



The Powerful and Sometimes Secret World of Barter

How Barter Can Help
You Grow Your Business

Matthew A. Hulbert

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Introduction

Thank you for taking the time to read “The Powerful and Sometimes Secret World of Barter”

I want you to understand that this is not a sales pitch. What you are about to read is not going to try and sell you anything or endorse any company. The sole purpose of this Ebook is to give you a basic understanding of the power of barter and how you can use it in your business. I wanted to share some ideas and help to get the creative juices flowing on how you can leverage barter to strengthen your cash flow.

In these tough economic times barter can be a very powerful tool for helping you in your professional and personal life. To remain competitive, we have to take the time to think of new ways of growing our business and gaining new customers. You have to think outside the box to keep your business growing while keeping an eye on the ever tightening bottom line.

It is my hope that this Ebook will help you to accomplish this

Matthew A. Hulbert

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What is Barter?

So what exactly is barter? Barter is the exchange of goods and or services unmediated by any type of currency.

Simply put its getting something you need for your business without having to outlay any cash.



In today's economy when money is tight and businesses are not making a lot of sales most are eager to accept barter for their goods or services. This allows them to hold onto their capital and not dip into their actual cash flow. This is very appealing on many levels if you think about it. Bartering gives you a new way of acquiring those goods and services to help you grow your client base and increase your sales even in a volatile economy. In fact if you have excessive inventory that is not

selling it could help you move this merchandise and get something you need more quickly. The real beauty, you don't have to "barter" your merchandise at a reduced price you get full retail. It's a win, win proposition!

Barter The New Currency!

Bartering is truly like making your own currency. Think of how powerful it is to be able to acquire goods or services for your business without having even one dime in your bank account. In addition to being able to purchase and acquire goods in this manner, there are tax advantages also. Did you know that in some cases your barter transactions will be tax deductible? That's right; if you are using the items you barter directly for your business in most cases its tax deductible. On the other hand if you trade for profit then you will end up paying taxes on it. *IF* you take a loss then just like any other loss your business takes, you can claim that loss on your taxes also.

***You should always consult with your accountant for the specifics on these transactions**.*

This gives you even more advantages and ways of keeping cash in your bank account.

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Did you know that the slang we use today for a dollar, “Buck” came from bartering? When the English settlers came to the new world and began trading, “bartering” with the Native Americans they received “Buck” skins in exchange for many of the goods they traded.

Just a little fact I thought I would throw in

A Personal Experience:

I thought now that we have talked about what barter is and how it can be used as currency I’d take a moment and give you a personal experience on how I used barter and the power of it.

Back in the early 90’s I was working for a small computer company that developed accounting systems and also sold CAD applications. While working there we took on a new line of animation software. I quickly found that I enjoyed working with the software a lot more than I did selling it. Lucky for me we did a lot of trade shows and I developed my own animations for demos as well as to showcase the power of this application. I really wanted to start doing this as my own business but in the early 90’s the equipment was going to set me back close to \$10,000.00. Trust me I did not have anywhere close to that to

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even get started. At one of the trade shows I was approached by a gentleman that loved the animations that were playing and asked me if I would be interested in producing a 3 minute animation on a particular product he had developed. During our conversation he made it known to me that they had the equipment to produce the animation however did not have the expertise to execute nor did they have the time, (Do you see where this is going)? I followed up with him after the trade show and let him know that I would be happy to develop the animation under my own company but was lacking equipment. Over lunch that afternoon we struck up a barter deal that allowed me to acquire \$10,000.00 in equipment and the customer to get what he needed for his presentation.

This opened up many doors for me and was the beginning of my first company. I went on to do several other animations for this particular client and many, many other clients also. Thus I started my company without a single dime in my pocket. I was able to “barter” my services and expertise for the equipment I needed allowing me to quit my current unfulfilling job and become self employed and do something I really and truly wanted to do. *NOW that is the power of Barter!!*

It's important to remember that the barter economy has been around a lot longer than the cash economy. One thing is for

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certain, anytime the cash economy goes down the barter economy is going to be on the rise.

In other words . . . NOW is a great time to get into the barter industry.

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The Value of Barter

So now we have a pretty good understanding of what Barter is let's look at the value of barter.



FACT: Barter in one form or another equates for almost 30% of the world's total business transactions. Of that, it's estimated that over 250,000 American Businesses use barter in their daily operating process. Furthermore approximately 70% of all

Fortune 500 companies barter on a regular basis for goods and services equating to billions of dollars in transactions annually.

