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The 'New-Old' Currency - Bartering Is Good Business

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Special Business Correspondent Part III

(Editor's note: This is the third of a series of articles designed to acquaint Las Vegas Tribune readers and small business owners with the growing advantage of utilizing business barter)



Catalyst House founder, Lynnea Bylund, at the opening of Take 1 with the 'Happiest Mayor in America' Oscar Goodman

Like any new dining and entertainment venue the Take 1 Nightclub and Benedetto's Bistro, in the downtown entertainment district of Las Vegas, faces expenses every day before it serves a single customer. The electricity must be on. The building must be kept up. Cooks, servers and bartenders must be in place. Any customer beyond the first is significantly cheaper to serve since the overhead already is covered. Yet, like most new restaurants, Take 1/ Benedetto's has empty seats, and to help fill those empty seats Gary Sax and Ben Ardito, the restaurant's owners, are checking into an old idea that has been rapidly gaining in popularity: bartering. In their previous entertainment and culinary ventures, in Florida and New Jersey, Ardito and

Sax have seen eats, libations, musical entertainment, and video production services traded for everything from automobiles to radio advertising to public relations and publicity releases.

Bartering among U.S. businesses reached nearly \$12 billion in 2003 and is growing at more than 10 percent annually, according to the National Association of Trade Exchanges which tracks bartering activity and recently held its yearly industry event in Las Vegas.

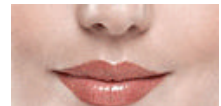
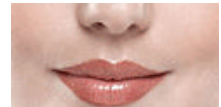
Evolving from one-to-one trades among businesses, bartering now mainly takes place through exchanges where businesses receive 'trade-credits' in lieu of cash that can be spent on a multitude of items from other member businesses. Even large corporations are using barter networks rather than handing excess product over to liquidators.

"We're seeing a lot more small businesses trading now," says Kevin Anderson, the sales manager for United Trade Network, Las Vegas' largest business-to-business 'trade-exchange,' which currently boasts over 1200 member businesses throughout Nevada and Southern California. Members of United Trade Network purchase services from one another ranging from house cleaning and legal representation to dentistry and other forms of healthcare to restaurants, plumbing, travel, painting, fashion apparel, printing, and radio, TV, mail, and newspaper advertising, and more, without the expenditure of cash. With nearly

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1000 businesses in the greater Las Vegas area, UTN was a likely decision for a new club and restaurant like Benedetto's.

"Bartering is older than farmers trading crops for bales of hay," says Anderson. "We bring members additional business they wouldn't otherwise have. Our small business trading solutions provide a dynamic alternative currency and marketing liquidity that most of our business members would not otherwise enjoy."

Another trade-exchange, and a newcomer to Las Vegas, Bartercard is the world's largest barter system with over 60,000 business members in 30 countries. Bartercard, which is setting up its North American headquarters in Las Vegas, claims that virtually every type of business goods and services are represented within its membership. Bartercard also facilitated the sale of some \$50 million in real estate for trade credits last year, underscoring the viability of this new currency alternative. In all, Bartercard facilitated over \$1.5 billion in trade transactions between its members, last year.

"Joining a trade-exchange program is an investment in relationships and an investment in your business," says Bartercard executive Dr. Henry Petree. "A client we bring you, that otherwise wouldn't have used you but had trade dollars to spend, might bring in another 10 people because they liked you."

"Better information flow about what's available for barter, new barter networks abroad and interconnections between various barter networks are factors that have contributed to the growth of the modern bartering practice, thus barter is becoming mainstream," adds UTN's Anderson.

Attorney Patrick Clary, whose Las Vegas-based law firm has bartered regularly for years, says he must devote time to completing trades, but it results in saving his personal and business cash and improves the firm's bottom-line. Clary's firm enjoys thousands of dollars in extra legal billings annually through his affiliation with BXI, a national barter exchange system with a reported high rate of satisfaction among its 20,000 members. "It allows me to use funds that I wouldn't otherwise receive," says Attorney Clary.

John Miller, an investment banker in Newport Beach, California, is another aficionado of business barter: "I recently paid for an upcoming 3 week stay at the posh Swiss Lodge in Bangkok Thailand with trade credits I garnered through the Bartercard system. It was great!" According to Mr. Miller's CPA, trade credits can also be donated to qualified charity foundations for full cash-value tax deductions, but Miller's accountant stresses that a good tax advisor should definitely be in the loop if such a strategy was to be attempted.

Unfazed by Internet

Predictions in recent years that the Internet would revolutionize bartering haven't yet come true. Most business owners who barter still rely on local exchange brokers to help identify and facilitate trades. Notwithstanding, Bartercard recently unveiled an upgraded and redesigned website which places increased emphasis on online trade facilitation. "The technology behind this improved website is certain to increase the amount of business we do online, which was very meaningful even prior to this upgrade," points out Michelle Thompson, Bartercard's Director of Marketing for North America. "Using the Bartercard website, members and trade coordinators alike can easily access account information, identify and consummate desired trades both locally and globally, and communicate throughout the Bartercard universe," continues Ms. Thompson.

Buying large firms' assets

The largest corporate exchange, Pearl River, N.Y.-based Active International, takes bartering beyond what most networks do by purchasing excess television ad time and space for print advertisements. Active then buys assets from large companies for cash and trade credits, which companies can use to advertise products or defray travel and other expenses.

The New York company has bought a range of corporate assets, everything from excess inventory to equipment to real estate, including the former Toys-R-Us operating center for \$15 million. "About \$1.4 billion worth of products pass through Active annually," says Mary Harte, the company's senior vice president of marketing.

To be continued...

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