeup looks for Christopher Deane's fall collection, Revlon will host the runway show — scheduled to take place Saturday evening at the company's headquarters. ABC Carpet & Home will outfit the Revlon Penthouse for the occasion. Revlon makeup artists, lead by Frances Hathaway, will use a color palette of deep purples, dusty berry and hunter green — all with metallic accents — to complement Christopher Deane's "magpie-inspired" collection, which is said to be a modern twist on contemporary themes. Revlon spokesmodel Eva Mendez — in town on a promotional tour for the film "Hitch" — is planning on attending the show, according to a Revlon spokeswoman.

REDKEN TAPS GUIDO: Redken has signed fashion hairstylist Guido Palau to promote their hairstyling products to the media, as well as during fashion week. Palau regularly works with photographers such as Steven Meisel for editorial work seen in beauty magazines such as Allure and Harper's Bazaar, and in ad campaigns for designers Prada, Louis Vuitton, Calvin Klein and Jil Sander. A media conference will be held in the fall after spring 2006 Fashion Week to recap the season's hairstyling trends and what Redken products can help achieve those styles.

BACKSTAGE BEAUTY GETS HIP: Aveda's hair and makeup teams will be sporting custom-designed T-shirts backstage during New York Fashion Week. Created by London's Keanan Duffty, the hand-dyed, 100 percent organic cotton shirts blend rock star-turned-designer with eco-chic beauty and feature a hand-sewn Aveda flower appliqué.

HIGH AND DRY: Kerastase has expanded its exclusive Nutrasculpt line with two new stockkeeping units that aim to style hair in need of a shine boost. There's Vinyle, a shine crème with flexible hold meant for dry, short-to-medium length hair. The water-based formula isn't sticky and can be applied throughout the day, said Amber Miller, national education manager for Kerastase. Nacre is a treatment shine wax for short-to-medium styles meant for piecing and sculpting. The crème wax has a mother-of-pearl shine, meant for dry hair, said Christine Banks, Kerastase marketing director. Vinyle and Nacre launch nationwide Feb. 15 in salons where Kerastase is sold and will retail for $29 each.

EIJI OPENING: Hairstylist Eiji Yamane, who has worked with fashion designer Zang Toi to create hairstyles for the designer's runway shows for eight years, opened Eiji, a new New York salon, last week. An opening bash was held Tuesday evening. The stylist's new 4,500-square-foot space, on the fifth floor of 601 Madison Avenue, near 57th Street, features 31 styling chairs and offers cutting, coloring, pedicure and manicure services. A dim, candlelit alcove off the salon's main floor is designed to be calming for customers receiving shampoo, deep conditioning and massage treatments. The space was designed by Koichi Hara. Yamane, who simply goes by Eiji (pronounced a-gee), sold his former, 14-chair salon at Madison Avenue and 66th Street after 10 years there. He acknowledged his new digs could bring in first-year sales of between $1 million and $2 million and eventually boast 50 staffers.

Media/Advertising

Sharon Waxman

Waxing Rebellious

By Jeff Bercovici

NEW YORK — Any job as glamorous as Sharon Waxman's is always going to come with unwanted attention. As Hollywood correspondent for The New York Times, Waxman has been the frequent subject of Page Six gossip items. First, it was her alleged feud with "I Heart Huckabees" director David O. Russell. Then, earlier this week, it was a story about "Million Dollar Baby," with a headline that included a plot spoiler.

But Waxman has been getting her share of good press, too, in the form of positive reviews for her new book, "Rebels on the Backlot," about the rise of "maverick directors" Russell, Quentin Tarantino, Paul Thomas Anderson, Steven Soderbergh, Spike Jonze and David Fincher. WWD spoke with her about the Oscars, the state of independent film and why Page Six should get off her case already.

