

## Barter trade your way through recession

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Today's recessionary climate could see an increasing number of marketers considering a tactic of last resort - barter advertising.

The barter trade credit sector has actually existed for decades and globally, is worth some US\$3bil. The US is the biggest market and the practice is growing significantly across Europe and Asia.

According to BarterXchange executive chairman Dr Lee Oi Kum, barter makes good business sense especially when cash and credit are scarce.

"In today's challenging economic environment, businesses and entrepreneurs need to think out of the box to stay buoyant. Barter could be an effective business tool to help companies conserve cash as they use barter trade credits (BTCs) to keep their business operating instead of having to use cash in hand," she tells StarBizWeek. The efficient use of modern-day barter as a financial tool can be implemented in many different ways.

BarterXchange is a barter community comprising businesses and entrepreneurs who extend credit to each other using barter trade credits as an account unit, and their goods and services as an alternative payment system to cash.

"The process involves clients exchanging unsold goods and services. These can include real estate, media, printing and MICE (meetings, incentives, conferences and exhibitions)," she says.

Most deals involve a combination of cash and credit for media time and space that are swapped for unsold client inventories.

On the BarterXchange, companies' excess products, services or capacities are monetised into barter trade credits (BTCs) on "The Barter Trading System".

BTCs are used as payment and settlement instruments for businesses when they purchase products and services.

One BTC is equivalent to one ringgit or one Singapore dollar, depending on where the businesses are based.

"We have clients who are working within the BarterXchange community to improve inventory management. Instead of having to shift them at deep discounts, these clients are accepting BTCs as settlement for the transactions.

"The clients use BTCs as payment or settlement for business expenditure like print, media, meetings and incentive programmes that may need to be cut back in cash credit tightening situations," she says.

To day, BarterXchange has over 400 clients as member companies in its Malaysia and Singapore-based exchanges. BarterXchange is linked to a global community trade network comprising 500,000 businesses, providing its members access to new markets.

"Unlike the old and traditional barter trading system, modern barter is no longer a unilateral direct one-to-one exchange of products and services and is recognised as an alternative credit system that businesses use in lieu of cash outflow," Lee says.

"Many of our clients are using BTCs to enhance their marketing strategies for cash revenue. For example, a printing company willing to accept BTCs as part payment for a print job from a publisher, whose revenue is affected by the economy, will retain this publisher as its loyal customer. The publisher on the other hand, can now access a new and alternate credit source in BTCs.," she says.

Lee says that bartering reduces purchasing cost.

"In considering the benefits of BarterXchange, you must first understand trade credit. If you were to pay RM100,000 for a marketing campaign, would you rather use RM100,000 cash or RM100,000 of your own goods and services?" she said.

"By bartering, your real cost is only your direct cost of goods sold," she says. "Your gross profit becomes a cash buying discount!"

BarterXchange is managed by Modern Barter (M) Sdn Bhd, which manages and operates a barter trading system for

companies to trade with one another using a revolving barter trade credit/debit arrangement.

It charges a 6% fee on the total transaction value for providing a trading platform for its community members to trade and acting as a record keeper of the trading transactions.

Country Heights, Asia Media Sdn Bhd and Graphicraft Asia Sdn Bhd are part of the BarterXchange community.