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stock market value in the last year. Its profit growth has slowed and rivals like **Gucci** and Prada have reported sharp falls in profit in the first quarter.

"The situation is so bad that going on with the initial public offering would have resulted in a much lower valuation of the company than forecast," said Armando Branchini, president of InterCorporate, a Milan fashion consulting company. The company had the backing of its underwriters in calling off the offering, he said, "Evidently all the banks

again to go public before too long.

Today's pullback "doesn't mean that the long-term goal of coming to the market is out," said Christian Wagner, a fund manager with Wagner Consulting in Zurich, who owns shares in **Hermès** and **Bulgari**.

Prada's difficulties and the sour market climate have not so far stopped **Burberry**, the British fashion retailer known for its distinctive plaid, from moving ahead with its own plans to go public. On Monday, Burberry said it would sell 25 percent of its shares to the public by the middle of July.

Both Prada and Burberry are currently showing their men's collections in Milan.

ited with turning around Thomson Multimedia and is now that company's chief executive.

A Vivendi spokesman declined to comment.

Brushing off recent calls for his resignation, Mr. Messier told listeners on a conference call today that he would be happy to run the company for another 15 years.

Since taking the helm of Vivendi in 1996, Mr. Messier, a former investment banker with Lazard, has orchestrated a series of acquisitions that transformed a 149-year-old water company founded in France into a global entertainment powerhouse, based in New York. In the process,

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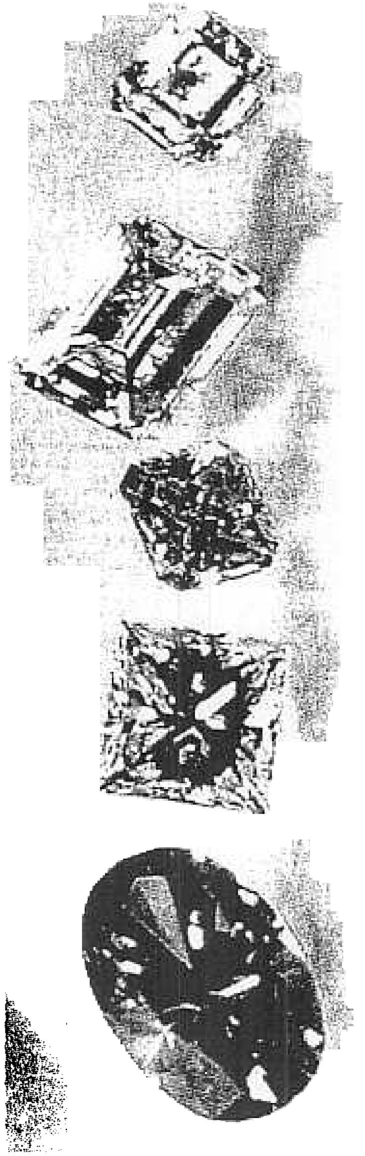
Adding Brand Names To Nameless Stones



The Ekati mine in Canada produces about 6 percent of the world's total diamond output.

By BERNARD SIMON

TORONTO, June 26 — When Andrew Clark, a Toronto writer, bought an engagement ring for his girlfriend earlier this year, he made a modest contribution to a seismic shift in the international diamond business.

Mr. Clark shied away from the anonymous stones of indeterminate origin sold by the Diamond Trading Company, a unit of **De Beers Consolidated Mines**, which has dominated the diamond trade for almost a century. Instead, he chose a diamond laser-etched with a tiny polar bear and accompanied by a certificate stating that it had come from the Ekati mine in northern Canada, majority owned by **BHP Billiton**, the British-Australian mining group.

De Beers still controls about two-thirds of the global diamond trade, while the Ekati mine, opened in 1998, produces just 6 percent of world output, by value.

But companies like BHP Billiton are playing a growing role in the diamond business, not only as producers, but also as distributors, advertisers and promoters. And much of the change is taking place, at least for now, with the blessing of De Beers, after decades of trying to ensure that no diamond reached the market without passing through its hands.

De Beers itself opened the way last year when it came to the conclusion that devoting itself to managing the supply of diamonds, as it had for decades, was no longer the most profitable approach, because the stones had come to be seen as an interchangeable commodity. The company announced last year that it would move away from its longtime role as the market's "buyer of last resort" and try to become the supplier of choice instead — in other words, to market diamonds like a competitive consumer product.

Nicholas F. Oppenheimer, De Beers's chairman, explained in a

Adding an ethical element to buying a diamond.

recent speech that "we discovered that if the old way of doing business was no longer good for De Beers, a supply-driven market was also not particularly good for the industry itself, where world demand for diamond jewelry had remained flat for far too long."