When you think about it those are some staggering numbers.

What does all this mean for you?

It means there are plenty of opportunities for you to use barter to gain new customers, reduce overhead, expand your business and increase your income.

Let's Take a Closer Look . . .

Let's take a moment and look a little closer at how one company leveraged the power of barter in their own business.

A major hotel chain bartered \$125,000.00 in advertising in exchange for rooms. They issued script to the client and put an expiration date of 1 year. Allowing the advertising agency to utilize the rooms at their convenience also allowing them to distribute or barter them to other clients.

After 1 year when the hotel did an audit on the barter script for the rooms it was revealed that only \$35,000.00 was used. The rest went unused and expired.

The actual cost of the hotel delivering \$35,000.00 worth of rooms was only \$5,000.00. Another words the hotel received \$125,000.00 in advertising for only \$5,000.00.

Now you have to take into account that \$35,000.00 worth of rooms statistically bring in about \$17,500 in cash for food,

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beverage and miscellaneous sales. So now the hotel has an \$8,000.00 profit. The hotel in essence was paid \$3,000.00 after all cost to enter into this trade.

Bottom Line

Let's break down just how profitable that one transaction was for this business.



Hotel

Hotel Receives	\$125,000.00 in advertising
Advertising company used	\$ 35,000.00 in Script
Additional Revenue	\$ 17,500.00 Food / Drinks
Net profit on Sales for Food Drink	\$ 8,000.00
Minus cost of rooms	\$ 5,000.00
Net Profit to hotel	\$ 3,000.00

The rooms were not used at one time and it was spread out over 12 months. Basically the hotel received \$125,000.00 in advertising up front and the \$5,000.00 in room cost was spread out over a 12 month period **TOTALLY INTEREST FREE.**

Benefits to you . . .



When you participate in a barter program you are opening new doors and creative ways to build your business while expanding your current customer base.

Let me give you an example. You may have a product or service that a particular individual may not want to purchase. However, they may be willing to barter for that same item, which potentially brings you a client that you could have missed. You may be asking yourself, why they would barter for it if they would not buy it. It's simple: in some cases someone will enter into a barter transaction with you in order to gain something they need to barter with someone else. Think back to the previous example regarding the hotel and advertising company.

Although we do not have all the facts on what the advertising company did with their "hotel script". You can assume they used some of that for bartering for other services they needed. In turn when the advertising company distributed the script during their bartering transactions it brought in new clients to the hotel. These are clients that may never step foot into that

establishment otherwise. This is one of the unrecognized benefits of a well thought out barter transaction.

Can you see how this works? Is this starting to get your wheels turning on how you can use barter in your own business?

Another way that barter can benefit your business is with excessive inventory.

Perhaps you received a great deal from your supplier on a particular item, however it did not move as quickly as you had hoped. Now it's just taking up valuable real estate on your shelves. Why not find someone that is willing to barter for it? Depending on the item you may be able to barter that item for something you need for your business. This will help keep cash in your account while gaining you goods or services you need and desire.

No matter what the item or service it's almost guaranteed that someone out there somewhere needs that product or service.

If you're in the service industry such as graphic design, carpentry or plumbing, you too can grow your business by leveraging barter. In these tough economic times you're bound to have some down time. Why not fill idle time with barter time. Trade your services for products you need or new tools to improve your offerings. This keeps you busy, gives you the opportunity to find new customers and best of all you get

something that helps your business while managing your cash flow.

The bottom line here is that no matter what type of business you have, no matter what your product or service offering is you can use the power of barter to improve your business.

Before you go onto the next chapter I'd like you to take 5 minutes. Sit back and think of your own situation, think of your own business. I want you to reflect back on what you have read so far. Hopefully by now some of those creative juices are beginning to flow and you're getting your own ideas.

Think of ways you can apply this to your own business. Do you have excessive inventory? Do you have some extra time that you could barter? Are there things that your business could use right now but you don't have the cash for it? Get out a piece of paper and a pen then write down any ideas you have. It does not have to be perfect. This is an exercise in creative thinking and nothing else. I don't want you to miss the value in what you have learned so far.

Remember . . . *Think outside the box!*

(NO really STOP, Think, And Write)

3

Types of Barter

It used to be many years ago that you were confined to your neighborhood to participate in barter programs. If you had something that you wanted to trade with someone else it had to be someone close to you. Someone you could go and speak with face to face. However that is no longer the case thanks to the internet.



