

# Let's Trade!

## The ancient practice of bartering gets a modern twist

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When I prepared to publish my book last year, I wondered how I could finance the project without draining my bank account. I knew I would need editing services, a graphic designer, promotional materials and a new Web site. But instead of reaching for my checkbook, I turned to a barter exchange to help me get my project off the ground.

Through this exchange, I secured an editor for my 280-page manuscript and a printer to create new letterhead and business cards. I also traded for a new Web site. In fact, I managed to barter more than half of the required costs to publish *Get Slightly Famous: Become a Celebrity in Your Field and Attract More Business with Less Effort* (Bay Tree, 2003).

Bartering—the cashless trading of goods and services—is the most ancient form of commerce. Today, many contemporary businesses are taking a second look at barter as a great way to improve cash flow and enjoy higher profits. You, too, can put barter to work for your business. All that's required is to revisit an idea as old as civilization itself.

## Trading in a cash world

While our ancestors might have traded chickens for horseshoes, today's savvy entrepreneurs swap hotel rooms for printing, office space for a night on the town and dental work for vacations in the Caribbean, all with the help of business barter exchanges.

Barter exchanges link businesses together into trading networks where members trade with one another to turn their underutilized capacity into new revenue streams. Instead of cash, barter exchanges issue "barter credits" or "trade dollars" that are used like cash between exchange members. For a small cash commission (typically 10 to 15 percent of each transaction), these exchanges facilitate the trades and provide monthly transaction statements.

For example, the owner of a sign-painting company needs to have brochures printed. Instead of paying with cash, he goes to a printer within his barter exchange and pays with trade dollars. Subsequently, the printer can spend his barter credits with any other business in the exchange. He may, in fact, decide to eat out at a restaurant, seek legal advice for his business or defray his monthly courier expense. He does not have to spend them with the sign painter.

When I first joined a barter exchange, I was introduced to a new world that had been beneath my nose all along but that I had been oblivious to. The exchange comprised many local businesses, some of which I was already doing business with, from restaurants to dentists to moving companies. I was immediately plugged into an efficient system that made trading easy -- a barter exchange representative helped to work deals and serve my buying needs.

## Membership has its benefits

When you join a barter exchange, expect to pay an initiation fee (typically \$100 to \$500), annual dues and a 10 to 15 percent commission on every trade. In return, the exchange will provide ongoing account maintenance, a monthly statement, checks or debit cards and a membership directory. Some provide a line of credit to let you start trading right away.

Once you are a member, barter is a valuable tool to bring in new clients and customers because trade customers come in addition to existing cash customers. "When someone joins an exchange, they're exposed to thousands of potential clients," says Tom McDowell, former director of the National Association of Trade Exchanges. "All of barter's benefits exist because members get new customers they did not have before."

Bartering can also help offset normal operating expenses and keep more cash in the bank. Through cash conservation (shifting existing cash expenses to trade), business owners can keep more of their "green dollars" in the bank by using trade to cover fixed costs, such as plumbing, accounting and even office rental.

## Making barter pay

Before joining a barter exchange you must know your "cost of trade," or the real cash outlay involved in each barter transaction. A hotel, for example, has a low cost of trade because it costs little to barter an empty room. A printer, however, must consider paper costs.

Barter is particularly effective for service oriented companies that have few or no out-of-pocket expenses. Beware of cash-heavy transactions requiring outlays for overhead or equipment. It's also necessary to factor in cash fees charged by the exchange. And barter should supplement, not compromise, your cash business. Despite its appeal, you can't pay telephone bills or taxes with trade.

To make barter work for your business, flexibility is crucial, which often means switching from established vendors to those within the barter exchange. For example, you may need a computer or other piece of equipment. If you have the cash, you go to the store and buy it. With barter, you sometimes have to work with your broker to find what you need, and you may need to have it shipped.

The Internal Revenue Service considers barter income the same as cash for tax purposes. Barter exchanges issue 1099-B forms to members and the IRS at the end of a tax year. With this in mind, it is advisable to treat barter the same as cash and to use trade for tax-deductible expenses whenever possible.

There are two national clearinghouses for barter exchanges: the National Association of Trade Exchanges, at [www.nate.org](http://www.nate.org); and the International Reciprocal Trade Association at [www.irta.net](http://www.irta.net). Either can provide a list of exchanges in your area.

In the end, the benefits of bartering are limited only by your creativity. As business becomes more competitive, the concept of trading promises to become more popular. Small-business owners are discovering that bartering can become an integral component of their business plans, enabling them to see higher profits, meet like-minded business contacts and improve the quality of their business and personal lives.

## Things to consider for successful barter

- Compare services and fees of barter exchanges in your community. Check member listing before joining to ensure the exchange can fill your needs.
- Determine how much advertising and promotion the exchange does for members.
- Get a list of the exchange's members who are currently active and not on standby on hold status.
- Ask members if they are satisfied with the exchange. Ask them to discuss the pros and cons of doing business with the exchange.
- Contact the usual business reference sources in your area (Better Business Bureau, Chamber of Commerce, etc.).
- Ask if an individual representative will be assigned to your account (this is very useful in having your needs attended to).
- Ask whether the exchange issues a line of credit.

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