

July 8th. 2008

"The Difference"

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A LETTER FROM MONICA C. SMITH

Happy Summer! In this issue I take another leap into the world of diagnosing the realities of our industry, how it affects your business, and then a road map to success. The last newsletter received an overwhelming response and our mail list grew another 20% from you all forwarding it. It would be remiss of me not to say thank you for all those who shared their stories with me and wished me well on my journey. We are all in this together and your words remind me of that.

In this issue, I want to talk about the "personality of direct," those characteristics which define our industry for better or worse. And although I do not recommend a full lobotomy for the industry, I do have some recommendations for change and the encouragement to make it happen now.

Last month HBO ran a docudrama called *Recount* starring Kevin Spacey and Dennis Leary, which presented what happened in the weeks following the November 2, 2000 Presidential contest between Bush and Gore. The movie hit a chord within me. We as a nation rely on our system and those charged with administering it to be the best it can be. And yet it is filled with so many overwhelming flaws. Nonetheless, even with imperfections and pockets of people behaving badly, overall our governmental system still operates with amazing consistency. I have learned that I can accept these bumps on the path as long as I do not fall into the trap of thinking that there is nothing I can do about it.

While the Direct Marketing Association is not deciding the fate of the free world, it does play a large part in influencing issues that are of critical concern to our industry which is struggling on the sand which is constantly shifting beneath our feet. Unfortunately, we are an industry mired in the status quo.

I have often been asked by people who have heard me speak in smaller forums why I do not speak at the big Conferences. On occasion those questions motivate my staff to fill out the speaking proposal forms for the DMA/NCDM or ACCM. But I have been told that the topics I propose are not relevant for the people attending the conferences. The last two topics I wanted to speak about were (1) Recognizing the importance of EBITDA in your "go to market strategy" and (2) "The Next Mile", understanding the path to purchase through analyzing the data in

your marketing database. Here is my last "Dear Jane" that just arrived before we went to print. (http://www.marketsmithinc.com/news_dear_jane.php)

Now, I can be and have been called many different things - long winded, over the top, dramatic, unorthodox, and a few other unprintable things, but I can guarantee you "not being relevant" is not one of them. As matter of fact, my job is to ensure relevancy in years to come for our clients and I believe for the industry.

Of course I do not demand a recount from the DMA. But I am very conscious of the fact that the status quo no longer has status.

We need to demand and embrace change - not for the sake of change, but for the sake of our survival, and ultimately good health. In past newsletters we have discussed how the industry has become much more complex than in its heyday of the mid 80's to 2001. Technology has increased consumer options and business consolidation has decreased industry options. There is also an increased focus on the bottom line (also known as EBITDA). At the same time, direct remains a very personal business - driven by personal interactions and transactions. We need to understand the relationships which underlie our business: Customer—Brand; Customer—Company; Company—Vendor; Vendor – Association/Trade Press; Association/Trade Press – Brand.

We must change how we perceive the marketplace; AND we must demand change from those who provide services to us; AND we must expect change from industry resources.

Our industry resources include our trade organizations and trade press. We need to ask of them - are they delivering the information, resources, and services that help us understand the realities of our business environment better? Are the courses they offer ones that make us better equipped to do our jobs or serve our customers more successfully? Do the articles they write provide insight on the dynamics of our industry for the long term? Do the industry forums they offer provide opportunities for increased knowledge and improved processes? Do they represent us in the larger economic landscape in ways that help mitigate our pain? Are they helping policy makers shape laws that help our industry and improve our economic outlook?

What I am talking about is nothing less than a "Rebirth."

So in this issue, the "personality of direct," we peel back the layers of the onion and propose what we believe are hard, honest look at the direct marketing industry.

I start with the discussion of the ACMA American Catalog Mailers Association conference (An Industry in Crisis). We then discuss the need to expel those practices which hold us back and embrace those which can take us forward, to stop focusing on minutia that do not matter, inaccuracy, weakness and lack of expertise (Herding Cats). Read deeper and you will see an article that talks about the realities of marketing integration, identifying tools that can be used to develop and enhance strategy (It's all about MI).

Next we suggest that you look at your vendor relationships in light of the results they produce; encourage internal executives and team members to take risks that are highly calculated, that can be articulated, and are well informed, surrounded with the right talent, not necessarily the cheapest (Vendorship). Finally, we end with a discussion of the Sales Tax laws that face us and the possible ramifications of pending legislation.



