

April 13, 2006

## Bartering, for the Bottom Line

*Trading services is an age-old business practice.*

BY K.B. KEILBACH

For many people, the word “barter” conjures up quaint images of an obsolete way of doing business. Old, maybe, but not obsolete. So says Lynnea Bylund, founder and managing director of Catalyst House, Inc. According to Bylund, “If your company isn’t using the barter system, you are now in the minority.” She adds that billions of trade dollars are exchanged every year, and businesses around the world are using bartering to conserve cash, reduce excess inventory and build business networks.

What exactly is bartering? Bylund says, “It’s simply a process of trading your products and services for other products and services, in lieu of cash.” Her recent venture, AD/MAX, does just that by utilizing television, the Internet, direct mailings and barter commerce to create a “unified media campaign for small merchants” in exchange for a percentage of their products and services. Bylund used barter currencies to obtain legal and accounting advice, and even to secure funding for her start-up.

Today, most bartering is conducted within independent trade exchanges or trade groups, which usually charge a one-time membership fee, a per-transaction fee and a small monthly cash fee. Upon joining a trade group, business owners are extended a barter line, much like a line of credit at a bank, which they can immediately use to buy products and services from other members within the group. They can also trade their products and services to other members at full retail value.



**Name:** Lynnea Bylund

**Title:** Founder and managing director of Catalyst House, Inc.

**City of Residence:** San Clemente

**Website:** [www.catalysthouse.com](http://www.catalysthouse.com)

**Specialization:** Media solutions for small merchants

**Best Bartering Story:** Using barter currencies to secure funding for start-up business

“Using barter dollars instead of cash to buy goods and services is crucial for start-up companies,” says Bylund. “Compare the restaurateur who pays \$3,000 cash to the one who uses \$3,000 in trade dollars. If their incremental costs are 30 cents per dollar of food sold, the restaurateur who uses trade dollars could save as much as two-thirds of his otherwise cash outlay.”

Another advantage to the modern barter system is that it can help small businesses to network and find customers within their trade groups. “The great thing for small businesses is that the trade group will actually market your product by bringing you extra business in the form of trade dollars or credits,” says Bylund.

Beware, however, of the tax implications of your trades. Warns Bylund: “If you generate barter currency, you may be taxed on that, the same as cash. Conversely, trade dollars spent on something deductible can reduce your tax basis.” Bottom line: Make sure you understand the IRS rules regarding bartering to maximize your results.

There are currently about 400 independent trade exchanges or trade groups nationwide, according to Bylund, and most of them are easy to find online or in the phone book. “You want a strong trade group that is liquid that trades actively in terms of monthly volume and you want one with goods and services that are close enough for you to use.”

Both the International Reciprocal Trade Association (IRTA) and the National Association of Trade Exchange (NATE) can provide information about bartering and trade groups. Also, Bylund recommends reading Barter News magazine for more information. OCM

-----  
*K.B. Keilbach is an Irvine-based freelance writer.*

---

## **5 TIPS FOR EFFECTIVE BARTERING:**

**1 Get into the proper trade or exchange group.** Look for one that consists of local businesses that are actively trading.

**2 Set a limit as to how much trading you will do.** The general rule of thumb is to limit yourself to 10-12% of annual sales.

**3 Be flexible.** You might not get the latest equipment, but you can get a good deal.

**4 Be aware of tax implications.** Trade dollars are treated like cash by the IRS.

**5 Once you belong to an exchange,** develop a good working relationship with your account rep or trade broker. They know about offers that might not be listed in your exchange. OCM