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PART ONE

THE BASICS OF BARTER

What is barter?

In this part of Chapter 1 we learn about the origins of barter and explore the difficulties that it has encountered throughout time and we ask “where do we go from here?”

SUCCESS SECRET

Childhood barter

Many children bring lunch to school. Often there may be something in there that they do not like. Sometimes they will offer to swap this with other children in their group. The food that they don't like could be their friends favorite kind.



Before learning how a commercial barter operates you must first understand the fundamentals. A barter exchange is a complex mechanism and it is vital that you understand the basics before moving onwards.

There are several definitions available for the term ‘barter’. You should memorize each of these as they will relate to further segments in this document.

Definition One:

Barter is defined as the exchange of goods and services of equivalent value without monetary payments.

Definition Two:

Wealth traded by direct exchange.

Definition Three:

A method of buying products or services with the cost being paid by the purchaser through the sale of their own product or service as opposed to cash.

Definition Four:

A system of exchanging goods or services without using money.

Definition Five:

The act of exchanging one kind of goods for another, as distinct from trading by the use of money.

Definition Six:

The direct exchange of merchandise and/or services between two different businesses.

Examples of one-on-one barter today:

During the Iraq conflict in the middle-east wars oil has been traded for food, medical and building supplies between the US and Iraqi governments with no cash involved.

EXERCISE 1:

Provide another example of how barter is used today between two businesses. Try and provide a real-life situation if you can.

EXERCISE 2:

Provide an example of how barter is used between adults. Try and provide a real-life situation if you can.

EXERCISE 3:

Provide an example of how barter is used between children. Try and provide a real-life situation if you can.

QUICK TIP



Remember the power of barter

As adults we tend to forget about the power of barter. Small businesses will often barter for services when cash is tight but as they grow they will sometimes forsake barter for cash.

Benefits of barter

There are many benefits to people exchanging their skills or products with one another.

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Barter Networks

Being part of a barter network guarantees repeat business and is the only form of finance that brings its members new customers.



BARTER AS A WEALTH-BUILDING TOOL

Barter is an economic tool that helps to build community wealth. It is a good way of meeting a business or individuals need to get what they want, build wealth and gain assets through their own efforts.

BARTER HELPS DURING PERIODS OF ECONOMIC DOWNTURN

In times of financial hardship businesses or individuals can swap their services and still get what they need. The more they trade the better off they become.

BARTER BUILDS LOYALTY

People who barter with one another will find out more about each others business and, if the trade was successful, often engage in future trading with the same business or individual.

BARTER ATTRACTS NEW CASH CUSTOMERS

Even though you may engage in direct exchange with someone you are still a reference point for cash paying customers.

If you are happy with the product or service provided by someone through barter then it is likely that you will recommend them to other people who may need similar services.

EXERCISE:

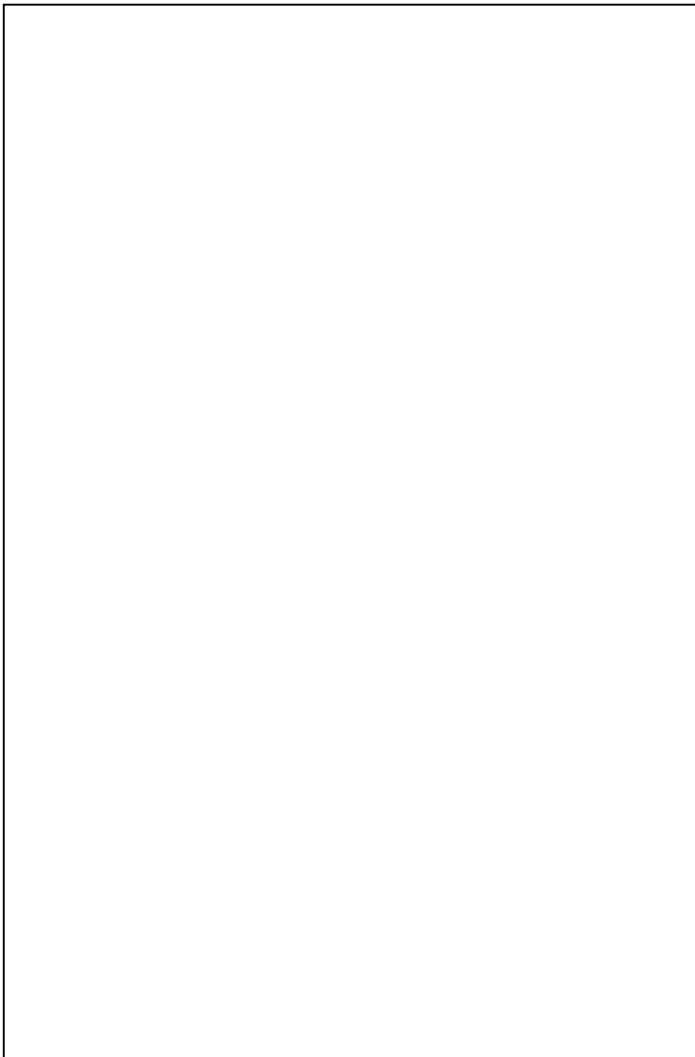
Person A has \$1000 worth of corn, Person B has \$1000 worth of fish, Person C has \$1000 worth of bread.