WWD: How did that "Million Dollar Baby" spoiler make it into the paper? Was there any discussion beforehand?
Sharon Waxman: First, the writer doesn't write the headlines. Hello, news flash: The people at Page Six know this. It's all just very silly. As to whether the headline writer should have been more careful, that's not a question for me to deal with. In the story, it says very clearly very high up, in one of the earliest sentences, "If you do not wish to know the plot, do not read further." You have to weigh the difference between not wanting to report late on something significant and not wanting to ruin the moviegoing experience.

WWD: You've spent a lot of time getting to know a small group of directors. Are the people who make interesting movies as interesting as the movies they make?
S.W.: Definitely. There's not a boring one in the lot. At the same time, I'm interested in them because of their movies. I really write about these guys because I think their movies are going to last. When we look back in 30 years and say, 'Which are the movies that felt like that period of time, that felt like the Nineties,' I think theirs are going to be those movies.

WWD: Is the revolution you wrote about alive and well, or are we back where we started in terms of corporate Hollywood's risk-aversion?
S.W.: It's hard to say. I think there are some directors who are still able to make the movies they envision. The question is, have they been corrupted by the studio system, have they lost their edge? I'm not willing to render a verdict on it yet. I do say in the book that a lot of the movies the people I've called rebels have made in subsequent years have shown the effect of the media machine, of having been told how fantastic they are and the taint of the studio system creeping in to sand down their rough edges. It's a constant tension.

WWD: What will you be wearing to the Oscars?
S.W.: You want to know the truth? I wear the same white Ralph Lauren pantsuit to the Oscars every damn year. Because you bake on the red carpet and you freeze in the pressroom, and then you have to go out to all the after parties. Comfort is a big factor for me. When I can find it, I wear a white cowboy hat to the after parties.

WWD: What film do you like for best picture?
S.W.: Are you asking what I think will win or what I think should win?

WWD: Let's hear both.
S.W.: I'll give my professional opinion. I'm not going to give my personal opinion. The actual, correct answer is, it's too soon to tell. We've got four weeks of campaigning ahead of us. From the get-go, "The Aviator" has the edge because it has the most nominations. But don't forget that Clint [Eastwood] won the DGA [Directors Guild of America] award. That can change a lot. Today, I'd probably pick "The Aviator." I don't like betting against Harvey [Weinstein].

MEMO PAD

THE GILLES WORLD: With **Gilles Bensimon**'s contract coming up for renewal, talk is percolating that the Elle publication director is set to move on, possibly to a post at Hachette headquarters in Paris. But Bensimon insists the rumors aren't any truer now than they were when his contract came up three years ago. "It's just a matter of time," he said, before a new deal is in place.

According to a knowledgeable Hachette source, Bensimon has been earning between $1 million and $2 million a year under his present contract. Bensimon didn't dispute that estimate, but said his compensation package was complex, involving bonuses and perks, as well as salary.

With Elle's newsstand performance up, Bensimon could get an even richer deal when he re-ups, said a former top media executive. "They'll give him anything he wants. He is that brand."

Indeed, after 20 years at Elle U.S., Bensimon still shoots most of the fashion spreads himself. Although this leads to complaints that he homogenizes the look of the magazine and discourages other top photographers from contributing, no one disputes Bensimon's dedication.

"You've never seen anybody work as hard as he does," said a colleague. "It's insane."

Bensimon, for his part, let on that he was disinclined to haggle over terms. "I do not negotiate," he said. "I'm happy to do what I'm good at. I try not to be obsessed with the contract. It helps me to sleep better." **— Jeff Bercovici**

Dawn Eden, as she appears on her Web site.

DAWN OF THE DESK: It *is* possible to be too conservative for The New York Post after all. According to a source at the Post, one of its copy editors, born-again Christian **Dawn Eden**, apparently embellished a Jan. 18 editorial about stem-cell research during the editing process. Her version of the story — which slammed New York Senate Minority Leader **David Paterson**'s plan for a state-sponsored stem-cell institute as a "harebrained scheme" — made it into print.

