ADVERTISING

A New Camel Brand Is Dressed to the Nines

By STUART ELLIOTT

THE next time R. J. Reynolds Tobacco asks smokers to walk a mile for a Camel, watch how many of them are in high heels.

Reynolds, eager to increase the sales of its fast-growing Camel brand among women, is introducing a variety aimed at female smokers. The new variation, Camel No. 9, has a name that evokes a women's fragrances like Chanel No. 19, as well as a song about romance, "Love Potion No. 9."

But don't look for a Jo Camel to join Old Joe the dromedary on Camel packages, displays or posters. Rather, Camel No. 9 signals its intended buyers with subtler cues like its colors, a hot-pink fuchsia and a minty-green teal; its slogan, "Light and luscious"; and the flowers that surround the packs in magazine ads.

For decades, Camel has been a male-focused cigarette; only about 30 percent of Camel buyers are female. By comparison, for competitive brands like Marlboro and Newport, women comprise 40 percent to 50 percent of customers. Almost half of adult smokers are women, so that limited Camel's potential.

Wall Street analysts praise the introduction of Camel No. 9, in regular and menthol flavors, as a further step by the R. J. Reynolds, a unit of **Reynolds American**, toward a new marketing strategy. The goal is to refocus on the biggest, most popular — and most profitable — brands, which include Kool as well as Camel.

But critics decry the new Camel as yet another effort to single out women for smoking pitches, a tactic they trace back to the 1920s when American Tobacco urged, "Reach for a Lucky instead of a sweet" to promote Lucky Strike cigarettes.

"The sad part is, this product is just more of the same," said Cheryl G. Healton, president and chief executive of the American Legacy Foundation in Washington. The foundation oversees the national antismoking "Truth" campaign aimed at youth that is financed by money from Reynolds American and the other major cigarette marketers.

"More women die of lung cancer than breast cancer, by a wide margin," Ms. Healton said, yet the tobacco companies still "want to increase their market share among women."

R. J. Reynolds sells two brands, Capri and Misty, aimed at women. A tiny competitor, the **Vector Group**, sells Eve, and the principal rival to Reynolds, the **Altria Group**, which owns Philip Morris, pioneered the category in 1968 with the Virginia Slims brand.

Virginia Slims, pitched for decades with a campaign that carried the theme "You've come a long way, baby," is the largest brand directed at women.

Research that began early last year found "female adult smokers mostly weren't Camel smokers," said Cressida Lozano, vice president for marketing of the Camel brand at Reynolds American in Winston-Salem, N.C., because, they said, "they didn't feel Camel had a product for them."

"What we're about is giving adult smokers a choice," Ms. Lozano said, "with products we believe are more appealing than existing products." The introduction of Camel No. 9 is part of plans to "focus on products that are 'wow,' " she added, "that add fun and excitement to the category."

Bonnie Herzog, an analyst at Citigroup who follows the tobacco industry, described Reynolds American as "very good at innovation" — bringing out variations of existing brands with new packages, flavors, styles and other twists on familiar offerings.

There is a risk of cannibalization, Ms. Herzog said, in that so-called line extensions like Camel No. 9 could take shelf space — and sales — from the almost 30 other varieties of Camel.

But "if you can steal from your competitor, a Virginia Slims," she added, a new variety "would make sense" and "could be quite successful."

One reason for Reynolds American to introduce the new cigarette as part of the brand family of Camel, which dates to 1913, is that the many restrictions on marketing cigarettes make it more difficult for an all-new brand name to break through. That is why Camel No. 9 is joining a Camel lineup that includes newcomers like Camel Wides, Camel Turkish Gold, Kamel Special Lights and Camel 99s.

"We tested several different names among adult female smokers," said Brian Stebbins, senior marketing director at R. J. Reynolds, and Camel No. 9 had "a lot of appeal for being premium and sophisticated."

The "9" is meant to suggest "dressed to the nines, putting on your best," Mr. Stebbins said, rather than a perfume or a song.

R. J. Reynolds is working with two of its longtime agencies to introduce Camel No. 9, **Agent 16** in New York and **Gyro Worldwide** in Philadelphia. The company will not disclose spending for the introduction, but estimates range from $25 million to $50 million.

Reynolds American will sponsor promotional events for the new Camel in large markets around the country and promote the brand in a variety of other ways, like giving away packs at nightclubs, distributing cents-off coupons and running ads in magazines, including Cosmopolitan, Flaunt, Glamour, Vogue and W.

