

# Tricks Of The Trade

Cash for goods? Cash for services? You're throwing too much cash around. Listen up.

By Jennifer Haupt | [Entrepreneur Magazine](#) - [December 1999](#)

In the past three years, Jerry Kelly, owner of All Engagements Photo/Video/DJ, has obtained new equipment for his business, taken his family on a cruise to Mexico, had repairs made to his home, and entertained friends and business associates--all without paying a cent. How does he do it? The Irvine, California, entrepreneur is among a growing number of small-business owners who have joined barter exchange networks.

For a modest fee--in Kelly's case, 10 percent of the value of goods and services acquired through the barter club--members are eligible to trade their services for everything from auto repairs to accounting services.

"Barter clubs are a great way to hook up with other business owners to trade goods and services you need to run your business effectively but can't necessarily afford," says Kelly, 38, who is now a member of three barter clubs. "I recently provided disc jockey music and wireless microphones for a hotel hosting a murder mystery event. I used the trade credits I acquired to pay for the large quantity of printing and Xeroxing my business requires--[and I took] my family out to dinner."

Although barter exchanges started as a financial strategy for companies short on cash and long on inventory, the industry has blossomed into a way for savvy individuals to swap professional services and retail goods. The International Reciprocal Trade Association (IRTA) estimates the value of goods and services bartered in North America has jumped from \$895 million in 1974 to more than \$9 billion in 1996.

"In the past decade, people have started to realize how easy and cost-effective it is to barter," says Ray Bastarache, president and CEO of Milford, Connecticut-based Barter Network Inc., one of 600-plus barter exchange clubs the IRTA estimates operate worldwide. "It doesn't take a lot of extra time to participate, because the exchange keeps track of each member's transactions and trade credits in an account similar to a bank account for cash."

Here's how barter networks operate: Purchases are made in "trade credits," which have a cash value of one dollar per credit and are earned through making sales to other exchange members. (All items are priced at retail value.) While you don't accumulate interest on your account, neither do you have to pay any interest on your line of credit dollars. In effect, bartering can function as a no-interest loan you can use to purchase everything from business supplies to real estate.

The range of goods and services offered by barter exchanges runs the gamut from professional services--such as legal and accounting services--to big-ticket items, such as jewelry, appliances and vacations. Steven White, president and CEO of Ubarter.com Inc. in Seattle, went on a ski trip where he bartered for his clothes, equipment, lodging, lift tickets and more.

Not everyone is qualified to join a barter exchange club, though the criteria vary. Ubarter.com requires members to own an operating business, but Bastarache says anyone with a marketable service is eligible to join Barter Network.

"Our goal is to achieve a balance of supply and demand," explains Bastarache. "We evaluate each potential member to make sure there's a client-driven need for what they're offering." In general, the hottest categories for bartering are travel, entertainment, computers, electronics and building contractors.

If you qualify to join a barter exchange club, you need to make an initial cash outlay. Barter networks typically charge membership fees of \$300 to \$600, plus cash commissions of 10 percent to 15 percent per transaction. "If you have excess inventory or a service to provide, the money you spend to have a barter exchange act as your marketing arm is a wise investment," says White. "Exchange members often make referrals to nonmembers as well."

Many barter exchanges will even provide low-interest loans for barter dollars beyond what's in your account to be used for services offered by other club members. For example, White recently approved a \$30,000 credit line of barter exchange services, with a trade interest rate of 1 percent per month, for a Ubarter.com client to remodel his office supply store in Seattle. "We didn't require any financial background because we knew the improvements would increase sales considerably, and we've had this client for five years, so we know and trust him," says White. "Try that at a bank."

Most barter clubs publish an annual directory of members and services, with weekly or monthly updates. For even faster access to goods and services, a growing number of barter clubs, such as Ubarter.com, are setting up Web sites (generally restricted to members).

Perhaps the best place to locate barter exchanges operating in your area is in the Yellow Pages, under "Barter & Trade Exchanges." According to Bastarache, you should always do some careful research before joining a barter exchange--your reputation, as well as the cost of your membership fee and trade credits, is on the line. Visit the exchange office to check out the people who are running the organization, their membership directory and their computer system.

Some questions to ask before joining an exchange include:

- **How large is the exchange membership network?** Barter clubs range from several hundred to more than five thousand members, and many smaller exchanges network via computer databases with other clubs nationwide. The larger the exchange network, the more services you'll have to choose from.
- **What is the focus of the exchange?** Particularly when considering small exchanges, find out what service categories--travel, entertainment, business supplies, professional services--they deal in. Remember, you have to be able to spend the trade credits you accumulate within the exchange.

- **How long has the exchange been operating?** The worst-case scenario is that you have several thousand dollars of credit in your account and the exchange goes bankrupt. According to White, this doesn't happen often, but it pays to join a reputable club that's been in business for at least five years.
- **Does the exchange have good references?** To get a feel for what you're getting into, talk to a handful of clients who have been members of the exchange for four or five years.

The small amount of time and effort it takes to investigate a barter network is a fair trade for the services you'll receive, not to mention the marketing muscle you'll gain by exposing your products and services to a whole new audience.

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