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7 Tips for Becoming an Expert Barterer

Entrepreneur February 21, 2014 12:00 PM



When Logan Hale moved his 5-year-old company, [V3 Media Marketing](#), from Los Angeles to Fort Collins, Colo., he needed traction in his new town. To get work and create relationships as soon as possible, he bartered his video production services in exchange for advertising, gym memberships and more.

The result? "I got in with businesses I might not have been able to talk to otherwise," he says. "It was a good accelerator, a way to get me into the swing of [a new] community very quickly."

Barter--the exchange of goods and services rather than money--can help your company at any stage, but there's no question that it can be especially useful in the lean startup phase.

"We used to not choose a service provider who wouldn't barter services with us," says Miki Segal, chief marketing officer of Jmac Supply, a Valley Stream, N.Y., security-equipment supplier that has bartered with lawyers, accountants and others. "I could go as far as saying that these types of deals kept us alive in the earlier stages of our startup."

The practice offers countless opportunities, but successful bartering deals start with who you know. When Britt Menzies launched her Atlanta company, StinkyKids, she bartered her paintings and T-shirts in exchange for web design, attorney fees, public relations and other services through personal contacts. "I made a list of all my friends and family members, people I knew in



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high school or in college or even went to camp with," she says. "I then I found out what each of those people did for a living."

Formal barter exchanges--paid membership organizations where you bank trade credits to use with other group members--take the practice to the next level, connecting startups with vendors and potential customers. Regional and national barter groups can be found through the [National Association of Trade Exchanges](#).

"The primary reason any business participates in organized barter is to increase sales," says John Strabley, CEO of IMS Barter, a national barter network based in New Berlin, Wis. "Doors open to business-to-business customers that haven't traditionally been loyal patrons."

That's in part because barter exchanges connect a much broader array of businesses than most companies could find on their own. The other main benefit is that unlike in one-to-one trading, exchange members don't have to trade with each other; instead, they can "sell" to one company and "buy" from another, depending on their needs, all using barter credits that are tracked independently by the exchange.

Want to get in on the barter game, either person-to-person or through an exchange? Here are some rules of the trade.

1. Be selective.

Trade only for what you actually need. "I bartered web-development services with a business coach, and we delivered on our end, but the coaching fell through. We kept rescheduling and postponing," says Elise Whitworth, co-owner of Satdaya Studios in Hurricane, Utah. "On the other hand, if I bartered with a graphic designer, I would definitely use that. Or a bookkeeper: I would delegate that in a heartbeat."

At the same time, offer only what you can give easily. Instead of liquidating excess inventory at a loss, Royce Leather, an accessories manufacturer in Secaucus, N.J., used its leather duffel bags, totes and wallets to tip delivery drivers and pay the janitor. "We transformed slow-turning goods into cash equivalents," says marketing director Billy Bauer.

2. Tap the marketing potential.

Bartering isn't only for products and services--it can get your foot in the door, too. That's how Philadelphia's MVP Interactive is building its sports-entertainment business, accepting season tickets and event passes in exchange for putting fan-photo kiosks in venues such as Lincoln Financial Field, home of the NFL's Philadelphia Eagles.

It's also how Princeton, N.J.-based Resound Marketing signed its first restaurant clients. "We wanted to build a practice around food products and restaurants," says co-founder and principal Kevin McLaughlin, explaining that the agency offered restaurants a discount "with the understanding that we'd increase that rate once we'd demonstrated value." But when it came time to renegotiate, some restaurants couldn't pay full price and instead offered credit for meals. Now Resound works on retainer for a combination of cash and credits; the latter are used for team and client lunches, happy hours, dinners and gifts. Restaurant clients "aren't our most profitable accounts," he says, "but they're a hell of a good time to work on."

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Dan Cumberland, owner of Seattle's Sparkfly Photography, trades event coverage, headshots and other camera work for yoga classes, massages and chiropractic care for himself and his wife, Stacia, Sparkfly's business manager. He plans to use some of the bartered perks as gifts for interns, too. "By bartering for services we were already using, we've been able to offset some of our living and lifestyle expenses while we've been starting the business," Cumberland says.

Trisha Craig, owner of Music Makers music school in North Hampton, N.H., trades lessons for cleaning services, farm-fresh vegetables and eggs, and fundraising for nonprofits she supports. In one case, she bartered with a young tech whiz who organized all her music in exchange for flute lessons. "The project was overwhelming for me but fun for him, and we were both thrilled with the exchange," she recalls.

4. Make the price tag reflect real value.

When V3's Hale bartered a video series for a local gym chain, he factored in not only the actual production costs but also "the usual profit portion of a standard budget," he says. In trade, he got advertising on the chain's website, a prominent sponsorship at an annual charity event and gym memberships for his staff.

"We made sure to do a true dollar-for-dollar barter of our services vs. their services," he says. Doing so is key because otherwise, "it's too easy to just say yes to offers that land in your lap, and then have to react and find value."

Whitworth of Satdaya Studios used to offer discounts on the premise that a barter carries additional perks like publicity and networking. But now she's back to valuing her services at the actual cost. "It sets the expectation that once the barter is over and they want to hire us, they can expect to pay that rate," she says. "It also creates increased respect for our time, with a stronger sense that the value is high." One more reason? "If the other party doesn't come through on their end, we can charge them retroactively at our full value," Whitworth says.

5. Get it in writing.

Draw up a contract and include the value, scope of work and, most important, deadlines. "I had a couple of instances where a [web design] firm I was working with got busy with their client work, and since my deal was purely barter, they bumped me to work on their billable client projects," says David Menzies, a public relations consultant who owns Global Media Strategies in Raleigh, N.C. "That delayed my plans for marketing my business, which bled into my revenue stream."

Meanwhile, if discounts are being offered, add a contract provision stating that "any discounts will go into effect only once the other party has completed their end of the deal," Whitworth advises.

6. Track for taxes.

Barter deals may not be cash, but they still result in income and are taxed accordingly. Organized barter exchanges must report goods and services sold through barter to the IRS, and so must people and companies trading directly. So keep accurate notes about transactions on both sides of the trade, including the estimated market value and whether the service or product was work-related or not (e.g., a head-shot vs. a haircut).

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Keep all receipts and invoices, and track related expenses on your end, since those, like all business expenses, can be deducted. More information can be found on the ["Recordkeeping tips for barter transactions" page at IRS.gov](#).

7. Know when it's time for a barter break.

Barter groups helped RoyalText.com build a client base for its text-message marketing campaigns. "The demand was overwhelming," says Robert Livingstone, CEO of the Weston, Fla., company. However, he adds, it eventually became clear that clients take their campaigns more seriously "when they have skin in the game with real dollars."

Mary Juetten, founder of Phoenix-based Traklight, which helps companies identify and protect their intellectual property, has bartered her time and services in exchange for access to conferences, workshops and exhibitions where she can promote her business. But she offers this caveat: "I volunteered for a conference because I wanted to hear the great content, and I was stuck at a door checking badges or at a table out of earshot, therefore defeating the purpose of the barter."

Lesson learned. "Ask upfront what the trade is and be specific about your role," Juetten advises. If it's not a value-for-value proposition, skip it.

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