It is my hope that this newsletter provides additional value and maybe the edginess that I think is important in having an informed point of view. At Marketsmith we come to our point of view from our work with over 30 business models we will touch this year alone, at a profit and loss level, through rigorous analysis of data at a customer level to develop strategies that actionable and sound.

As always, my team and I wish you and your Brand the very best on this journey to a new world of success. May you all find that you are doing what you want to be doing, that you know exactly where you want to be and who you are? May your families and you have a happy and safe Summer.

My Best Always,
M-

P.S. We have exciting news here at Marketsmith. As we discuss in our article on Marketing Integration, we have expanded our offerings to allow our clients access to a full spate of marketing services - email deployment, paid search, and database building. Our point of difference is that we lead with analytics and leadership, and provide the services as a way to create a consolidated view that allows our clients to understand "The Path to Purchase". Please visit our website and email us for a description of our new products and services. This is a "Big" move for us and we are really excited as we face our next decade of business, leading and serving those "Brands" we love.

P.P.S. Due to the number of requests to have this email in a printable format, with this Issue it is now possible. Thank you for your continued suggestions.

AN INDUSTRY IN CRISIS – AN ADVOCACY GROUP PROVIDES HOPE AND STRATEGIES

On June 26 and 27, 70 companies came together under one roof for two days to have the most important dialogue for the catalog community in the past year and a half, at least. Top level executives from catalogs of all sizes gathered along with industry suppliers to work together for reform and advocacy for the community on which their livelihoods depend.

The young American Catalog Mailers Association (ACMA), in its first year, called to order its first annual meeting, not only with a *Who's Who* of marketers, but with a group of executives *who really care*. The intensive agenda was packed with policy leaders, crafters and interpreters from the Government inside the beltway, postal officials including the Postmaster General himself, the DMA, and Chuck Teller, Executive Director of Catalog Choice.

Participating in this Association is a must for all catalogers. It is the only organization advocating specifically for catalogers on a host of subjects including Do Not Mail, Postal Increases, Postage Regulations affecting cataloging and the health of the Postal Service generally. The event was well paced, included valuable content, allowed for audience participation, and gave a forum to company peers to share with each other and work together to launch and support a host of efforts to address real concerns and issues confronting our industry. There was an extraordinary level of detail shared that was both useful and actionable.

Here are some clear take aways for your company:



1. **Do Not Mail** – There are 18 states which now have pending *do not mail* legislation. The effort is not organized and therefore does not currently have a groundswell of support. However, if it should get organized, the momentum could be overwhelming. Catalogers need to step up to meet this threat now so if more organized proponents materialize, we are ready to meet the challenge.

Send your local Representative a letter which details the size of your company, the number of people you employ in his or her district, and what you are doing to be environmentally responsible. Then follow up with a phone call to set up a meeting to share with your Representative your history, your product, and your value to the community. If there is another cataloger in your district, reach out to that company as well to coordinate the letter and the follow up meeting.

2. **Environmental Footprint** – Tell your customers what you are doing to make your business greener, e.g. you have lowered your page count, paper weight, used soy based inks, use recycled paper, and contribute to reforestation efforts. Make sure your customers know that you support and comply with opting in/out and other consumer preference requests. Encourage your recipients to recycle catalogs. It is critical to maintain a dialogue between you and your customer. It builds confidence and loyalty.
3. **Catalog Choice** – It is an individual decision whether to participate or not in so called “third party opt out services.” Marketsmith’s viewpoint is that the intent of the Catalog Choice organization may not be well-defined, its current business model may not be sustainable, and the organization will have to generate cash when its grant runs out. That being said, we see that currently, the momentum behind Catalog Choice is significant, and therefore should be weighed strongly.

Whether you participate or not, you need to be vigorous in your communication efforts to your customers and to your prospects. Let them know that you are actively working to improve your environmental footprint, that you listen to customer concerns, and you take action as a responsible business. Mailers should not need to be bullied by an outside company to be respectful of the mailbox.

