

Bartering used to improve the bottom line

From June 11 Miami Herald

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John Strawser got \$1,000 worth of Christmas baskets for loyal customers of his equipment rental business. He got advertising, contracts and printing. Plus, he equipped his house with \$2,000 worth of hurricane window protection.

Strawser didn't pay for any of it. He bartered.

Looking for new customers -- and a way to keep their cash -- some small business owners have turned to trading their products and services through business-to-business exchanges. Worldwide, trade is growing steadily at 10 percent a year, and about \$2.3 billion in goods and services are exchanged annually through companies in Latin America and the United States, according to International Reciprocal Trade Association, the top barter industry group.

Even though business owners who barter have to take steps to protect themselves from unfair pricing and flaky traders, several South Florida owners said the give-and-take improves their bottom lines.

"For me, it's great because the equipment is just sitting anyway," said Strawser. He said bartering has boosted his business by at least 10 percent.

Trade exchanges work by developing a directory of member businesses that use credits. One credit equals one dollar. When wanting to trade, one member calls the exchange. A representative finds a match in the directory, mediates the trade and balances out each side's trade account.

Exchange companies avoid buying or holding a company's product. They monitor and dole out the credits, giving points to the company that provided the good or service and subtracting points from the account of the company that received the product.

"We just arrange the transaction and keep score," said Alan Wolfson, owner of TradeSource in Hallandale Beach.

The cost: anywhere from \$200 to \$700 to join, plus 5 percent to 6 percent for each side -- the giver and the taker -- of a trade deal, according to the international trade association. Some exchanges also charge monthly fees.

But local business owners said the new clients they get are worth the price. By joining the network, companies have access to all members and get references from the exchange.

"It's like having an extra salesman on the street," said Lee Hackmeyer, owner of Associated Paint in Miami and a TradeSource member for about 10 years.

Strawser, who owns A to Z Rental Center in Oakland Park, rents out tables, chairs, generators and other heavy equipment. He joined national trade exchange ITEX in 2001 and worked with the exchange's Plantation office, hoping trade would attract more customers.

"We've pretty well saturated the area we're located in," said Strawser, whose store has been open since 1972. "We needed to expand the business."

Trading also saves cash, owners said. Using their own inventory to get other goods, they instead spend their credits on advertising, contracts and other business-related expenses.

Some owners get creative with their trading, using credits for fun, personal purchases:

- Strawser took his father on a 10-day fishing vacation.
- Hackmeyer ordered a limo ride for his wife's birthday, after he traded in gallons of paint.
- Lisa McGuire, owner of Pest Relief in Pompano Beach, paid for her niece's braces, her two children's graduation parties and several of her family's vacations.

"Before I go to spend any money on anything, I call the ITEX office and tell them what I see and what I want," said McGuire, a member since 1992, who uses barter for her veterinarian, accountant, eye doctor and eyeglasses.

PROCEED WITH CAUTION

Business owners need to protect themselves, though. When trading through an exchange, owners become more vulnerable than if they paid cash, said Joseph M. Goldstein, a business litigation lawyer for Shutts & Bowen in Fort Lauderdale. In a cash deal, both sides know the value of the exchange. Finding a fair price tag in bartering can be trickier.

"How do you value what goes in, and how do you value what you're getting?" he said.

Owners of trade exchanges said they combat the possibility of price gouging by explaining fair pricing in their membership agreement and having members promise to offer the regular retail value. Exchanges then trust owners to follow the honor code.

"In the cash world, if it's 30 bucks for a pack of business cards, then in the barter world, it should be 30 bucks for the same pack of business cards," said Marian Ernsberger, broker for the ITEX office in Plantation.

HEADING TO COURT

Sometimes, though, trade deals go sour. If one owner in a trade backs out of a deal or a business folds before other owners can redeem services, the trade exchange reverses the trades and refunds credits to the accounts of the "buyers." But some members, like Maurice Rodriguez, end up in court.

Rodriguez, who owned Affordable Photography and Video in West Palm Beach, fell into a three-year struggle that ended in May 2006. He joined a local exchange and became irritated with having to redeem his trade credits at places mostly in Miami. He applied his remaining credits toward his 2003 wedding and wanted to leave the network.

But that firm was bought by TradeSource, and Rodriguez said TradeSource claimed he owed \$5,000. The case went to court and, according to records, was settled for \$593 -- plus agreements by Rodriguez to take on some jobs and pay down the debt.

WILLING TO TRY AGAIN

"I don't think the concept of bartering is bad," Rodriguez said recently, adding he would use a bartering company again. ``It's just the execution of it in this case."

TradeSource's Wolfson said Rodriguez still owes money, but he tried to pay it off. Even though Wolfson's company goes to court for trade disputes about four times a year and has been suing defaulting members more regularly after 2000, he said it's about 1 percent, a "really nominal" amount, of his business.

He said his reasons are simple: If members owe money or services and cannot resolve the balance with TradeSource, they're going to court.

"We're no different than a credit-card company going to small-claims court," he said.

PROACTIVE APPROACH

To protect themselves, member businesses need to be in contact with exchanges and notify the network of any concerns about trades, owners of the exchanges said.

McGuire, owner of the pest-control company, said she researches every business that contacts her to trade. She calls ITEX, verifies the business' membership and asks if there's enough money in the owner's account to cover the trade. ITEX has always reimbursed her for any bartering glitches, and the benefits she gets from trading are priceless, she said.

When McGuire and her husband started their company years ago, they were able to pay for family vacations through barter, even when cash was tight. And when her daughter was diagnosed with scoliosis, McGuire paid for the chiropractic treatment through barter. She added that barter helped the life of her business, too.

"My business would be different," she said. ``The cash flow would be much tighter because I'd be having to pay out cash for my printers, my accountants -- all of that which is a part of running the business, I've paid on trade."