"It's no surprise that [**Liz**] **Krueger** and [**Eric**] **Schneiderman** would jump on the stem-cell bandwagon," the editorial read. "They are Manhattan Democrats — folks who don't live in the same zip code as reality."

Eden, who freelances as a rock historian and has written about music for Salon.com, was evidently fired from the Post on the day the stem-cell item ran. But last year's first-place winner of the New York State Associated Press Award for Brightest Headline couldn't help calling out one last gem as she left the building.

"I wrote the 'wood' — the front page headline — of yesterday's New York Post," Eden wrote on her blog, The Dawn Patrol, on Jan. 24. "It was my last act at the Post. Knowing the **Trump** wedding was ahead, I shouted the headline ['Lady is a Trump'] to the paper's weekend copy chief as I headed out the door."

While the Post and Eden declined comment, she recently wrote on her blog, "The only things I can say about the situation right now are that it is always painful to lose one's job; I will always be proud of the work I did at the Post…and I have faith that something better is in store for me." Like perhaps a job on the copy desk at The National Review? **— Sara James**

TEENAGE GROWTH SPURT: Hearst's decision to hand Seventeen to **Atoosa Rubenstein** appears to be paying off. For the second half of 2004, Seventeen recorded a 16 percent increase in newsstand sales, yielding a monthly average of 366,000, according to its publisher's estimate.

Editor in chief Rubenstein attributes the improvement to a redesign that made Seventeen easier to navigate. "If you don't even know how to read, you essentially know what's happening in this magazine," she said. Celebrities are no longer the key to selling teen magazines, she said, noting that Seventeen's February issue, with **Jamie Lynn Spears** on the cover, sold as well as January's, with **Gwen Stefani**. "As long as [the reader] doesn't find the person on the cover utterly offensive, she'll pick it up and do a flip-through."

Seventeen's overall circulation, however, was down 10 percent in the second half, reflecting a rate base decrease from 2.35 million to 2.1 million. (It has since been reduced to 2 million.)

Seventeen was the only teen title to post a major gain in single-copy sales in the second half. Its sister title, Cosmogirl, was up 2 percent on the newsstand, to about 403,000, and 11 percent in total circulation, to 1.37 million. Teen People was flat on the newsstand, at 443,400, and overall, at 1.56 million.

Teen Vogue was up 8.8 percent in total circulation, averaging 598,706, but its newsstand average of 233,875 was off 30 percent from the previous year. A Teen Vogue spokeswoman attributed the decline to an increase in frequency, from six to 10 issues, which cut each issue's time on sale. (Teen Vogue, like WWD, is part of Advance Publications Inc.).

Elle Girl, which increased from six to eight issues, dropped 3 percent in newsstand sales, to 141,000, and was up 9 percent versus the first half of 2004. Elle Girl's total paid circulation grew 25 percent to 509,758, according to the publisher. **— J.B.**

YET ANOTHER MEN'S MAGAZINE: Dazed & Confused's **Jefferson Hack** is extending the Another Magazine brand with a biannual men's glossy called Another Man, launching this fall. "There will be a mix of men's high-fashion designers and gentlemen's labels with a strong influence of street subculture," said Hack. "If this magazine were coming out 30 years ago, [a typical story] might have been Serge Gainsbourg by **Tom Wolfe** shot by Helmut Newton." The London-based title will be distributed internationally, with an initial print run of 125,000. **Alister Mackie** will serve as the title's fashion director, **David James** of David James Associates is art director and Hack will be publisher and editor in chief, the same dual titles he holds at Another Magazine.

The launch is the latest in a trend of niche style titles branching into the men's market. Nylon Guys first appeared as an onsert polybagged with Nylon in March 2003 and just debuted as a newsstand title last month. V Man arrived as an extension of V in September 2003. And the not-so-niche Vogue is similarly developing a stand-alone edition of Men's Vogue for fall.