4. **Postal Costs** – There definitely will be no postage cost rollback for the catalog community. However advocacy and education are paramount to ensure that annual postage increases are kept at bay every single year. The ACMA is on the front line to advocate for keeping costs to catalogers in check and is actively investigating other means to lower catalog companies’ costs to use the mail.
5. **On the drawing board** – Finally, the Post Office is looking at “prospect based pricing,” “incentives for cleaner files,” and the Postmaster General’s baby, “Intelligent Mail Barcode” (IMB) system that is heralded to be as important going forward as the zip code has been in the past.

In order to have a voice, to understand first hand, and to be a part of the solution you need to get involved. ACMA Forum attendees heard this message loud and clear from the Postal Regulatory Commission, Congressional aids, and the USPS itself. To be successful and make sure the future of this industry is vibrant, the ACMA needs the membership and support of every cataloger and supplier engaged in the catalog industry, no excuses.

The ACMA Forum may have been the strongest conference I have attended in my professional history. The interaction of mailers was smart; participants were decision makers with a strong understanding of the fiscal



impact at all operational levels. I was impressed by the level articulation and the heart of each cataloger there. I know I looked into the eyes of pioneers, those who are willing to invest their resources to be a part of a young association.

The bottom line is - the ACMA delivered with extraordinary content, unprecedented access to policy makers, engagement of high level executives who are informed and savvy, and demonstrated the ability to pull all the pieces together to create and implement an activist agenda.

In a time when so much is bleak, this little engine has the heart of lion and the focus of an eagle. The Postmaster General told all of us attendees, and I paraphrase, "You are a small group with a disproportionate economic impact on our system. You need to stay organized and continue to try to get other mailers, newspapers, publishers, greeting cards, and financial mailers together. Please tell your customers what you are doing to lower environmental impact. And, you have to work with us to continually communicate what you do. You are our customer and we need to understand your business better." The best way to maintain the dialogue and working relationships is to join the ACMA and be a part of fighting for your business and the future of the industry. This advocacy group has already showed that is significant, important, useful, and impressive. www.catalogmailers.org

CAT HERDING

At Marketsmith we have a saying to describe almost everything. For instance, we talk about someone who talks off point or off the cuff as "Free Willy"; when someone creates a budget to save his job and it has little or no chance of success, we call it a "Hail Mary Pass"; when we know someone is forced to work with us and s/he does not want to, her/his interactions with us are what we usually call "violence." The newest word in our lexicon describes a person, usually a circulation manager or director, who is so mired in data, due to a proliferation of source codes, that s/he has no way to navigate out of this situation and feels like the only hope is to create a new piece of information, which only adds to the confusion. We call that person a "crazy cat person."

This term in particular helps define what we do at Marketsmith. I think we are more like "Cat herders" than anything else. If you look up "Cat herding" in Wikipedia, it says "comes from the common saying that something involving coordination of many different groups or people is *as difficult as herding cats*." We spend a great deal of time "herding" a variety of people, platforms, tools, resources, costs, and fragmented historical information to bring them to a consolidated and actionable view and plan.

We talk about *crazy cat people* (with endearment knowing I could be called one in my personal life) because we talk about the psychology behind the proliferation of source codes, reports, and analysis. Circulation professionals get caught in an endless cycle of trying to do the best job by being the most precise but unwittingly undermine their greater mission, growing circulation and revenues. The reality is when we see a circulation operation stuck in a morass it is usually an indication of one of these situations:

- When there is no marketing database platform or it is unstable so it cannot provide the data which give insight to past performance in a meaningful way



- When a company is finding it harder to make money and department staff have been in the same place for a long time with no changes or really love the Brand, they believe by creating a multitude of data points they can find the one nugget that will get them out of the hole or stop the bleeding.
- When the person responsible for circulation is struggling and is not receiving the necessary guidance and direction.

Folks who have created this proliferation of information usually want to avoid meetings and discussions because they believe in their schemas and do not want to have to explain them either to people who can not conceptualize the numbers OR to someone who might, in fact, challenge an algorithm.

So at Marketsmith, I think it is fair to say that we are cat herders. Our ability to coordinate multiple groups, technologies, data points, and historical records allows us to marshal those resources and create and execute plans that will deliver great outcomes for our clients. Identifying and understanding all the pieces, collapsing them, parsing through them, validating the quality, understanding the costs and cost structure relative to revenue, and finally developing a roadmap to move forward that brings it all to action in real time and generates rewarding results.