Roland Lorie, the joint chief executive of the International Gemological Institute, which evaluates diamonds for retailers, said that "the weak point of diamonds has been that it's one of the few things that you cannot put a name on, not like a Rolex or a Swatch."

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Adding a Brand Name to a Nameless Diamond

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De Beers is now encouraging other producers to vie with it for consumers' attention by developing their own brands and marketing programs. "De Beers is looking to create a nice Texas barroom brawl," said Martin Rapaport, a New York-based analyst who publishes a diamond industry newsletter.

As Mr. Rapaport sees it, De Beers is seeking to encourage "brand warfare" to augment its famous "Diamonds Are Forever" promotions. Each new participant in the market will bring more advertising and marketing spending, and "before you know it, no one's buying pearls and sapphires," Mr. Rapaport said.

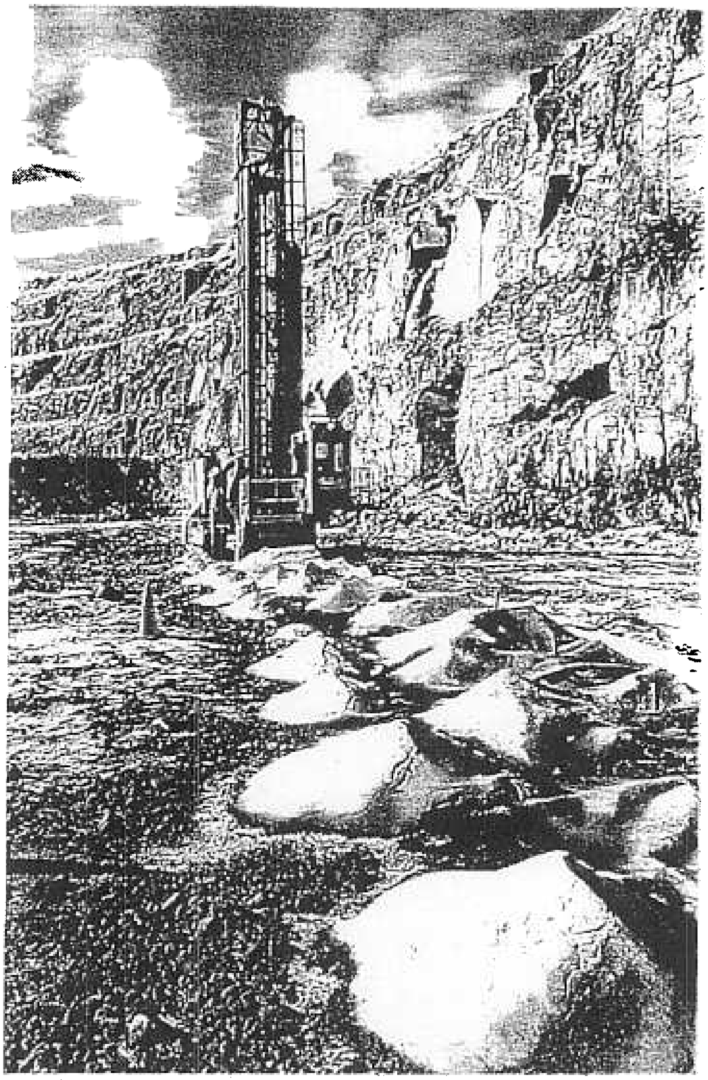
De Beers itself has teamed up with LVMH Moët Hennessy Louis Vuitton, the European luxury goods group, in a joint venture called De Beers LV. Its goal, Mr. Oppenheimer said, is "to unlock the value of the De Beers name as a global luxury brand." The first De Beers LV store is due to open in London later this year.

A worldwide campaign against so-called conflict or blood diamonds — those mined and sold by combatants in war-torn countries like Sierra Leone or Angola — has also encouraged competition. When Mr. Clark went shopping for rings, he said, he was first drawn to the Ekati stone by its very bright cut, but its source appealed to him, too. "I also thought: 'They're chopping kids' hands off in Africa,'" he said. "I liked the idea of getting something from Canada. It seemed the most ethical choice."

The origin of Ekati diamonds has become an important selling point. **Ben Bridge Jeweler,** a Seattle-based chain with 68 stores in 11 states, began selling diamonds from the Ekati mine under the brand name Ikuma, an aboriginal word meaning fire, in April. BHP Billiton also sells the Canadian stones in Australia under the Aurias brand.

"It has really resonated with our customers," said Steven Devolt, vice president for marketing at Ben Bridge. "The branded Canadian diamonds have provided a story, something to talk to our customers about."