In today's business world the internet makes it possible for you to connect with potential customers to trade your product or service anywhere in the world.

A business in the United Kingdom for graphic design can strike a deal with a printer in the United States.

Next we will break down the various types of barter companies and transactions for you.

Barter Exchange (In-Direct Barter or Retail Barter)

Barter exchange is ideal for small to medium size companies that want to integrate bartering as a strategic tool into their daily process. A barter exchange company is made of up members ranging from a few hundred members to 10's of thousand members. Another way to look at it, you are immediately connected to a few hundred to 10's of thousand potential clients.



Barter exchange is also referred to as retail barter where companies can engage in barter without actually making an exchange with another business directly. Basically how it works is that you have a product or service and you place a retail value on that particular item. You then are given “trade dollars” for that item. In turn you can purchase from other members within the barter exchange for another item or service. The barter exchange organization has a basic credit / debit system in place to keep track of the transactions. Usually there is a small transaction fee associated with each transaction that the barter exchange company keeps (yes this is how they

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make their money). Sometimes you will pay an upfront fee to join the organization with no annual fees. Others are just the opposite.

Some of the benefits that you receive joining a barter exchange are:

- Attract new customers outside your area / market reach.
- Purchase products or services at a discount, (not a direct discount but the difference between the cost of advertising and other over head expenses and the actual cost of the product you're bartering).
- Some have a monthly news letter that will allow you to advertise for little to no fee.
- Access to products and services YOU can benefit from.
- They take care of the accounting side of your transactions. Making it much easier for you at tax time. In most instances they will issue a 1099B at the end of the year.
- If they have a trade broker the trade broker can get member in touch with each other giving you a targeted market.
- Added edge over your competition because barter members tend to shop within the network FIRST
- Happy barter customers WILL recommend cash paying customers.

Before you join a barter exchange consider the following . . .

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- Check with other members of the barter exchange to find out how they like it. Most will be more than willing to discuss their own personal experiences with you.
- How much advertising if any does the exchange do for its members?
 - What type of advertising is available to you?
- Compare the fees associated with the exchange.
 - How much does it cost to join?
 - What fees are associated with each transaction?
- What are the services that the exchange provides?
 - Do they have a broker?
 - Do they offer a monthly newsletter?
 - Do you have access to a member's directory that list out the individual services and products of the members?

The key is to do your homework and find one that fits your particular needs.

Direct Barter

Direct Barter is what most people are familiar with. Direct barter is the exchange of one product or service for another with a specific individual. Craigslist.org actually has a section on its website that allows you to engage in this practice. A good example of direct barter would be when I did the exchange of my services for the equipment I needed. The main advantage of direct barter is that in most cases there are no fees associated with it.



Sometimes direct barter can have some disadvantages also.

- Someone may want to trade something with you that you have no desire to trade.
- You only get as much exposure as there are visitors.
- Your efforts may have to be focused more locally.
- You have to work harder to find someone to trade with.

Corporate Barter

Corporate barter is ideal if you're a larger company and have large amounts of excessive inventory or products that you want to liquidate.



Think of Corporate barter exchange companies more like a brokerage house. Transactions are handled a little different also. Each transaction

is not settled on a per transaction basis but require some part of the payment in cash. Keep in mind that these are for very large transactions. An example might be if your company purchased (2) tractor trailers full of boogie boards. You thought you could sell both trailers in a month. It's been (6) months and you still have (1) tractor full of boogie boards. They are not doing you much good just sitting there and you need to move them quickly.

Not only do Corporate Barter programs differ from Retail Barter on the size of customer and transaction volume, but also on how they conduct business. Corporate Barter companies will

- Purchase underperforming assets or excessive inventory for Barter Dollars

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- Remarket the assets for either barter dollars cash, in some cases a combination of both
- Allow Clients to redeem the barter dollars later for products or services they need.

Corporate Barter programs not only provide innovative financial solutions to corporate problems, it can really help to expand a company's advertising and marketing ability. One of the most famous corporate barter transactions was PepsiCo's marketing of Pepsi-Cola in the U.S.S.R in exchange for Russian Vodka.