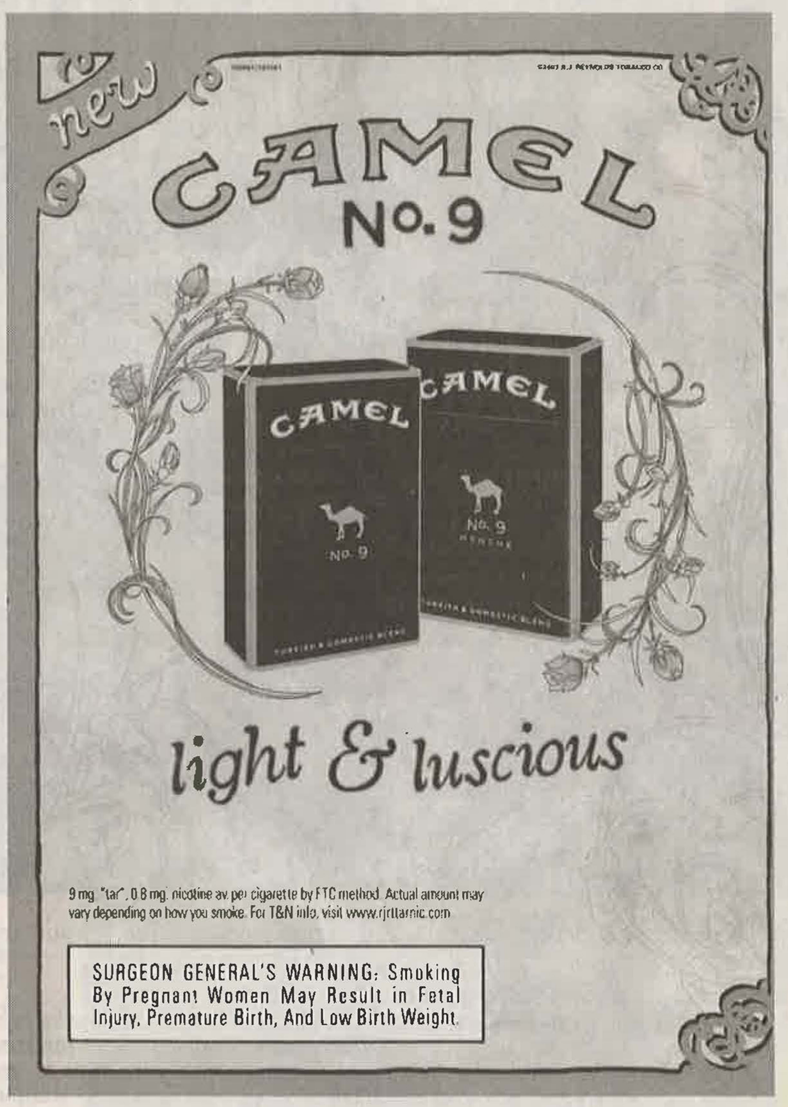
Ms. Healton at the antismoking foundation said she worried about ads in Cosmopolitan and Glamour because both have large numbers of young readers. That means R. J. Reynolds is "looking for initiation, appealing to young girls to up their market share," she said, as well as hoping that older smokers will switch to Camel No. 9 from other brands.

Aiming tobacco ads at women is a longtime strategy. Documents from the files of the tobacco companies, released in 1998, indicated they had studied female smoking habits through research projects with names like "Tomorrow's Female," "Cosmo" and "Virile Female."

Decades ago, a sultry woman cooed, "Blow some my way" to a man smoking Chesterfield cigarettes in magazine ads from the old Liggett & Myers Tobacco Company. Ads for Chesterfield, Camel, Lucky Strike, Old Gold, Philip Morris and other mainstay brands featured female celebrities like Lucille Ball, Marlene Dietrich, Risë Stevens and Barbara Stanwyck.

Even Wilma Flintstone smoked, in animated commercials for Winston cigarettes that appeared during "The Flintstones." The last cigarette commercial to be broadcast on American television, on Jan. 1, 1971, was for Virginia Slims.

One of the most famous moments in marketing took place in 1929, when Edward L. Bernays, widely considered the father of public relations, alerted newspapers that women would be smoking in public, during the Easter parade on Fifth Avenue, to promote "equality of the sexes." He did not reveal he was paid for his "torches of freedom" effort by American Tobacco, the maker of Lucky Strike, which sought to encourage women to smoke.



Camel No. 9 cigarettes will come in a package that is hot-pink fuchsia and minty-green teal, with the slogan, "Light and luscious."