Everyone is talking about the need to target, focus, personalize. However, in many cases, there may be too many source codes. We are saying that you need to look at your segmentation objectively and determine how to make it more actionable so it will deliver results.

Ask yourselves these questions:

- What is our strategy based upon this information? Are we hitting our forecasts?
- Are we selling as many items as we were last year to hit that revenue?
- How are we trending? Are our sales going up, down, even?
- Of critical importance - Are we making money, not only top line revenue, but also bottom line net income?
- And ensuring the health of your brand - Can we articulate where we will be in two years and how we are going to get there through a unified, holistic contact stratagem?

If you are satisfied with your answers, the health of your brand, the results of your contact strategy, and EBITDA, then let the cat person be; s/he is doing good work and taking the Brand to a better place through diligence and ability to dig into the minutia.

But if you are unhappy with the answers, we suggest this solution and recommend you start today:

- Consolidate data points consistently.
- Use real data coming from true sources that are accurate and up to date.
- Make sure a report card system helps leverage your marketing database to create monthly benchmarks.
- Move to a matchback system using point of contact and order curve allocation systems.



- Make sure that the paid search, email, and offline teams are meeting a couple of times a month to have a consistent offer and complementary strategies.

Do not force offline marketers to go it alone anymore. It does not make good business sense. In a silo, it is close to impossible for an offline circulation person to be anything other than a data analyst and tool proliferator, instead of an integrator, leader, and performance-generating planner.

We all know or have met crazy cat people. The reality is they are trying desperately to make a difference in a way they feel is helping. In most cases their world is upside down, facing a sea of confusing and conflicting stakeholder and market demands and pressures.

I tell the clients we counsel that crazy cat people are good; they are detail oriented but need better direction. It is up to the leadership to recognize that cat people need to be herded – guided and supported in changing behavior and long-standing practice. You set the goals and provide the tools that allow each member of the team to make a difference through a holistic process that fosters the unique contributions of all members of the team, including crazy cat people.

PRESS RELEASE – IT'S ALL ABOUT MI

We at Marketsmith recognize that the Direct industry is at a watershed. Mailers' bread and butter consumers are inundated with online and offline messages; business costs are going up across the board (paper, postage, utilities, money); competitors are consolidating into larger, more powerful adversaries

There are large number of companies supplying print, email deployment, search, list, and database services. They price themselves differently and claim to offer unique options for merchants. But the truth is, they are all offering the same commodities.

Our newly expanded and energized set of services: It's all about MI (pronounced me) - **Multichannel Integration** is built on the recognition that merchants can no longer afford to communicate through siloed channels. Contact strategies must be created to communicate with customers in the most effective and cost efficient manner.

Customers' purchase behavior and preferences must underlie contact strategies. Additionally, prospecting contacts need to be sensitive to the ways that prospects want to receive information (for example: email sign-up, catalog request, do not mail request, search, affiliate sites with rewards programs). In order to implement these tailored strategies, it is imperative that communication vehicle costs are reasonable and manageable.

Recognizing that contacts can not be created and executed in silos, Marketsmith, Inc. has created and implemented a program which succeeds in eliminating one-off vendor management of commodity services in the areas of database marketing, paid search, and email deployment. We streamline, collapse, and unify the process of bringing all services together to ensure the output is an integrated, fully understood path to purchase down to the contribution level. Clients have a holistic picture of what is generating their demand and growth.



Monica C. Smith, President and CEO stated, "Marketsmith has constantly been at the forefront of the industry evolution, offering our clients leading edge thinking in strategy, execution, and analysis. The marketplace our clients and other marketers are facing is defined by a three-pronged reality:

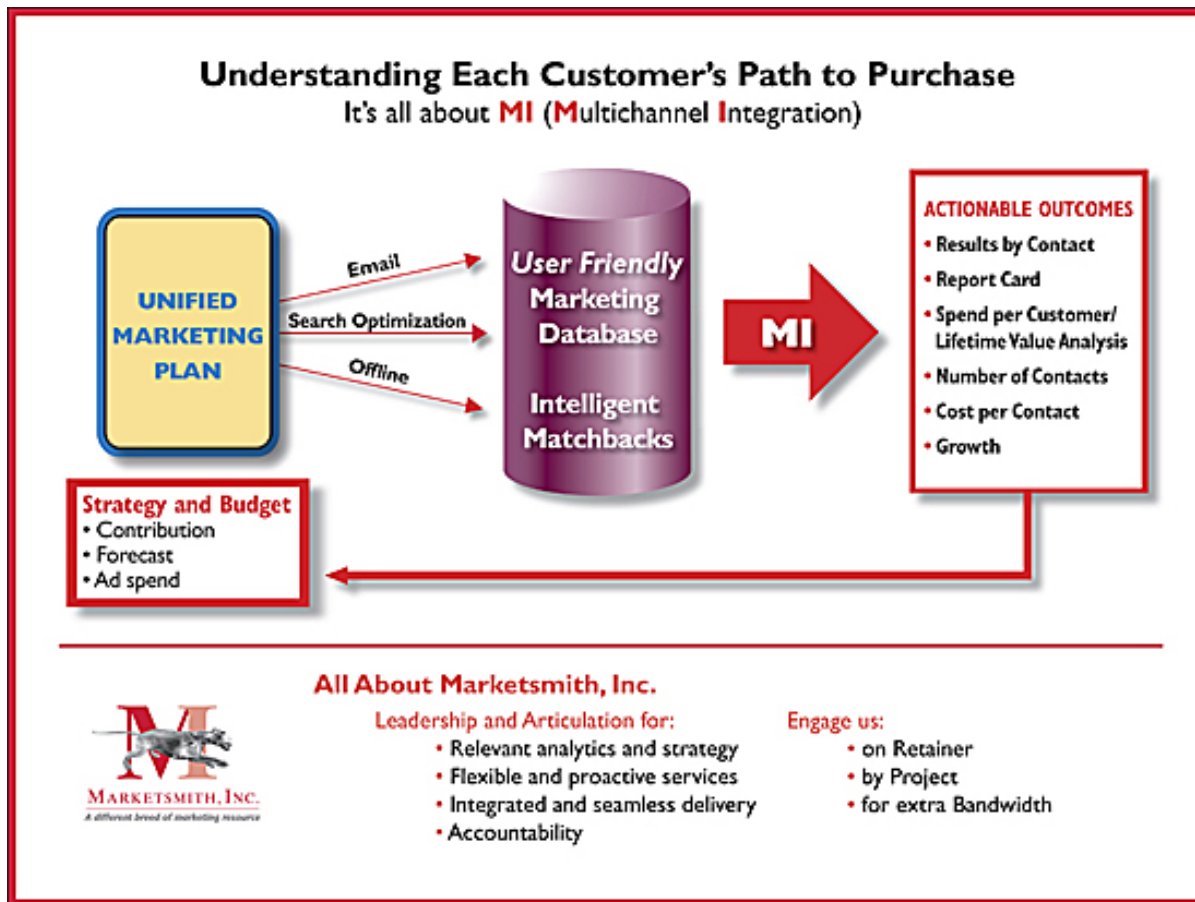
1. First, the databases, email deployment, list brokerage, and search services, in essence, have become commodities. Through consolidation, platforms have become non-differentiated, giving everyone access to basically the same set of services irrespective of vendor, leveling the competitive playing field.
2. Second, the promise of analytics is overused but the actual delivery of analysis which is meaningful and tied to an action plan is far less common.
3. Third, merchants are beginning to recognize the need for a unified strategy that they own and that can be orchestrated through one integrated plan. And most importantly, the return on the plan must be quantified and measurable on a monthly basis.

She went on to say that, "The pricing we have secured for our clients is at or below reasonable market rates. Additionally Marketsmith is supplying the integration glue that creates a holistic marketing strategy and executional plan. We have always offered the ability to integrate these services to our clients that use us for a full service solution. Our analysis across all contact mediums is to the contribution level allowing our clients to gain a true picture of the return on their marketing dollars."

Smith finished with "The point of differentiation has always been obvious at Marketsmith. We have prided ourselves on quick turnarounds, quality and excellence in our work product, delivering improvement in results within 30 days. The market is now in rapid change mode. The days when people thought that technology would lead and the strategy would follow are over. Marketsmith believes that platforms are important, great pricing is imperative, and a cohesive go to market strategy that is informed and actionable and is successful should be the driver.

The most important model change here is that Marketsmith believes that its strategy tool set combined with the right-cost, high performing services that are essential to today's marketers will flip the direct marketing industry upside down. By forcing technology to sit in its rightful place, and by surrounding it with services that are key to understanding and growing businesses, we now have thrown down the gauntlet to challenge other companies to make this model work for their clients.