Meanwhile, **Drew Barrymore** graces the cover of the latest Another Magazine, which hits newsstands this week. **— S.J.**

China Trade Issues Heating Up in Congress

By Joanna Ramey

WASHINGTON — Demands are growing louder from domestic manufacturers and a contingent of lawmakers for the new Congress and President Bush to get tough on China's unfair trade practices.

The complaints about low-cost Chinese exports harming U.S. industries, such as those registered Thursday at a Capitol Hill hearing before the U.S. China Economic and Security Review Commission, are bringing some fresh legislative proposals. But neither Bush nor the GOP-controlled Congress appears poised to act.

"Unfortunately, the administration has allowed a culture of [trade] compliance-as-you-please to emerge" with China, Rep. Sander Levin (D., Mich.), the top Democrat on the powerful House Ways and Means subcommittee on trade, told the commission.

Congress created the bipartisan 12-member citizen commission in 2000 to report annually about how China's trade and economic relationship with the U.S. affects national security, including economic conditions.

Critics of China from both parties argue their dossier of Chinese trade intransigences is growing, along with the country's ballooning trade deficit with the U.S., now at $150 billion. Capitol Hill action isn't expected anytime soon because the Bush administration's policy has been to negotiate with the Chinese to improve their record instead of imposing mandates. Republican Congressional leaders have backed that approach.

"In the area of trade and foreign relations, it is very important, as much as we can, to speak as one voice with the President," said Rep. Clay Shaw (R., Fla.), chairman of the trade subcommittee.

But in a nod to a small but vocal group of Republican China trade critics and a larger swath of Democrats, Shaw said he plans to hold hearings this year on China trade complaints, focusing on the depressed Chinese yuan, which is kept artificially low because it is pegged to the dollar. He called the currency issue "tremendously important."

Panel member June Teufel Dreyer, a Republican appointee and professor of political science at the University of Miami, questioned the administration's engagement policy.

"Is it our intention to dialogue forever without seeing results?" Dreyer asked rhetorically. "At what point do we finally say, 'We've talked enough and we need to do something.'"

Shaun Donnelly, an assistant secretary of state for economic and business affairs, said the administration's China policies have shown results in helping companies fight things like intellectual property and licensing infringement. Henry Levine, a Commerce deputy assistant secretary for Asia, said Bush officials have secured an agreement with the Chinese to discuss the country's export industry subsidies "that can distort U.S.-China trade and create an unlevel playing field for U.S. companies."

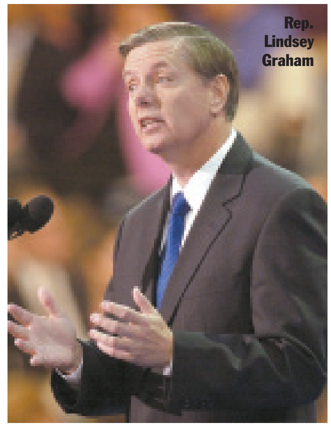
The hallmark of U.S.-China economic ties came in 2000, when Congress granted China Permanent Normal Trade Relations status. PNTR gave China favorable tariffs, along with most other U.S. trading partners, and cleared the way for China to join the World Trade Organization. As a WTO member, China supporters argued, the country could be persuaded to follow the global trade body's rules for fairness. Five years later, China trade critics are still agitating for Congressional action.

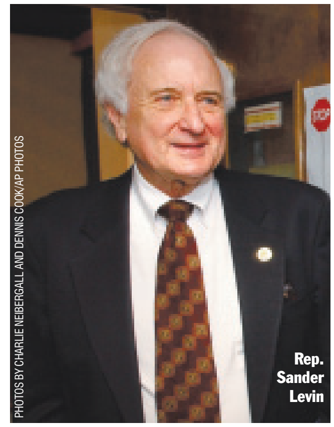
"The China problem is not something that is going to fade away," Cass Johnson, executive director of the National Council of Textile Organizations, said in an interview.