Person A wants \$500 worth of bread and \$600 worth of fish, Person B wants \$700 worth of corn and \$500 worth of bread. Person C wants \$300 worth of corn and \$400 worth of fish.

Person A knows Person B but not person C. Person C knows Person B but not person A.

Draw the diagram for this transaction remembering that only those people who know one another can engage in direct exchange.

(Hint there will be more than 4 steps in the diagram)



QUICK TIP

Take Notes

Use the side margins to take notes for future reference.

Highlight key points in this document and extract appropriate key-phrases that may be useful in creating your own marketing material.

Pitfalls of barter

Whilst one-to-one barter is sometimes useful it is also often limited in value due to some major flaws.

SUCCESS SECRET



Barter Banking

Barter exchanges are designed to provide a 'banking service' for barter. They act as a third party record keeper for transactions and note the value of each sale or purchase between members. This helps to overcome the issues listed here.

There are several obvious downfalls of the one-on-one barter system. These are:

- § **Need** – ensuring that both parties want each others products or services
- § **Fair trade** - ensuring that the items being swapped have the same value
- § **Timing** – if you wish to trade corn for fish you can only do this if corn is in season.
- § **Issuing IOU's** – If a barter trade takes place now, but one parties product or service is not worth the same amount then one party will have to issue another party an “IOU”

EXERCISE:

Create a list of 8 things that you could barter with other people in the room

EXERCISE:**Length of activity:** 2 hours**Minimum number of participants:** 4**Objectives:** Participants will demonstrate the process of bartering by exchanging with one another items that are more valuable to them in order to win a prize.**Materials:** Cash sufficient for each participant to receive \$10 each. A prize for the winner.**Activity:**

1. Each participant is taken to a \$2 (or bargain-basement type of shop) and given \$10 in cash.
2. The participants must purchase any items that they wish under the following rules:
 - § Each person must purchase no more than two items of any similar type or a similar price
 - § Each item should cost no more than \$2
 - § The price of each item should vary from 10 cents to \$2
 - § They should not tell anyone else what they have purchased
 - § They must spend their entire \$10
3. Have each person bring all of their items back to the office and sit in a circle
4. Each participant is instructed to empty their shopping bag in front of them
5. Tell everyone that they now must barter to get all items of a similar colour (*make sure you do not tell them this before-hand*) but they must adhere to the following rules
 - § Participants are only allowed to buy from people sitting on either side of them.
 - § Participants must swap goods of equal value
 - § Participants need to get as many items of the same colour in the shortest amount of time
 - § The winner will have the most colored items the soonest
6. Start the clock and time everyone
7. Find out who the best “trader” is in your team



QUICK TIP

Exercise Options

You can also undertake this exercise with colour-coded playing cards with various values printed on them.

Multi-way barter

Whilst one-to-one barter is sometimes useful it is also often limited in value due to some major flaws. Multi-way barter is barter between a group of members without the need for one-on-one trade.

Multi-way barter (*also referred to as multilateral barter*) is a method where the participants do not have to exchange goods or services directly with one another but can instead exchange using a barter “currency”.

Members of a multi-way barter system have the following benefits:

- § They do not have to swap directly with other members
- § They can sell now and buy later or buy now and sell later
- § They can sell goods of a different value to goods that they want to purchase
- § They can receive an interest-free “overdraft” in barter dollars and buy even before they sell anything
- § They become part of a larger business network

At the heart of a multi-way barter system is a barter exchange.

The exchange keeps track of the value of every barter transaction, manages customer accounts, issues statements, attracts new members and refers businesses to one another.

For their effort they charge a fee (usually on a ‘per transaction’ basis).

MULTI-WAY BARTER WITHOUT THE NEED FOR AN EXCHANGE

There are limited examples of multi-lateral barter working without a formal barter exchange. One example is the “neighborhood watch” system where every member looks after each others houses.

Another example is where a group of parents mind one anothers children.

