

Bartering in Business

Barter is back in style and spanning the globe. Here's what you need to know to become the master of your exchange.

By Chris Penttila | [Entrepreneur Magazine](#) - July 2005

Entrepreneur Chris DeMassa is busy trading on his company's name. DeMassa, founder and president of 14-employee Arcata, California-based trademark research and consulting firm [TradeMark Express](#), has bartered for everything from printing jobs to entertainment tickets.

DeMassa, 49, thinks barter is a great way to build business. He estimates 10 percent of his \$1 million annual sales are generated through barter. "That's 10 percent we wouldn't have otherwise," he says. "It makes better use of our resources and lowers our cost of doing business."

Barter is the oldest form of doing business. Today's companies barter for a number of reasons, from getting rid of excess inventory and finding new customers to conserving cash and supporting the local economy. Companies exchanged \$8.25 billion in goods and services last year alone, according to the International Reciprocal Trade Association.

An Evolving Industry

A number of online barter exchanges arose during the dotcom era, only to go out of business after learning the hard way that people still want human interaction. Meanwhile, small companies have grown more sophisticated about barter over the past decade. There's a better understanding of IRS reporting requirements, and business owners are less likely to view bartering as a shady, under-the-table practice. The barter industry is "becoming kind of old hat. It's matured," says Jack Schacht, president of the [National Trade Association](#), a Niles, Illinois, barter exchange.

[Barter Systems Inc.](#) in Kensington, Maryland, which has 10 employees and approximately 1,400 clients, is one of more than 500 barter exchanges in North America. It uses a combination of e-mail, monthly account statements, mailers, magazines, online directories, in-house brokers and annual IRS 1099B forms to stay in front of its customers. "Our clients can see their statements and histories online and do a transaction online if they wish," says CEO Perry Constantinides. "We've empowered our clients to do more on their own if they want to."

DeMassa uses Bellevue, Washington-based barter exchange Itex. He likes being able to track his company's account online and can call an Itex broker if he wants to speak with someone. TradeMark Express posts ads on Itex advertising items it wants to trade, and Itex gets 5 percent of any purchase/sale on top of an initial \$995 one-time fee--a trade-off DeMassa doesn't seem to mind. "You'd probably be spending \$3,000 or \$4,000 a month in advertising to reach the group of people that you reach through barter," he says. "If you look at it as a marketing expense, bartering pays for itself."

Barter industry experts predict the globalization of barter over the next decade, and it will be powered by a universal barter currency. "There are things happening out there that are truly incredible," says Krista Vardabash, executive director of the International Reciprocal Trade Association. The globalization of trade is well underway: 15 percent of the \$5.62 trillion in international trade last year was in the form of barter, according to the World Trade Organization. Asia, Australia and Europe all have thriving barter markets.

The challenge for barter exchanges will be balancing supply and demand as small companies grow more sophisticated in what, how and where they want to barter. DeMassa sees barter exchanges encouraging their members to trade higher-ticket items, but they still have a way to go as far as he's concerned. "I think the barter companies are making a mistake by not pushing real estate, gemstones or stocks," he says. "There are a number of things they can move that they don't promote."

The challenge for entrepreneurs who want to barter will be figuring out their options. Learn about the barter communities that are active in your area, DeMassa suggests, and base your decision on what's being traded instead of what fees are being charged. One good place to start is Irt.com, where you'll find everything from conference information to checklists.

Looking ahead 10 years, Vardabash envisions a global trade credit system that reaches the average consumer, who will make purchases using local barter currencies. Small companies will build B2C loyalty programs around barter like the airlines have done with their frequent-flier mile programs.

Whether this will happen is anyone's guess. Cash still reigns supreme, after all. But Vardabash, for one, thinks there's even more room for barter. "There's a little saying in our circles," she says. "Cash is king, but barter's the next best thing." And the entrepreneur who masters the evolving barter process will truly be a jack of all trades.