Johnson also testified before the commission Thursday, largely focusing on China's yuan, the value of which is seen as being lowballed by as much as 30 percent.

"My sense is there is an expectation on Congress' part that China would do something and it has not," he said. "The more time that goes by with China not cooperating, the more likely Congress will act."

"The more time that goes by with China not cooperating, the more likely Congress will act."
— Cass Johnson, National Council of Textile Organization


Rep. Lindsey Graham


Rep. Sander Levin

PHOTOS BY CHARLIE NEIBERGALL AND DENNIS COOK/AP PHOTOS

A bill to be reintroduced this year would allow the U.S. to levy punitive tariffs, called countervailing duties, on imports from nonmarket economies when industries are subsidized by the government. The practice, including loans that aren't based on a company's performance, has been identified as common in China. Lead sponsors are Sens. Susan Collins (R., Maine) and Evan Bayh (D., Ind.), and Reps. Phil English (R., Penn.) and Arthur Davis (D., Ala.).

Tamara Browne, a Washington lobbyist representing a nonmarket countervailing duty coalition of domestic producers, including textile mills, foundries and paper plants, said lawmakers might be more moved to act as the 2006 Congressional elections draw closer.

"The bottom line is jobs," Browne said. "If the job losses start piling up, then the pressure will come."

Another China trade-curbing measure was reintroduced Thursday calling for 27.5 percent tariffs on all Chinese manufactured goods imported into the U.S. until China revalues its currency upward. Sponsors are Sens. Lindsey Graham (R., S.C.) and Charles Schumer (D., N.Y.).

"Pretty soon we're not going to have anyone for the retailers to sell to," said Graham.

Julia Hughes, vice president for international trade with the U.S. Association of Importers of Textiles & Apparel, said she "would be surprised" if the China currency, countervailing duty or similar measures gained traction this Congress.

But China's escalating trade deficit with the U.S. and the lack of a commitment from the Asian nation to change its currency are breeding Capitol Hill "frustration with the administration's approach," said Nicholas Lardy, a senior fellow at the Institute for International Economics.

"We don't have an election [this year] and the need for as many political points to score," he said. "The economy is doing better and job creation has resumed."

The China commission panel recommended legislation be pursued to direct the administration to fight China's currency exchange rate practices by repegging the yuan to a basket of currencies, instead of only the dollar (as a Chinese official from a nongovernmental organization recently proposed at the World Economic Forum in Davos). The commission also urged the U.S. Trade Representative to investigate Chinese industry subsidies and whether the issue can be tackled at the WTO.

"The commission believes that the U.S.-China economic relationship is of such large dimensions that the future trends of globalization will be influenced to a substantial degree by how the United States manages its economic relations with China," the commission concluded. "It is reasonable to believe that U.S.-China economic relations will help shape the rules of the road for broader global trade relations. If current failings are remedied and the relationship is developed so as to provide broad-based benefits for both sides, globalization will likely be affected in a positive manner on a worldwide scale. If not, the opposite will likely be true."

— With contributions from Kristi Ellis

Importers Not Concerned Over Bush Speech Snub

By Joanna Ramey

WASHINGTON — President Bush's State of the Union address Wednesday night didn't mention his trade-expanding ambitions, but proponents in the apparel importing community aren't dismayed.

They are confident that White House lobbying efforts for Congress to enact the next big pact — a Dominican Republic-Central American Free Trade Agreement — are already in full gear and plans for more tariff-dropping pacts, including one across the Middle East and with southern African countries, are still on the agenda. The administration is also expected to push for further trade liberalization, such as cutting tariffs, at the ongoing global trade talks.

"It would have been a nice shot in the arm, but we know the administration wants D.R.-CAFTA," said Kevin Burke, president and chief executive officer of the American Apparel & Footwear Association.

Burke said he and a dozen apparel executives, including Jones Apparel Group president and chief executive officer Peter Boneparth, Liz Claiborne chairman and ceo Paul Charron and Jockey International president and ceo Ed Emma, received administration assurances on D.R.-CAFTA in White House huddles last week with Treasury Secretary John Snow and U.S. Trade Representative Robert Zoellick.

