

It's Smarter to Barter

Not paying cash for products and services is a surprisingly good way to do business.



You don't get something for nothing. But you can get something without handing over hard cash: barter.

Furniture designer Berthold Schwaiger has exchanged his services—making custom hardwood furniture—for the creation of a web site and for aid in legal and public relations matters for his studio and school, Chicago Bauhaus Studios. In New York, Renee Young barter her PR skills for time with a personal trainer and limousine services. “With the personal trainer, she comes to my home and trains me twice a week, and I put that much time into pitching her business to the press and working on her overall media strategy,” said Young, vice president of G.S. Schwartz & Co. Inc. “It’s a great arrangement. The publicity I get her helps expand her client base, so it’s a win-win for both of us.” The old-school way of bartering is now the new way of doing business with small and large companies worldwide.

Barter-rific basics

Simply defined, barter is the exchange of goods and services without the involvement of cash. People have been bartering for centuries, but with the aid of technology barter is now a multi-billion dollar industry, according to publisher and editor of the *Barter News* online newsletter, Bob Meyer.

“Of 25 million companies out there, I’d say two out of every hundred are working through barter in addition to their cash sales,” Meyer says. Groups like the National Association of Trade Exchanges and the International Reciprocal Trade Association make it possible for barter exchanges—companies that create markets for traders—to keep those numbers growing.

BizXchange, a commercial trade exchange based in Seattle, allows companies to trade dollar for dollar through their network by receiving trade credits that they can spend on a multitude of items from other firms. It works like this: a business lists a product or service for trade through the exchange, and in return the business receives a trade credit based on the dollar value of the good or service offered. The business can then use its trade credits to purchase goods and services from other members. The result? Businesses are tied into a network of other enterprises around the country and overseas, extending their market well beyond their local area.

Smaller barter groups like Women Empowered-Chicago may not charge a fee to join their hundreds-strong network of services for women by women,





Trade secrets

- Bartering offers no tax advantage or disadvantage. Any trade earned is taxable income and any trade spent on business expenses is a deductible expense reported to the IRS through the exchange networks.
- Having a gross profit margin of 50 percent or more makes bartering beneficial.
- Having a product or service that will generate sufficient trading volume is necessary, as is limiting your bartering to only five to 10 percent of your overall business. Think of bartering dollars as incremental to cash sales, as opposed to taking their place.
- Remember, no single barter company has everything there is to offer.
- Before you join an exchange network, make sure the exchange's client base will bring you business. Also verify that the exchange has products and services within the geographic area that you're interested in spending on.
- Wondering what's a good trade exchange in your area? Contact NATE (www.nate.org) or IRTA (www.irta.com) to find reputable companies in your state.

but most exchanges have a one-time membership fee (typically between \$400-\$600). The exchange will also charge you anywhere from 12 to 15 percent in transaction fees on trades.

Jill Halper, a vice president at the National Trade Association in Niles, Illinois, says her firm allows smaller retail members to pay a one-time cash fee based on the size of their company; larger corporations pay the fee in barter at a higher percentage rate. Once you're in a bartering network, brokers help businesses facilitate trade much like stock market brokers do.

"The trade association deals with distribution channels," Halper says. "I have a local jeweler who has licensing for NFL football teams. He puts team logos on watch dials and wanted to advertise the watch in magazines. So I approached a publisher that doesn't have a rep that works in Chicago. I'm bringing her a customer she would not have during her normal course of business, and she's willing to accept that on a trade because she knows the ad is not going to disrupt her current cash channel."

Members of BizXchange are getting everything from their monthly office rent to groceries delivered to their door on a trade basis. There really is no limit to what can be traded, including vacations.

"We have created an alternate currency where we—the trade brokers—have to balance out supply and demand," says Chris Haddawy, senior vice president of business development for BizXchange. "If we have 10 printers in our network, but every business is calling up needing printing services, we realize 10 is not going to be enough to meet the demand, so our sales executives go after more printers. We go after whatever our members are looking for."

More bang for your buck

Barter exchanges can further expand a business's bottom line, since they can acquire services and goods they need without tapping into their cash flow. Bartering also provides another way

of advertising and marketing your business to new customers: barter groups actively promote members within their family. If a bartering buddy uses your services and likes them, he or she could refer you to their cash paying customers.

A business can also turn its downtime and excess inventory into something productive. San Francisco author and director of the Global Initiative to Advance Entrepreneurship, Steven Van Yoder is a living example of this. Bartering for about 12 years on different kinds of exchanges, he has been able to get all his printing on a direct mail campaign done in trade, which brings him new clients using time that would otherwise be unbilled.

"I can use bartering as a perk for dental work, restaurants—even airline tickets for business travel. So it's a very handy way to make profitable what would otherwise have just been downtime that no one was paying you for," says Yoder.

Bartering is particularly popular among start-up companies and small businesses, says Wil Schroter of www.goBignetwork.com in Columbus, Ohio.

"Often small businesses have more time than money, so barter becomes an important currency that supplants their lack of income."

Furniture designer Berthold Schwaiger knows this well. Creating a school for future woodworkers while running his own studio of custom pieces, he's swapped services when streams of revenue aren't consistent. In this way, he gets value for idle assets when he's not operating at 100 percent capacity—and gets Chicago Bauhaus Studios work out to the public.

"It's a great insurance policy," says *Barter News's* Bob Meyer. "As a business, you have a cash door, and now you have a barter door that people can walk through and the two don't conflict with one another. The barter door is added business." ✕

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