A Guilty Plea to Backdating By Take-Two's Former Head

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dustry analysts said investors might have been under the impression that Mr. Brant's plea put the backdating controversy to rest; instead, it could lead to further troubles for the company.

When the reality dawns, "the stock could get hammered," said Michael Pachter, a video game industry analyst with Wedbush Morgan Securities.

For his part, Mr. Brant, 35, issued a statement saying: "I am deeply sorry for my role in the inappropriate manner Take-Two granted incentive stock options."

Mr. Brant is the son of Peter M. Brant, the newsprint magnate and an original investor in Take-Two.

According to the district attorney's office, Mr. Brant, who was chairman and chief executive of Take-Two, which is based in Manhattan, received 10 backdated options grants for 2.1 million shares from 1997 to 2003.

The prosecutors said that Mr. Brant exercised all the options before resigning from the company last October.

In one instance, the company awarded 100,000 options to Mr. Brant in April 2002, when the price was $20 a share, but backdated them to February, when the price was $15.25 a share, making a handsome gain likely. The company's financial records were falsified to hide the malfeasance, prosecutors said.

During that same backdating scheme, the company awarded 511,000 options to 15 people, prosecutors said, raising questions of how many others at Take-Two could be facing legal troubles, industry analysts said.

The S.E.C., which announced its agreement with Mr. Brant separately, said its share of the fine is $6.3 million.

In June 2005, the S.E.C. said it settled a separate case with Take-Two and Mr. Brant involving a $60 million accounting fraud scheme and barred Mr. Brant from serving as an officer or director of any public company for five years.

Mr. Brant's guilty plea in State Supreme Court is the latest in what has been a series of allegations and investigations by various governmental agencies and regulators looking into the company's accounting and marketing practices. The company remains under investigation by the district attorney and the S.E.C.

Still, Take-Two's stock has been remarkably resilient, and the company has been buoyed by its aggressive move into the sports game market. Its mainstay remains the Grand Theft Auto franchise, which has produced some of the best-selling games ever. The next installment is scheduled to be released in the fall.

Mike Hickey, an industry analyst with Janco Partners, echoing the sentiments of investors in recent years, said better days might be ahead.

"The company's shares have traded at a discount to their potential value under the perceptual weight of regulatory investigations," Mr. Hickey said. "We continue to believe the company has some of the best product in the video game market today and expect their earnings prospects moving forward to be strong."

A spokesman for Take-Two, Ed Nebb, quoted from an official company statement in declining to comment on Mr. Brant's deal, asserting he is no longer an employee. "It would not be appropriate to comment on any actions he may take as a private individual," the statement said.

S.E.C. Won't Act in Research Firm Case

WASHINGTON, Feb. 14 (AP) — The Securities and Exchange Commission has completed an investigation of **Gradient Analytics** and is taking no action against the firm in a case that created a furor last year over subpoenas issued by the S.E.C. to journalists, Gradient said Wednesday.

The S.E.C. began its investigation in late 2005 after the online discount retailer **Overstock.com** accused Gradient, a research firm, of issuing negative research reports on the company in exchange for payments from a hedge fund seeking to profit from a decline in its stock price.

In the course of its inquiry, the S.E.C. subpoenaed three online financial columnists last February for telephone records, e-mail messages and other material related to Overstock.

Overstock's chief executive, Patrick M. Byrne, publicly accused Gradient and the hedge fund **Rocker Partners** of contributing to the decline of Overstock shares through biased reports as the fund was short selling the stock.

Gradient made public Wednesday a letter from an S.E.C. enforcement official, Marc J. Fagel, informing lawyers for Gradient that the investigation had been terminated without any enforcement action being recommended by the agency staff.

Jared Matkin, a spokesman for Overstock at its headquarters in Salt Lake City, said the company had no immediate comment.

Merck to Pay $2.3 Billion to the I.R.S.

WASHINGTON, Feb. 14 (AP) — **Merck** & Company agreed Wednesday to pay $2.3 billion to resolve several tax disputes, the Internal Revenue Service said.

The drug company's payment includes taxes, interest and penalties stemming from the disputes, which cover the tax years 1993-2001 and arose in part from Merck's use of minority equity interest financing, the I.R.S. said.

The company said the settlement was not expected to have an effect on its 2007 earnings because it previously reserved funds to cover the payment.

Merck disclosed in November that it faced liabilities from tax disputes in both the United States and Canada. It cited a total of $5.58 billion in potential liabilities at the time, including $3.82 billion in taxes, interest and penalties payable to the I.R.S., according to a company filing with the Securities and Exchange Commission.

