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BUSINESS  
LEADERS

John Todd Ralph of Birmingham joined Lintas-Campbell-Ewald as vice president, account supervisor on the Chevrolet car account. Ralph has more than 10 years experience in automotive advertising gained with McCann-Erickson, BBDO and Ogilvy & Mather. He has a bachelor's degree in communications from MSU.



Ralph

Desma Reid-Coleman of Southfield was appointed executive manager for program development and federal compliance for Modern Engineering. Reid-Coleman had been with Comerica Inc. for seven years, where she was as a commercial loan officer. She earned a master degree, with honors, in business management from CMU.



Reid-Coleman

Julia A. Kornmeyer joined Brass Craft Manufacturing in Southfield as director of sales administration. She will be responsible for all company sales administration functions. She attended Oakland Community College and Cedar Crest College. She spent the past 18 years with Guardian Photo Inc., most recently as regional controller.



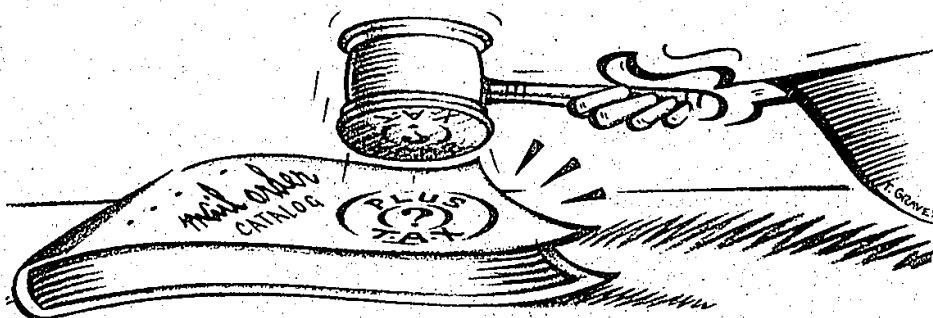
Kornmeyer

David Mervenne joined Venture Communications in Troy as a writer. His experience includes technical writing for Vickers Inc., a major hydraulics company, and staff writing for Cellnet Communications, a local cellular telephone service retailer. Venture Communications is an automotive communications/training agency.



Mervenne

To submit materials to this column, please send a brief biographical summary along with a black-and-white photo, if possible, to: Business Editor, Observer & Eccentric Newspapers, 36251 Schoolcraft, Livonia 48150.



## Direct marketers face tax challenge

Individual states can't compel mail-order companies to collect sales tax from customers and forward the money to the various capitals, the U.S. Supreme Court has ruled. But Congress can. The battle lines are drawn and consumers are in the middle.

By GERALD FRAWLEY  
STAFF WRITER

For anyone who's ever bought something from a mail-order company, take notice — conventional retailers hope to set into motion legislation that would hamper direct marketers' way of doing business.

Recently, the U.S. Supreme Court ruled 8-1 in the case of Quill Corporation vs. North Dakota Department of Revenue that state laws charging mail-order companies with the responsibility of collecting state taxes on merchandise sold and then transferring those taxes to the buyer's state are unconstitutional.

What sounds like a victory for mail-order companies, however, holds serious overtones for the industry. In its decision, the court advised that Congress, if

it chooses to do so, can pass legislation requiring the collection.

Retailers and some state governments are lining up behind proposals to urge Congress to do just that.

Direct marketers are urging Congress to maintain existing laws.

Jeff Freedman, president of the Canton Township-based mail-order electronics distributor Planet Electronics, said requiring companies like his to collect taxes would be a burden — perhaps not an insurmountable burden, but it would surely create a hardship.

With the right computer equipment and software — and with constant updates — a mail order company could conceivably collect taxes from each of its customers and transmit them back to the respective state, but the result could mean some companies that are

unable to cope with the changes would be forced out of business, he said.

Freedman said it's common practice for mail-order firms to inform customers they still have an obligation to pay a use tax — which is equivalent to a sales tax — in their state. "The consumer has the chance to tell the truth or not (on the yearly tax form)."

Regardless of the legalities of the issue, Freedman said the argument for a level playing field just doesn't stand up. "People don't buy from us because they hope to avoid paying sales tax; they buy because we sell products you can't get from a local store."

People also buy from mail-order houses for convenience's sake, he said. "It (avoiding sales tax) may be an added plus, but it's not the reason mail-order businesses succeed. Level playing field."

James P. Hallan, president and chief operating officer of the Michigan Association of Retailers, said the association of more than 3,400 small retailers is merely seeking a more level playing

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field. "This is an issue of equity, of parity."

"If you have a small businessman in Michigan who has invested in the community and he is competing with a company advertising heavily in this area, why should (the small business) have to (collect) a sales tax and not the other guy?"