EXERCISE:

Provide two more examples of multi-way barter in the community.



QUICK TIP

Multi-way barter in action

Pot-luck dinners are another form of barter with multiple participants all providing input for the benefit of all members.

A barter exchange

A barter exchange acts as a facilitator between businesses who wish to trade services but may not want to engage in one-on-one trade or whose services are all of different values.

When a business joins a barter exchange they are able to finance purchases of things that they need out of additional sales of their own product or service.

Each time a member of a barter exchange purchases something using barter dollars, they know that the purchase will be paid for by extra sales of their excess inventory or spare capacity (time) or both.

In a cash situation, the cash spent by a the merchant would come out of existing sales, not new sales. The business owner has no assurance that when he makes a cash purchase that this will result in additional sales of his own product.

EXERCISE:

Business A sells printing

Business B sells accounting services

Business C sells advertising

Business D sells legal services

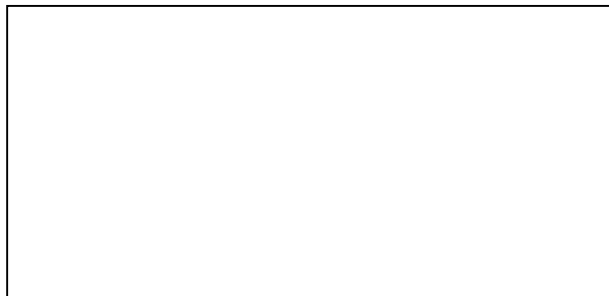
§ A wants to buy from C and D

§ B wants to buy from D and A

§ C wants to buy from B

§ D wants to buy from A and C

Draw a diagram of how this would work through a barter exchange.



INDUSTRY SEGMENTATION

Retail Trade – Retail trade exchanges generally deal in small to medium sized businesses. They often start with owner-operated businesses in the service industry and then gradually move upwards to businesses with 2 or more staff.

Corporate Barter – Corporate exchanges are those who engage in purchasing stock or assets from their members and then on-selling it to other businesses in the exchange. They deal with medium to large sized manufacturers, wholesalers and distributors.

These exchanges also often warehouse stock they have purchased and sell some of it into their membership base (*at a mark-up if they purchased it from a wholesaler and are selling it in small retail lots*) and some on for cash.

The benefit for businesses who sell to corporate barter exchanges is three-fold:

- § instead of taking a write-down of the value of their stock they can sell it at full retail price
- § instead of selling surplus products into existing markets for a discount, they can sell them to new customers
- § businesses can use barter dollars to buy goods or services that they would have purchased with cash.

Businesses sell their surplus inventory, production capacity or time and trade for needed resources.

International Barter – Counter-trade and international reciprocal trading make up international barter. Counter-trade constitutes transactions between governments or multinational companies.

EXERCISE:

Provide an example where a business needs a corporate barter exchange. (*Hint: think of any business situation where a large surplus of products may occur*)



SUCCESS SECRET

Ideas for your exchange

Retail exchanges can benefit by purchasing end-of-line or excess stock from liquidators or wholesalers for trade dollars and then on-selling these items for full retail value to members of their exchange.

This helps create a greater range of products in the group and generates barter dollars for the exchange operator.

PART TWO

BENEFITS OF JOINING A BARTER EXCHANGE

Why join?

The benefits of joining a professional barter organization are numerous and range from a steady stream of new customers through to the ability to trade unsold time or products with others in the group.

BUSINESS OWNERS CAN SWAP THEIR TALENT

Doctors, lawyers, accountants, artists etc become members of a barter exchange to sell their spare time. Being a member means that they can swap their talents for other people's talent or products. A doctor might need legal contracts drawn up, an accountant might want to see a doctor, a lawyer might want an accountant. As these businesses are swapping their spare time everyone gets the benefit and everyone's lifestyle and "value of their business" is increased.

EVERY MEMBER IN THE GROUP GETS WEALTHIER

Because people are swapping their spare time or products with one another everyone earns more money (barter dollars) and gets more products or services than they could afford if they only used cash.

For example if two businesses did a direct swap (e.g.: accounting services for advertising) then both get something that benefits them and no one has to spend any cash. As part of an even bigger business network they can swap not only directly, but also offer their services to anyone in the group and purchase services from any other member using barter dollars as the mechanism to conduct this transaction. No cash is needed and everyone can get products or services.

REPEAT BUSINESS

Because everyone is buying from one another using barter dollars they do not need to spend cash with businesses outside of the group. Everyone gets repeat business.



