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Barter Fits the Bill for Strapped Firms

By RAYMUND FLANDEZ

Small businesses, squeezed for cash and unable to get loans, are turning to an ancient payment system: barter.

Daniel Blank, creative director at Bureau Blank Inc., a New York graphic-design and brand-identity company, first used bartering when he started the company in 2004, because it was hard to get capital for a start-up. But he hadn't had to barter since then, until now.

For the past couple of months, Mr. Blank has been getting advice on running his business from Joe Hunt, a former ad-agency owner who has started Workforce Enterprises LLC, a document-solutions company in New York. For about two hours each week, Mr. Hunt helps Bureau Blank with its accounting and finance operations, among other things.

In return, Bureau Blank is helping Mr. Hunt shape his company's communications strategy, as well as designing the company's logo and Web site.

"It's a result of the economy being a lot tougher now," says Mr. Blank, who estimates the traded work amounts to about \$10,000 worth of services.

He adds: "I wouldn't have done the project if I had to pay the cash."

As small businesses find it impossible to borrow money and customers are slower to pay bills, the barter economy is becoming a crucial way for many companies to find the cash they need to keep operating.

"It's really of value to small businesses because it helps them to survive through the recession," says Carmen Bianchi, director of the Entrepreneurial Management Center Business Forum and adjunct professor of family business management at San Diego State University.

Atlanta Refrigeration Service Co. worked out a deal with a local sandwich shop that was 90 days overdue on a \$1,500 bill: The sandwich shop paid \$500 and agreed to cater lunch to Atlanta Refrigeration's office five times over the next six months.

Bartering is "critical to us in this recession," says Dave Brautigam, chief operating officer of the Atlanta-based

refrigeration company. "As more and more of our clients find themselves in positions where they cannot pay the bill in full, it becomes our responsibility to figure out how to get that money in."

Although companies do bartering one on one, many deals are conducted via membership networks in barter companies, where technology and tracking software have modernized the centuries-old system.

Typically, a small business sets up an account at a barter company, similar to a checking account at a bank, for a one-time fee. "Trade dollars" earned for services rendered are deposited into the account and can be spent on any product or service in the network. Companies regularly find others willing to barter via the barter site's online directory of services, email newsletters, referrals or by contacting a firm's account manager.

On top of the setup fee, both parties pay the barter company a transaction fee of about 5% to 6% on each deal.

In 2008, about 250,000 North American companies conducted barter transactions worth more than \$16 billion, according to the International Reciprocal Trade Association, a nonprofit based in Portsmouth, Va., that regulates and provides standards for modern trade and barter-service companies. The amount for small businesses climbed to an estimated \$11 billion last year from \$10 billion in 2007. David Wallach, the association's president, says if the trend continues he expects a 15% gain this year to about \$12.7 billion.

NuBarter.com, a barter company in Savannah, Ga., has seen its sales grow -- from \$285,000 in transactions in the first quarter of last year to \$464,000 in the fourth quarter. In addition, the number of transactions has doubled in the past six months, to 650 per month from 310 a month. NuBarter has 800 members, up from 400 a year ago.

"Companies that had turned us down a few years ago are joining now," says Gary Field, NuBarter's president.

Similarly, Seattle-based BizXChange Inc. saw a 40% increase in new members to 1,300 last year. Its transactions were up 55% to \$5.5 million.

FloridaBarter.com of Orlando, Fla., saw membership rise 25%, or 400, to 1,600 clients in 2008 and finished the year with \$16 million in transactions, up 8% from 2007. Scott Whitmer, FloridaBarter's president, says members in the construction and real-estate industries were new to the network.

Bartering has been helpful to new start-ups. Viscap Ltd., an Arlington, Va., company whose online listings site for vacation properties went live in July, would be hard-pressed to find the cash to send its executives to places to promote the company. So it has given clients free ads on its site -- in return for discounted or free hotel rooms.

"It's all good for everybody," says Dan Engfer, Viscap's founder and chief executive. "They get an ad for more business. We get cheaper accommodations to do onsite PR stunts."

Mr. Engfer, who says he has saved about \$10,000 by bartering, would obviously prefer to sell the ads. But he didn't feel like he had much choice.

In addition, Mr. Engfer has used the bartering strategy to hire staff, who were all willing to take a pay cut to be able to potentially stay at the vacation properties that they sell. The 10 employees just have to pay their own way to get there, he says.

Other small-business owners who have done bartering in the past have seen their bartering activity increase, as their businesses take a hit. Eddie Bolch, owner of Specialty Moving & Delivery in Savannah, Ga., says he conducted about \$10,000 worth of bartering last year, about 30% more than in 2007. Among other things, he was able to trade moving services for business cards, as well as to rent monthly storage units.

Saving the cash was important, since the housing market's woes cut his revenue to \$140,000 in 2008, from \$200,000

in 2007.

Companies whose services aren't widely used must be prepared to spend a lot of effort finding another business that wants its services in a barter deal.

"It takes work," says Matthew Weiss, president of Weiss & Associates PC, which fights traffic tickets on behalf of clients. "Sometimes, you call three painters...and they're not interested." Recently he wanted to hire a caterer for an event in downtown New York, but couldn't find one wanting to barter for his services, so he had to hire someone out of pocket.

"It doesn't always work," says Mr. Weiss, who is a member of two barter companies and saved his company \$10,000 worth of barter transactions in 2008, including flower purchases and theater tickets. "And even if it does work, you must be willing to invest the time."

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