Paul Lombardi, vice president for diamond acquisitions at **Henry Birks** & Sons, the Montreal-based jewelry chain where Mr. Clark bought his engagement ring, said Ekati's advantage was a rare one. "There are very few times when one is able to specifically source diamonds," he said. While Ekati diamonds sold at Birks are etched with a polar bear, the Ikuma and Aurias stones feature tiny maple leaves.



BHP Billiton owns the Ekati mine, above, in northern Canada, but De Beers still controls about two-thirds of the global trade in diamonds. BHP is also expanding its role as a distributor, advertiser and promoter.

De Beers' grip on the market will be further loosened next year when a second mine, known as Diavik, begins production in northern Canada. **Tiffany & Company,** the New York-based retailer, has an indirect equity stake in the mine, which is 60 percen[t] owned by the London-based **Ri[o] Tinto P.L.C.** Tiffany has rights to bu[y] at least $50 million in stones fro[m] Diavik each year for 10 years.

Canada is currently the world'[s] fifth-biggest diamond producer, a[f]ter Botswana, Russia, Namibia an[d] South Africa. Its share of world pr[o]duction is expected to double to abou[t] 12 percent within the next few year[s] once the Diavik mine and a thir[d] property, owned by De Beers, com[e] into production.

The question yet to be answered i[s] whether increased supply and inte[n]sifying competition will threaten th[e] pattern of rising prices and stron[g] profits, which made the diamon[d] trade one of the 20th century's mos[t] successful cartels.

"De Beers has been in the busines[s] for a very long time," Jacobus [C.] Strauss, president of BHP Billiton'[s] diamonds and industrial mineral[s] arm, said in a telephone intervie[w] from Melbourne: "We do not se[e] ourselves really competing wit[h] them in marketing." Mr. Straus[s] said expanding market share wa[s] less important than "developing ne[w] mines and making sure the marke[t] grows for all producers."

Itay Ariel, marketing director [o]f HRA Investments Ltd., a diamon[d] cutter and distributor firm based i[n] Vancouver, British Columbia, sai[d] "It's in no player's interest to floo[d] the market — BHP knows that."

Mr. Strauss at BHP Billiton sai[d] "a lowering tide will lower all of us."

Still, the supply of diamonds ou[t]side De Beers's control is set t[o] grow. BHP Billiton plans to spen[d] one-third of its worldwide explora[]tion budget this year hunting for dia[]monds in Canada, Australia, Sout[h] Africa, India and elsewhere.

BHP currently sells 35 percent [o]f the Ekati mine's output through D[e] Beers, but the South African grou[p] may get less when its contract ex[]pires at the end of this year, becaus[e] BHP is eager to diversify its distr[i]bution network, Mr. Strauss said.

The growing number of supplier[s] face a delicate balancing act. As M[r.] Lombardi at Birks sees it, "compet[i]tion is a wonderful thing, so long a[s] they don't destabilize things."

Details Reported on Vote by Vivendi Board to Retain Chief

Continued From Page W1

Vivendi became saddled with 33.3 billion euros, or about $32.6 billion, in debt.

Questions about Mr. Messier's strategy have dogged him in recent months. Now investors are concerned that Vivendi Universal may run out of cash as it tries to refinance an estimated 9 billion euros of debt coming due this year. Much of Mr. [...] this week to reduce its stake in the subsidiary to less than half.

Vivendi has said it expects to generate 6 billion euros this year in earnings before interest, taxes, depreciation and amortization, a measure of cash flow commonly referred to as ebitda. Mr. Bell said he saw no reason for alarm with that ratio of debt to ebitda.

But, Mr. Bell said, dig a little deeper and the alarm bells start ringing. Half of that cash flow, or 3 billion [...]

That leaves Vivendi with just 3 billion euros in ebitda to service its debt. "They are sailing close to the wind," Mr. Bell said.

The real test will come when Mr. Messier asks creditor banks to refinance Vivendi's short-term debt later this year. If the banks, many of which are French, agree, Mr. Messier will again win the day. At the least, the banks will charge Vivendi a higher financing fee, Mr. Bell predicts. At the worst, they could lock [...]

A recommendation today by a[n] analyst that investors buy Viven[di] shares as well as the first in a serie[s] of conference calls that Mr. Messie[r] plans to hold the second and fourt[h] Wednesday of every month, set off [a] late-day rally in Vivendi's stock. Th[e] shares closed up 3.5 percent, t[o] $20.50.

On the conference call, Mr. Mess[i]er discussed the resignation of M[r.] Arnault, noting that he did not atten[d] the last three board meetings [...]