About Marketsmith

Marketsmith, Inc. is an outsourced/*insourced*/co-sourced provider of multichannel marketing strategy, customer insight, and analysis to the catalogers, retailers, manufacturers, and other multichannel merchants. Companies look to Marketsmith for strategic guidance and hands-on implementation of offline and online marketing operations. Marketsmith's analytical resources allow us to identify and articulate strategies which positively affect our clients' outcomes within the first 30 to 90 days. We provide strategic multichannel integration services, offline and online circulation, user friendly database builds and management, and in depth analysis to grow circulation and revenues.

"VENDORSHIP" – THE THIN LINE BETWEEN SUCCESS, PAIN, AND COMFORT

"Vendorship" is another Marketsmithism, combining vendor and a personal relationship. We are defining the term to mean the practice of using an outsourced resource because of a prior relationship rather than the value or core competence of the vendor's service.

As we noted earlier, the business of direct is very personal, and "vendorship" is a reality of our industry. I am sure that many of the vendors who are reading this newsletter right now have faced the phenomenon as you responded to RFP's. It certainly can be annoying or frustrating. But we all recognize that it is up to the Brand/company to make a choice based on its criteria or expectations, whatever they may be. Therein lies the rub, and hence this article.



I am finding more and more Brands are not demanding the most from their vendors, for a host of reasons. And therefore "vendorship" becomes the selection criterion, followed by a request for significantly reduced pricing rather than a demand to effect improvement on current business stratagems.

As a vendor's workforce ages and its technology/toolbox or service offering becomes a commodity, the relationship with the client is the determining factor. I have always been of opinion that it is really, really important to like the people with whom you surround yourself in business. I also think it is really important for companies to evaluate their relationship with a given vendor. Of course you want to make sure you have a great relationship BUT you also need to ensure that vendor is providing value. As the client, you need to demand excellence; demand insight and big ideas that are actionable and make a real difference on your business model. Don't just accept the idea of being with a company for a long time, or where else would we go, or that person got me a job in 1985. I am not one to change vendors for no reason nor am I the type to hammer vendors for a discount just to show my muscle. But I do demand performance from vendors.

In the following paragraphs, I would like to share with you some ideas about how to evaluate your vendors and how to create an RFP Marketsmith style.

When we look at hiring a vendor for ourselves or for our clients, we evaluate at least three companies, ideally with distinct points of difference. We do our homework on those companies up front, securing recommendations where possible. We create an RFP which includes:

1. An overview of the requirements
2. A calendar of events, that is, a specific list of deliverables in a time line that we expect the potential providers to meet
3. A brief history of the company and its current processes
4. A vision statement
5. A hierarchy of who will be a part of the process and why

We then start by assessing each responding company's initial reaction to the RFP – whom they contact, what questions they ask, how interested do they seem in the opportunity, general understanding of the requirements, and willingness to meet the time line.

Next we set up an informational conference call with those responders who are interested in order to present a more detailed history of the contracting company and its vision for the future, and how this RFP fits into that paradigm. We also use this time to answer any questions regarding the scope and interpretation of the RFP.

During this process we observe or ask the clients to observe what are the vendor's requests for data. This gives a strong indication of the vendor's perception of what it needs to get an accurate picture of the client's business and what the real numbers are. We are looking for a vendor who understands the client's business model, objectives, challenges, competitive landscape, and any other aspects unique to the client's business. The potential vendor must be able to speak intelligently to the model as well as be able to demonstrate the fit of its services and products with the client's needs.

For the presentation, which could be face to face (preferable) or by phone/web, we ask the vendor to identify by name and title beforehand who will be attending, in person and tapped in by speaker phone. As the buyer of services, you want to know what involvement and responsibilities each participant would have going forward -



who is a sales person and who is on the integration team, if needed, and who is on the account, who are the generic participants who do not touch your brand and who will be specific to working with you to meet your needs. What are the portfolios of the client team and what is their availability to devote to meeting client requirements.

During the actual meeting you judge the vendor's pitch based on relevancy, its point of view on your main competitors, and its vision of integration and implementation. Assess the presenting company in terms of the depth of skills and longevity of its personnel, the successes and statements of impact upon which they can draw from other engagements, the tenure of their current clients.