While the main fights for the administration will be social security and budget cuts, the trade pact with Honduras, Guatemala, El Salvador, Nicaragua, Costa Rica and the Dominican Republic is seen by importers as key to keeping the region a competitive garment production platform for the U.S. D.R.-CAFTA is expected to be taken up by the House in late spring.

Steve Pfister, senior vice president of government relations with the National Retail Federation, which counts Federated Department Stores and May Co. among its members, said, "The rhetoric doesn't always match reality," and warned that the President's upbeat outlook faces tough Congressional fights on such issues as social security and government funding, as Bush seeks to cut the nearly $500 billion federal deficit in half.

Paul Kelly, senior vice president of government affairs with Retail Industry Leaders of America, which has Wal-Mart and Home Depot among its members, was keen to hear Bush's renewed call to make his tax cuts permanent, as an economic stimulus. But Kelly is wary about his call for aggressive federal budget belt-tightening and how it would affect crucial federal projects, such as road and bridge construction aimed at improving cargo transport at the nation's ports.

"That's going to mean some very tough spending choices in Congress, which could impact retailers," Kelly said.

George Schuster, ceo of Cranston Printworks, based in Cranston, R.I., who is also a board member of the National Textile Association, found Bush's assessment of the economy as "healthy" as too rosy.

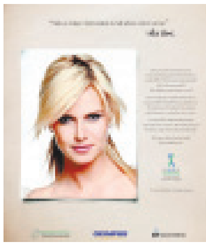
"The U.S. economy is extremely fragile right now," said Schuster, citing the "sinking" value of the dollar and mounting U.S. trade deficit with its foreign trade partners.

Mark Levinson, chief economist with the apparel and hospitality worker union UNITE HERE, noting the decline of almost three million manufacturing jobs since Bush took office in 2001, said, "He tries to put a positive spin on the economy, but it's been a dismal failure from the perspective of losing jobs and job creation. He said nothing in the speech that leads me to believe that things are going to get any better. Not only is he pursuing trade deals like CAFTA…but his budget and social security proposals would be terrible for workers."

Couric, Klum Promote Cancer Tests

NEW YORK — Heidi Klum is helping Katie Couric give a little razzmatazz to the subject of colorectal cancer screening.

As part of the "Be Seen, Be Screened" campaign, the "Today" show host lined up the German supermodel to star in the first public service announcement for the Entertainment Industry Foundation's National Colorectal Cancer Research Alliance. Couric, the NCCRA's co-founder, and Klum will unveil the image at a press conference today at Bryant Park that also will kick off Olympus Fashion Week.


Heidi Klum in the new PSA.

"We need to get people to get tested, and the best way to do that is to constantly get the word out," Couric said in a statement.

"We want to make it fashionable to talk about colon cancer, and who better to do that than Heidi?"

Fern Mallis, executive director of 7th on Sixth, will be on hand for the event, as she was last year when Couric launched the campaign. Anna Wintour, Luca Orlandi, Vera Wang and Carmen Marc Valvo are also expected.

The publicity blitz is aimed at women who tend to think of the disease as one that primarily affects men, Klum said. Colorectal cancer is the second-leading cancer killer, but is curable 90 percent of the time when detected early.

By chance, Klum's grandmother died of colon cancer, but that is not why she chose to get involved. "It has nothing to do with my family. I think it's a good cause," Klum said.

Having met Couric many times, Klum said she was happy to pitch in, especially since Klum, a new mother, is in the mix again with the fashion world through her involvement with Bravo's reality show, "Project Runway." She plans to arrive after today's final taping of the program.

"Fashion reaches so many women," Klum said. "If we make this hip and cool and something people should be doing, it can help people."