Calling the lack of sales tax for catalog and other direct-market merchandisers a "\$3 billion a year tax loophole which enables out-of-state catalog and other direct-marketing firms to avoid collecting state taxes on the goods they sell," the Michigan Association of Retailers is urging Michigan's congressional delegation to enact and support legislation compelling mail-order houses to collect sales taxes.

Hallan said it is also an issue of revenue. In a time when many states are strapped for cash, they are remiss if

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## Restaurant chain competes for part of breakfast market

By R.J. KING  
SPECIAL WRITER

As the backbone of a new campaign to generate more revenues at its non-mail restaurants, Troy-based Olga's Kitchen, Inc. has opened its doors to the highly competitive morning crowd.

Olga's breakfast menu is geared to heart-smart diners: smoked turkey hash, fresh fruit platters, natural granola cereal, a yogurt cookie with protein powder and three-egg omelets prepared with a non-cholesterol alternative.

"Since we were traditionally open for lunch and dinner, the morning represented idle time for us, so it was a natural evolution to open for breakfast," said Michael Sadofsky, vice president of marketing and advertising for Olga's, which opened its first restaurant in 1970 in downtown Birmingham.

"But knowing the level of competition out there, from fast food to sit-down diners, we felt the only way to compete was to offer something different. That means fresh ingredients cooked to order in under five minutes."

### Strategy questioned

Still, even healthy food served in a wisp of time doesn't guarantee success.

Jeff Gabriel, a chef and instructor within the culinary arts program at Schoolcraft College in Livonia, said if given a choice, he would never go into the breakfast market.

"A restaurant which opens for breakfast is basically breaking even," said Gabriel. "How many dollars can you bring in when the average customer spends only \$3 or \$4? If you have 100 customers each morning, that's \$300 to \$400."

"If you have six or seven employees making \$5 to \$6 an hour, you may make a little bit of money. Personally, I would never go into the breakfast market. The dinner market is where you make your money, because there people are spending \$18 to \$20 apiece."

Because Olga's already has an established lunch and dinner crowd,

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Michael Sadofsky  
up-marketing

offering breakfast isn't likely to make or break the company. Last year, Olga's reported \$50 million in revenues from 53 restaurants across the nation, 20 of which are in Metro Detroit.

What's more, since the morning represents idle time at Olga's, a break-even breakfast campaign could help boost its profit margin if the new money coming in is enough to pay the respective share of rent and utilities, which are costs generated whether a restaurant is open or not.

But Olga's doesn't plan on breaking even. To lead the breakfast campaign, which began in February, the chain brought aboard William Pickett, former executive chef and co-founder of the Beverly Hills Grill as well as executive chef at the Richard & Reiss Restaurant, both of which are located in Birmingham.

### The game plan

"We didn't want to do just an omelette wrapped in a piece of Olga bread and call it breakfast," said Pickett, who left the former restaurants last December due to time constraints. "Knowing the level of competition we were up against, we had to make a statement and set ourselves apart from fast food and the \$1.99 breakfast served at places like Denny's."

Enter the smoked turkey hash, which Pickett said was a healthier alternative to corned beef hash, which is often prepared from the fatty portion of a brisket. The chef also created a cinnamon coffee, fritters, muffins, french toast, Belgian waffles and a yogurt cooler made with honey, bananas, orange juice and strawberries.

Still, there are deep pockets to

challenge. From the beginning, fast-food competitors like McDonald's and Burger King have offered breakfast with convenience and taste in mind, with little thought for nutritional value. The strategy has worked out well.

Breakfast brings in about 20 cents of every dollar McDonald's cash registers ring up, even as a recent issue of Consumer Reports found that fast-food egg sandwiches with cheese and meat like McDonald's Egg McMuffin and Burger King's Croissan'wich pack between 700 to 850 calories per serving. The Croissan'wich contains 40 grams of fat, close to two-thirds of a day's fat quota.

While convenience has always been high on the list of breakfast eaters on the go, only recently, with the advent of healthier diets, has nutrition been a consideration.

Pickett said his biggest challenges in bringing breakfast to Olga's was creating a healthier menu while working out time, logistic and training factors. Prices were also kept low.

"In preparing the menu, most of my time was spent measuring how long it took to prepare, cook and serve an item," said Pickett.

While Sadofsky declined to reveal how much Olga's spent bringing the breakfast campaign up to speed, he said the company hired over two dozen new employees to complement existing staffs. To date, breakfast is available 7 to 11 a.m. every day except Sunday, when hours are 8 a.m. to 1 p.m.

Only the Birmingham, Lathrup Village and West Bloomfield restaurants serve breakfast, though Sadofsky said the chain will expand portions of the menu to most of its outlets over the next few years.

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