In addition to receiving full value for surplus goods, corporate barter can be an answer to:

- Increased Export capabilities
- Minimizing loss on perishable goods
- Decrease negative cash flow and generate positive cash flow
- Extend a company's geographical distribution
- Reduce corporate purchasing cost
- Ability to obtain equipment and capital assets
- Reduce warehouse and storage cost on surplus inventory
- Reduce corporate purchasing cost

Local Scrip

I thought that a good way to round out this area was to take a few moments and touch on “Local Scrip” or “Local Currency”

A quick history lesson:

Back during the depression when the dollar was hard to come by, something was needed to keep trade alive as well as to stimulate the economy, thus local scrip was born. This gives you an idea of how long this practice has been around. By using local scrip they were able to keep the local economy moving in the right direction. During this time the denomination not only had a monetary value but an hourly value. Some scrip was developed that showed for example 1 hr labor.



Since our economy has taken a turn for the worse this practice has found new life. There are towns all across America now that are printing their own currency. Yes it's totally legal! Two tavern owners in Detroit began printing their own currency back in 2009. They called it the Detroit cheer, and after speaking to several other business

owners found several willing to accept it in their establishments also. Now there are towns like North Fork, CA who issue the North Fork Share, In Piedmont, N.C they spend the Plenty and in Brooklyn, N.Y. they spend the torch. These are just to name a few there are plenty more out there engaging in this type of practice.

How it works – Local Currency

It's a pretty simple process to begin and all you need is a few businesses willing to participate. You come up with your own design for your scrip, the one thing that you cannot do is make it resemble any other currency, which would be counterfeiting. Once you begin printing the currency you allow customers to use it just like regular "green backs". The real advantage of doing a program such as this is that it stimulates your local economy. The scrip is absolutely worthless anywhere else so customers have to spend it at the participating businesses.

There are lots of ways to distribute the scrip; some companies actually give it to their employees as a "tip" or bonus. Other businesses will spend it with businesses that are participating in the program. You can give it out to your customers who in turn will use it at one of the other businesses. In the Brookshire region of Massachusetts you can actually go to one of 12 participating banks and for \$95.00 you will receive \$100.00 in

BerkShares. Then in turn you can use that \$100.00 at any one of the 320 participating local businesses. Patrons are willing to use it because they are getting a deal. You're keeping money in your local community. That is truly a powerful way to stimulate your local economy and promote local business. Not only that, but in the process of setting up this program it will give you a chance to network with other local businesses. It will also allow you to spread the word that you're interested in bartering. Who knows what other doors it may open for you? The only way to find out is to go out and give it a try. The results may really surprise you!

Take a few moments and think about the steps you would take to start a program such as this.

- What would your scrip look like?
- Who would you get to design it? (Who could you barter with to get it done?)
- What businesses would you be interested in getting in on the ground floor?
- Do you have local businesses you already work with? If you do, would they be interested? If they were not interested then how could you get them excited about it?

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A Final Word

I wanted to finish out with a brief summary of what you have just read then give you a few final thoughts.

Barter is a powerful business tool that can help you grow your business in numerous ways. It is an age old practice that goes back to the beginning of man.

Just as man has evolved, so has barter. No longer do we trade simply out of necessity but we utilize it as a marketing strategy, a way to control over head and move our excessive amounts of inventory.

No matter how small or large your business is, you too can reap the many rewards and benefits that barter has to offer. There are barter programs to fit every size business and entrepreneur.

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My suggestion to you is that no matter what type of product or service you offer, join a barter exchange. Don't worry whether you will be able to sell your product or service, you will be able to barter with it. Concentrate on

the things your company needs in order to continue to prosper and grow and lead the life you and your family have always wanted and deserve.

If you do that, then you will have no problem paying back the barter credits that you spend. Remember, depending on the type of business you have and what your goals are the barter exchange will set you up with a line of credit anywhere from \$1,000.00 - \$25,000.00. It all depends on the particular program and company that you build a relationship with.

When bartering your products and service the more leverage you have in your product the better wholesale price you pay for the things you need for both business and pleasure.

Think about adding some type of incentive program for your employees. Use your new found bartering skills to obtain entertainment, restaurants or even empty time-shares, they are plentiful right now. You could even begin printing your own scrip and use that as part of your incentive program for your employees.

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The bottom line here is simple: GO out and BARTER! Don't just sit there and think about it, DO IT! Grab the brass ring and take your business to the next level.



In closing I want to leave you with two very important things to remember in regards to barter.

1. Take the time to do your research! Find a barter exchange program that fits your business model. Find the one that will help you achieve your goals.
2. Last but certainly not least and it may be the most important advice I can give you when it comes to bartering!

HAVE FUN!



I hope you received a lot of good information and that you enjoyed reading this as much as I did writing it.

NOW GET OUT THERE AND BARTER!