— Rosemary Feitelberg

Eskandar Thinking Big

NEW YORK — While most rookies on Manhattan's fiercely competitive retail scene enter with caution, London-based designer Eskandar is starting out with a 4,000-square-foot store.

Over a din of screeching machinery, Eskandar talked about his $20 million business as contractors plowed through last-minute chores only hours before opening-night party guests were to arrive. Undaunted by the scope of the space at 33 East 10th Street, which has 16-foot ceilings and an additional 2,500 square feet of office space downstairs, he explained: "I like big projects — the bigger, the better. I like space. I like light. I like volume — probably like the clothes."

In addition to his free-flowing outfits, home furnishings he rummaged from Paris flea markets are for sale, as well as Sotis Filippides handmade pottery, William Welsted's silver spoons dotted with precious stones, antique French sheets and Eskandar's all-natural bath products. Everything rests on hardwood floors made from salvaged centuries-old barns.

The lifestyle concept is not lost on the designer, who has similarly well appointed stores in London and Paris. Bergdorf Goodman awarded him with his first lifestyle concept shop two years ago and annual sales there are $4 million, he said. Neiman Marcus recently gave him 1,000 square feet in its Los Angeles store and will let him set up camp in its San Francisco store next year.

The designer said he is planning for at least a 15 percent increase in his total sales, with the East Village store kicking in $3 million in first-year revenues.

Aside from the occasional magalogue mention, Eskandar does not advertise his brand. Despite that, his loyal following consists of women such as Lauren Bacall, Candice Bergen, Maggie Smith, Elizabeth Taylor, Princess Caroline of Monaco, Oprah Winfrey and Anne Bancroft.

All his clothes are made in the U.K., and knitwear is essential. Eskandar started out knitting sweaters for his friends, and though he doesn't make the collection's hand-knit designs, they take three weeks to produce. Cashmere pullovers retailing from $990 to $2,350, pants with elasticized or drawstring waistbands retailing for $400, linen shirts retailing from $350 to $400 and handwoven cashmere scarves at $1,025 should be bestsellers with Eskandar's New York fans, who like knowing they can find some silhouettes from one season to the next. "I don't change direction. I use a lot of new fabrics and colors," he said.

— R.F.

Britney Boosts Arden Net

By Ross Tucker

NEW YORK — Elizabeth Arden Inc. can thank Britney Spears for double-digit earnings gains in the second quarter.

For the three months ended Dec. 31, the New York-based beauty products manufacturer posted a 49.6 percent earnings gain to $31.7 million, or $1.06 a share, outpacing Wall Street's consensus estimate of $1.03. Comparatively, the company reported earnings of $21.2 million, or 9 cents, in the year-ago period.

While the profit increase was noteworthy in its own right, Arden's most impressive feat was coming out of the holiday season on top of the crowded celebrity fragrance market. After its September 2004 launch — the same month Spears became Mrs. Kevin Federline — her fragrance, Curious, quickly grabbed the top selling position in U.S. department stores, a position it held through what beauty executives deemed a crucial holiday season.

According to a statement released by the company on Dec. 10, Curious was the top-selling beauty product on Amazon.com for the month of November. It was also the top-selling scent in Canada, Australia and New Zealand, the only international markets in which it was released. "In Australia, after only five weeks of sales, [Curious] became the most successful fragrance launch ever at Australia's largest department store, Myer," said the statement.


Britney Spears Curious

"It was one of the most successful launches in the last five years in the fragrance category," said Scott Beattie, chairman and chief executive officer, during the company conference call.

"In New Zealand, Curious generated retail sales six times higher than the previous largest fragrance launch," said Paul West, president and chief operating officer, during the call. "In fact, Elizabeth Arden had four of the top five fragrances in that country for the holiday season."

Curious, combined with strong sales of Arden's Provocative Woman fragrance, ultimately drove sales up 9 percent to $323 million from $296.3 million. Excluding the benefits of currency exchange, sales rose 6.8 percent.