An I.R.S. spokesman declined to comment on the roughly $1.5 billion discrepancy between the November amount cited by the company and the settlement announced Wednesday. A Merck spokesman, Ray Kerins, also declined to comment.

Merck said that the settlement was in the company's best interest given the uncertainty and cost of potential litigation. The Canadian claim is unresolved.

The settlement relates to a partnership deal set up in 1993.

Times Company Forms Alliance With Job-Listing Web Site

By MICHAEL J. de la MERCED

Newspapers seek ties to ventures, like Monster, that they once saw as enemies.

The **New York Times** Company and **Monster Worldwide**, the operator of the popular job-listing site Monster.com, announced yesterday that they were forming an alliance to share brands on the newspaper company's career sites.

The deal is the latest collaboration between newspaper companies and Web sites to form partnerships to battle other rivals. For newspapers, it means making deals with companies once seen as enemies that were undercutting print classified advertising revenue. For online companies, it offers a way to tap local job markets as well as link with highly visible brand names.

Last November, **Yahoo** reached a deal with seven newspaper chains that integrates their job listings with the company's HotJobs search technology. Three of the largest newspaper chains — the **Tribune** Company, the **Gannett** Company and the **McClatchy** Company — own CareerBuilder, among the largest help-wanted sites. And Yahoo's archrival, **Google**, has signed a deal under which it will sell advertising space in 50 newspapers, including The New York Times.

Beginning in March, 19 of the Times Company's properties, including The Times, The Boston Globe and its various regional papers, will introduce Web sites featuring the Monster brand. Beyond sharing search technology and databases of résumés, the companies said they would introduce features like "click to print," through which employers can have their online job postings published as ads in Times Company newspapers.

"The combination of technology, reach and expertise created by this strategic alliance is extraordinary," Janet L. Robinson, the chief executive of the Times Company, said in a statement.

Terms of the deal were not disclosed, but Abbe Serphos, a Times Company spokeswoman, confirmed that it included a revenue-sharing component.

Shares of the Times Company rose 59 cents, or about 2.3 percent, to $25.75, on the New York Stock Exchange yesterday, and Monster gained 91 cents, or about 1.7 percent, to $53.63 on the Nasdaq.

Douglas E. Klinger, president of Monster North America, said that his company first approached The Times last fall as part of its broader effort to form alliances with major media outlets. Since last summer, Monster has struck deals with more than 60 daily newspaper sites and 8 television properties, he said.

The deal allows Monster to tap into local markets, which are still one of newspapers' strengths, while giving consumers better access to nationwide job opportunities, Mr. Klinger said.

"When you combine the leader in media with the leader in Internet job sites, you'll get great results," he said.

Both the Times Company and Monster have played down the threat of free job-posting sites like **Craigslist**, focusing instead on the extra offerings and relationships with employers that their sites bring.

"This alliance is about the strength of the New York Times Company brand and local market penetration combined with Monster's expertise, recruitment tools and brand strength," Ms. Serphos said. "This is part of our long-term strategy to build our online recruitment product offerings and revenue."

EMI Cuts Forecast, Saying Music Sales Are Weak

LONDON, Feb. 14 (Reuters) — The **EMI** Group cut the revenue forecast for its recorded music division on Wednesday, blaming weak sales in the United States, and warned that it would miss annual profit forecasts. The developments set off a 12 percent decline in its share price.

The company said recorded music revenues were likely to fall 15 percent in the year ending March 31.

The warning was the second in five weeks from EMI, which produces music by Norah Jones and other best-selling artists.

"It's a pretty significant warning and obviously it will be a significant downgrade," said Paul Richards, an analyst at Numis Securities.

EMI ousted two music executives after poor Christmas sales in January and said it had revised its forecasts as a result of the "continued and accelerating deterioration in market conditions in North America."

Citing the tracking firm Nielsen Soundscan, it said the market for physical music, like CDs, had declined by 20 percent.

"This unprecedented level of market decline has led to an exceptionally high level of product returns," it said.

According to Reuters Estimates, analysts had expected the company to post an annual pretax profit of £103.8 million ($202.2 million) before exceptional items.

A Jupiter Research analyst, Mark Mulligan, said the situation was a reflection of wider industry problems, as the growth of digital downloads has not yet made up for losses from the declining sales of CDs and from music piracy.

An SG Securities analyst, Anthony de Larrinaga, sounded a more dire warning.

"This will put them in a potentially perilous financial predicament, and they'll need very understanding bankers," he said. Mr. de Larrinaga had expected pretax profit to be around £80 million for the division and said it would now do well to break even.

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