The Wall Street Journal Report

Bartering has been declared dead in the U.S. more than once since its heyday in the 17th and 18th centuries, when colonists routinely paid off debts with goods such as deerskin, beaver pelts and tobacco. We contend, however, that the practice is alive and well and serving an important function in today's economy.

As the global economy continues to limp along and credit markets remain tight, a growing number of individuals and businesses are resorting to barter as a way to secure goods and services, move excess inventory and attract new customers without laying out precious cash. The annual value of barter trade by North American companies expanded to $16 billion in 2011 from $7.78 billion in 2001, according to the International Reciprocal Trade Association, a nonprofit group that promotes barter as a form of commerce.

The popularity of cashless deals tends be countercyclical to overall economic conditions, fading when times are good and growing when things are bad. But with some economists saying that the recent recession was so deep and long-lasting that it is likely to spur an extended period of frugality, we believe bartering activities in the U.S. will persist and flourish well after economic growth resumes.

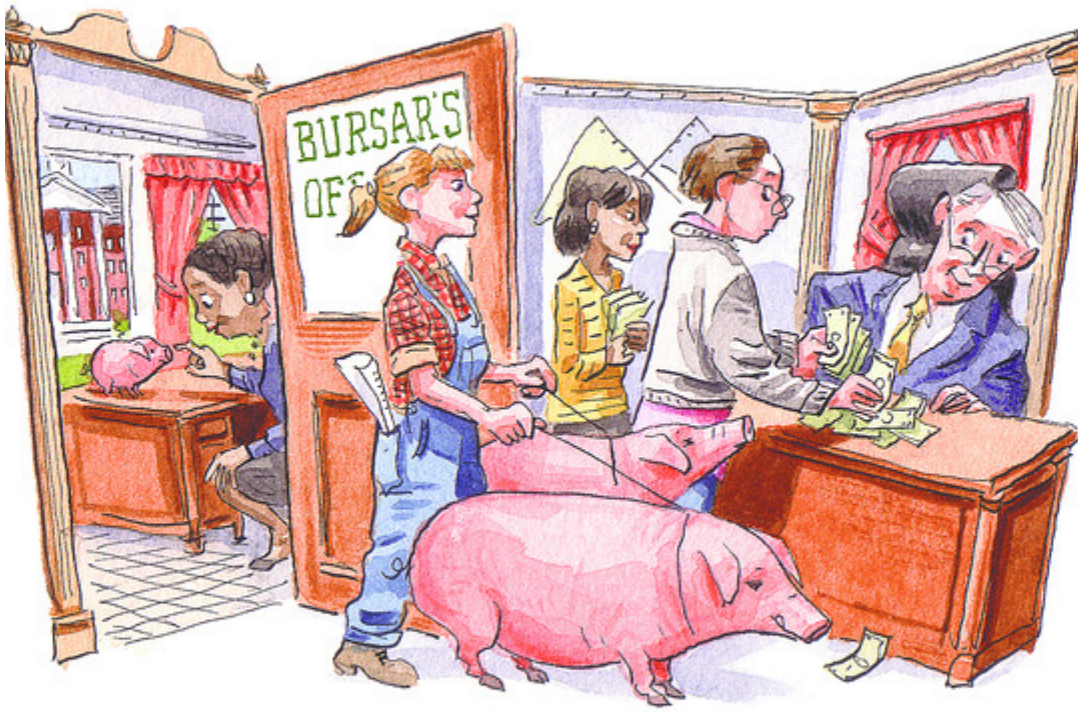
For a sense of how barter occurs in the U.S., here is a look at some of the common arrangements and when they most often occur:

Consumer-to-Consumer

Consumer-to-consumer, or C2C, bartering involves individuals trading with one another. It surged in popularity during the recent recession as people tried to reduce debt and save money.

The Internet has greatly expanded the scope of these types of arrangements, which initially flourished as casual swaps between friends and acquaintances. There are now C2C barter Web sites for everything imaginable, ranging from the most mundane personal minutiae to big-ticket items such as homes. While some of these sites are free to users, others require membership fees and/or charge fees for transactions.

When it comes to business-to-business barter, there are two types of deals: retail barter, which involves small and medium-size companies swapping goods and services via trade exchanges; and corporate barter, which involves large companies trading either directly with each other or through corporate barter companies.



In retail barter, trade exchanges match customers with the products or services companies want to swap. They also act as neutral record keepers of deposits and withdrawals of goods and services. Typically, a company that sells its excess goods or services through a trade exchange receives credits that can be spent on the goods or services of any other exchange member. These accumulated trade dollars don't expire, and the typical amount bartered per member ranges from \$200 to \$800 per month.

Most trade exchanges charge membership fees ranging from \$450 to \$800. They also have monthly flat fees ranging from \$10 to \$30. Additionally, barter brokers act as middlemen by introducing members to each other, thereby receiving commissions ranging from 8% to 15% per barter transaction. The commission is usually split equally between the buyer and seller.

Corporate barter, meanwhile, is used primarily by large corporations. Some corporations seek the assistance of corporate barter companies to exchange their unwanted products or services for other desired goods or services—often media time and space. For corporations weighed down by excess inventory, corporate barter is a viable alternative to drastic markdowns and liquidation sales and may allow them to pay for a portion of their future advertising and promotional efforts without putting out cash.

Corporate barter companies typically make money by buying and reselling the merchandise acquired in barter transactions. They often dispose of inventory overseas where clients don't have established distributors. These customized barter deals tend to be massive, varying from \$50,000 to \$5 million.

(This articles was taken and reprinted in excerpts)