The key is to evaluate a potential provider's ability to be more than about price, or a technology, or dynamic person in the room. Consider if this company and its services will fit into your model three years from now. Or if it is a project, look at the provider's last five projects and their outcomes.

We also review the pricing as part of the final view of the proposal process. If the price differential among the three vendors is greater than 12% initially, you have to determine what is reasonable and understand why some may be either too high or too low; make sure there is no misunderstanding in the expectations. Since many outside vendors are providing a commodity service, pricing should be fairly consistent with what the cost of a service should be. Moreover, we judge a company's willingness to come down more than 20% from the initial price as suspect. In that case, you need to judge whether you want to do business with someone who pads the business that much.

Recently, I sat across from a celebrated direct marketer at the ACCM, it was an early meeting, it was rushed and it was over before it began. I have been doing this for a long time and I do not need a Dear John letter to tell me that I did not make the cut. But here is the important thing, I was up against "free", fringe services provided by a "vendorship" that was willing to give valued services at no additional charge. My response is that it is hard to compete with free. But where does that outcome get us all? Either the client wonders why the vendor never offered that service before; since the vendor should know what of her services will benefit her client and provide those services if they are available free of cost. Or the vendor shoots herself in the foot because she has devalued a product/service by giving it away for free.

The key take away is that in this environment you need to take a strong look at your vendors and double check why you are using them and make sure that they are delivering benefit every single month. My MarketSmith clients get this newsletter and I am putting my money where my mouth is. We work every day to make our clients and ourselves better.

You do not need me to tell you we are working in interesting times right now, but what I will tell you is - I believe few companies will be left standing when we get through this time of ever increasing pressures from the rising costs of the operation and from the decreasing need for the core services once celebrated in our industry.

Shake it up. Challenge the vendor teams surrounding your business by asking them to provide value at a level that shows they understand your business and the challenges you face. Make sure their services are clear, grounded in historical data, and highly actionable.

There is a small window in which a Brand can be successful and contribution positive in this industry. Do not let comfort, price or conformity blur where your line of success is. It is important to have people you like surround



you. But if I were you, I would ensure they are people who are able to get you across the finish line, and more importantly, that they will do it on their backs if they have to.

UPDATE ON THE SALES TAX ISSUE

As of this writing, there have been no new developments on the New York State tax law which went into effect June 1, 2008, requiring internet vendors who receive more than \$10,000 in compensation for goods or services from New York residents to collect and pay sales tax to the State of New York. (See our Special Bulletin http://www.marketsmithinc.com/newsletter/newsletter_5-27-08.html)

It is worthwhile to point out that this issue is not unique to New York. There are bills (*Streamlined Sales Tax* acts) in both the U.S. House (H.R. 3396) and the Senate (S. 34) which address requiring vendors to pay sales tax in the state(s) where they have sold goods and services. The goal of these bills is to create a simplified and equitable collection process to which all States can agree. And the reach goes way beyond direct marketers; the goal is to streamline the way States collect and use sales taxes, but the ramifications will be felt by multichannel marketers.

As with the NY law, these bills change the underpinnings of the process, shifting the determining factor of sales tax collection to the location where the product or service ends up (as opposed to where it started). In 1992 the Supreme Court ruled only those transactions which occurred in the same location as that where the vendor maintains a presence are subject to local taxes. With the pending legislation, irrespective of where the vendor maintains a presence, taxes will be due in the location where the goods or services were provided.

If the federal legislation passes, only 10 States that have sales tax and that represent at least 20% of the population need to join a compact for those States to begin to be able to require companies with more than \$5 million in annual gross sales to collect and remit taxes on sales in remote locations (that is, on mail/phone and internet orders), according to newrules.org.

The National Association of State Legislatures and Board of Governors have set up a joint program – the Streamlined Sales Tax Governing Board which meets quarterly and is attempting to work out the details of a simplified process (www.streamlinedsalestax.org). To date 43 states have agreed in principle to the process and 22 have passed State legislation, but there is no overarching consensus on all of the pieces of the process. The process has been going on for many years and it could take many more years for results to be worked out. However, if the New York legislation is not overturned in Court, there may be an additional impetus to States to work out the bugs and work together in demanding taxes on all goods and services sold in their locales.

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