

# CFO Bartering Comes of Age

**It's growing at 5% to 10% a year, as more companies learn how they can get value from barter-related cash flow -- say, in turning "vanishing assets" into revenue.**

By Karen M. Kroll

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Michael LaBaw, president of [Sound Telecom](#) fell into barter about a quarter-century ago, when a client couldn't come up with enough cash to cover its bill.

To get paid, LaBaw would have to enter into a barter transaction. LaBaw joined a barter exchange, and immediately found several ways that his firm could use barter. In the 25 years since then, Sound Telecom, a provider of call center services, has grown from a local firm operating out of a rented suite in Issaquah, Wash., to one with a national presence. To be sure, many actions contributed to the company's growth. Still, "barter is one of them. It's been extremely helpful," LaBaw says.

The U.S. barter industry totals about \$8 billion, and is growing at between 5% to 10% annually, estimates Ron Whitney, executive director with the [International Reciprocal Trade Association](#), an association of barter exchanges. This number includes just barter transactions completed through exchanges; it wouldn't cover, for instance, a painter who directly trades his services with the restaurant down the street.

Barter exchanges facilitate what are known as non-reciprocal barter transactions. In other words, a lawyer might offer services to a bakery that needs legal help. Then, working through the exchange, the lawyer would spend barter dollars on hotel rooms for an out-of-town conference. The exchange acts as a marketplace for its members and also handles the accounting for the barter transactions.

For their services, the exchanges charge a fee. Most run between 5% to 10% of the value of the transactions, LaBaw says, based on his firm's experience working with several exchanges. Under some arrangements, the seller pays; under others, the buyer; and in some, both split the fee, he says.

## **Exposure to New Customers**

Businesses can benefit from barter in several ways. "You can use barter to augment or complement your cash flow," says Sydney Morgan Diamond, Sound Telecom CFO. For instance, Sound Telecom has used barter dollars to pay for cleaning services, saving its greenbacks for other purchases. "Barter is a normal part of our sales projects and budget," she

adds. "We monitor it like any other sales activity." It is, she says, "a system that allows you to make certain purchases with an association of like-minded businesses."

Barter also can offer businesses a way to gain exposure to new — often, cash-paying — customers. Arthur Conforti, president of [Beneva Flowers & Gifts](#) in Sarasota, Fla., has used barter dollars to purchase magazine and TV advertisements, as well as to gain entre to local restaurants that only would purchase his products on barter. "It helped establish our name and show our work," Conforti says. Beneva now is one of the top 50 florists in the nation, he says. Again, barter has been one of a number of steps contributing to the company's growth. "The end result is that customers see our products more," because of the marketing Beneva was able to undertake through bartering, he says.

**(Article reprinted in excerpts)**