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How to Cut Costs Through Bartering

By Aaron Broverman

According to Statistics Canada, of the 145,000 small businesses that start in Canada every year, about 137,000 declare bankruptcy. One of the reasons for this is weak marketing capabilities, especially if your business only generates an annual revenue of \$30,000. When money is tight, a great way for a small business to offset discretionary expenses is by bartering for services.

Large and small businesses have been bartering for years to conserve their cash flow, increase their bottom line and boost their market share. It allows business owners to trade what they have for what they need without spending cash.

If you think there's a catch, take comfort in knowing that business-related expenses purchased by barter are tax-deductible; barter income is treated the same as cash and barter exchanges are treated as third-party record-keepers with the same legal status as banks.

What is a Barter Exchange?

Instead of a traditional one-for-one exchange, a barter exchange allows its members to buy and sell from each other, in the amount they need, with barter dollars. Businesses earn barter dollars when their services are used by another company on the exchange.

"The beauty of a barter exchange, as opposed to a direct deal, is that often someone is getting too much of one thing," Patti Falus, president and CEO of Barter Network Ltd. told *PROFIT Magazine*. "For example, a restaurant may have printing needs in excess of \$15,000 a year, but that printer doesn't want to eat \$15,000 worth of the restaurant's food. That's where a barter exchange comes in, they are not obligated to take each other's goods and services. They basically trade what they have, for what they need."

In addition, barter brokers promote what businesses have to trade and help them use their barter dollars more effectively, by matching those dollars to exactly what these businesses need, and how much, for the fairest price. To join Barter Network Ltd. entrepreneurs pay a one-time fee of \$399, a five per cent (5%) cash fee per buy or sell transaction and \$20 in monthly maintenance fees.

What Can You Get?

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Barter Network Ltd. trades between three and four million dollars in goods and services every month and has more than 2000 members, ranging from sole-proprietorships to multi-national and crown corporations. So what can Canada's largest barter exchange get you?

"There are six major areas where someone can use their barter," says Falus. "Advertising is the single most effective way to spend your barter dollars. We represent most of the major media in the country, so whether someone wants a radio campaign, or they want to do print media, or internet or billboards, we can do this on barter."

The second area she mentions is business expenses, like office furniture, courier services, long-distance services, catering services, legal and accounting services.

The third area is travel. You can't barter for a flight but you can for property from just about anywhere in the world, including five-star all-inclusive resorts, trips for two, or conventions.

The fourth area is medical and dental. Many companies can't afford medical and dental coverage because of cost and coverage restrictions, but with barter they have unlimited access to dental, orthodontic services, optical, massage therapy, and holistic services.

The fifth area is promotions and incentives. Businesses can get any promotional item with their company logo. Also, gifts and giveaways are available through gift certificates. Finally, personal expenses are covered, like sending your kids to camp, buying clothes or building a backyard pool.

What to Watch Out For

Barter exchanges can be a great, but there are five simple questions to ask before you join:

1. Is their dollar stable and are their members really *their* members?

Just like a regular lending house, you must make sure you're dealing with a credible institution because barter exchanges are treated like merchant banks under the law.

2. What do the members say?

When you are given the full directory of members, privately pick five that you would trade with, or are in your industry and ask them about their experience.

3. Do you have spending lined up before you sell the product?

If you join the barter exchange, make sure you have the spending lined up before you sell your product. This spending should be confirmed between you and the seller directly and not based on the word of the exchange.

4. How did competing exchanges get your name?

If a competing barter network calls you, ask how they got your name and why they're calling you now?

5. Do they really have members ready to buy from you?

If the exchange claims a member is ready to buy from you, find out from that member if they're on the exchange and how long they've participated. This guards against attempts to create false demand and urgency.



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