"Clearly, the brand innovation, particularly with Provocative Woman and our skin care and color innovation, has brought a new customer to the counter and has provided additional opportunities for cross-selling existing customers with new products," said Beattie.

The euphoria surrounding Britney was tempered by problems with Wal-Mart and J.C. Penney. According to West, shipments to Wal-Mart were down 10 percent as the megaretailer experienced lower foot traffic due to higher energy prices. Beattie is looking to a partnership with Nascar and celebrity race car driver Jeff Gordon to turn the Wal-Mart business around. The company plans to launch its Halston Z-14 fragrance, with Gordon as a spokesman, at the Daytona 500 on Feb. 20.

Meanwhile, shipments to Penney were down "in excess of 40 percent," said Beattie during the call, pointing to weakness in Penney's overall fragrance category.

For the first half of the year earnings jumped 62.1 percent to $36.5 million, or $1.23 a share, from $22.5 million, or 11 cents, in the year-ago period. Sales rose 8 percent to $535.1 million from $495.2 million.

Ford Highlights Creativity Conclave

By Kavita Daswani

LOS ANGELES — Tom Ford, sharing his thoughts on fashion and creativity, said: "Nothing made me happier than to see something that I had done copied."

Reflecting on his days at Gucci and Yves Saint Laurent, the designer said: "Appropriation has always been a trend. The clues to where we are going to be next year are here now."

Ford was among the key players from the worlds of fashion, music, entertainment and academia who gathered Saturday at the Norman Lear Center at the University of Southern California for a conference titled "Ready to Share: Fashion and the Ownership of Creativity."

The daylong event drew participants such as fashion designer Kevan Hall, vintage guru Cameron Silver, "Sex and the City" creator Michael Patrick King and music innovator T-Bone Burnett.

Mixing panel discussions with small-scale fashion demos, the conference highlighted how much of popular culture is rooted in things that have been in the public domain, and when legal protections work.

Hall, formerly Halston's design and creative director who now keeps an atelier in Los Angeles, showcased dresses from his spring-summer 2005 collection, which he conceded were derivative of the Madeleine Vionnet and Jacques Fath dresses favored by Millicent Rogers and the Duchess of Windsor, who served as his historical muses for the collection. "It's all about the gesture of the look," he said.

Silver, owner of vintage boutique Decades in L.A. and creative consultant to Paris house Azzaro, showed how an $80,000 Chanel couture jacket had been reinterpreted by numerous fashion labels.

David Wolfe, creative director of the trend and color forecasting company The Doneger Group, described fashion as "a fragile creative ecosystem." He said major future trends would include a dilution of the current obsession with "flashy, trashy, vulgar" celebrities, and an inclination toward natural beauty, purity of design and more voluminous clothing.

David Bollier, a senior fellow at the Norman Lear Center and co-founder of advocacy group Public Knowledge, said the event proved "the ecology of creativity matters at least as much as individual genius. How our access to the past interworks with the culture at large is important. Creators need to have the ability to draw from our cultural legacy.

Lagerfeld Taps Senior VP

NEW YORK — George Kolasa has been named senior vice president of global marketing for the Karl Lagerfeld Division and New Business Development at Tommy Hilfiger USA Inc., a wholly owned subsidiary of Tommy Hilfiger Corp.

Most recently, Kolasa was senior vice president of worldwide communications at Hilfiger, where he directed both international and fashion public relations. Prior to joining Hilfiger in 1998, he was director of public relations at Polo Ralph Lauren, and earlier held posts at Condé Nast Publications, Twentieth Century Fox, Kevin Krier and Associates and Triad Artists Agency.

In his newly created role, Kolasa will be responsible for developing worldwide advertising, p.r., events and retail marketing strategies for Karl Lagerfeld and new businesses. Based here, he will report to Ann Acierno, president of New Business Development.

Paula Rosado, who most recently was director of p.r. for men's, men's-related licensed products and the home collection, will head up Hilfiger's fashion p.r.

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