SUCCESS SECRET

Remember the benefits

It is important that you memorize all of the benefits of joining a barter exchange. Not every reason will appeal to each business so you will need to present the most suitable arguments to make your case.

LOYALTY

Barter exchange members are part of a closed group of businesses. Once a business joins your barter exchange they spend and earn barter dollars with other people who are members. Business owners become loyal to the group and always look to purchase from other members in the group, and other members will always come to purchase from them.

MEMBERS TRADE THEIR SLOW MOVING OR PERISHABLE INVENTORIES, UNDERPERFORMING ASSETS AND ANY EXCESS CAPACITY FOR GOODS AND SERVICES THEY NEED AND WANT.

Businesses with time on their hands can sell this and reduce their cash costs.

NEW BUSINESS

Members will buy from one another because they are part of the network and because they are saving cash. Members will get new customers they never had before because businesses in the group are always looking for more people to trade with using barter so they can save cash.

INTEREST FREE FINANCE

Every member of a barter exchange is given an interest free overdraft in barter dollars. They can use these barter dollars to buy goods or services from any other member. They repay these barter dollars by people purchasing their goods and services. No interest is charged on this overdraft facility and the exchange is responsible for bringing those members new customers to repay that overdraft. Only a barter exchange can help a business guarantee its ability to repay its overdraft commitments.

SAVE CASH

Members spend barter dollars on things that they would normally have spent cash on. Members earn barter dollars selling their own product or services – this is new business that they never would have gotten. They spend these barter dollars instead of cash.

PRODUCTS & SERVICES COST LESS

If someone sells a service only (advertising, accountants, doctors, lawyers, artists etc) then they are only selling their spare time for barter dollars. If they sell this time to other members of the barter exchange and then use those barter dollars to buy from other members then the cost of what they are buying is only the cost of their spare time!

INTERNATIONAL REACH

If the barter exchange is part of an international network then your members can spend their barter dollars in other countries. This is great for holiday-makers, importers and exporters.

HELPS MAKE BUSINESSES RECESSION PROOF

During times when the economy slows down many people still have products or services which they can trade. If businesses join a barter exchange then they can continue to buy and sell without the need for cash. Barter business increases during recessions and is one of the only recession-proof businesses around.

EARN EXTRA MONEY

Businesses sell their unsold stock or unsold time to other barter exchange members. This creates them more wealth.

NO ACCOUNTS RECIEVABLE OR BAD DEBTS

Barter members are encouraged to pay each other immediately with barter dollars. As each member is extended a barter dollar 'overdraft' facility everyone can get paid on time.

These reasons can be summarized into five key areas:

1. Earn extra revenue
2. Reduce their cash expenses
3. Generate more cash business
4. Open new markets
5. Provide alternative financing

Business reasons

Following are some reasons why various types of businesses would join a barter exchange.

SUCCESS SECRET

Create a list

Ensure that you have a generic 'benefit' sheet made up for each business category.

Take these with you to meetings with potential clients and use this document as a focus point for your discussions.



RADIO & TELEVISION STATIONS

Once all of the fixed costs of operating a radio or television station are met (staff, rent, equipment etc) any extra advertising sold is 100% profit.

The cost to air extra advertisements is virtually nothing.

- A barter exchange brings new customers who will purchase advertising using barter dollars
- The station can use barter dollars to purchase products or services that it would normally buy using cash
- The station saves cash, gets more customers and earns more revenue.
- The business increases its overall profit and asset base

EXERCISE:

List the names of 5 small radio stations in your area.

(Hint: You may have to use your radio to pick up some of the smaller community or special interest channels)

NEWSPAPER & MAGAZINE PUBLISHERS

Once a newspaper or magazine has enough advertisers to pay for its print run, any other ads sold are pure profit. After the publisher has covered the cost of its paper, its staff and other overheads it may have a hard time attracting more advertisers (especially when cash is tight in the economy).

- A barter exchange will bring more businesses to purchase advertising from the newspaper or magazine publisher
- The new advertisers can pay the publisher in barter dollars rather than paying in cash (which everyone wants to save). The customer can effectively 'pay' for advertising through using their own time or products
- The newspaper or magazine gets more advertisers and earns more profit
- The newspaper or magazine buys goods or services using the barter dollars it earned and keeps its cash for other things

EXERCISE:

Create a list of 5 types of publications that contain advertising.

(Hint: Think of anyone who publishes a regular 'print' publication in your community)

HOTELS / MOTELS / BACKPACKERS

40% of all hotel rooms are empty at any one time.

Business owners want to attract the maximum amount of customers to their hotel/motel/backpackers but there is always competition.

- Once a hotel or motel has sold enough rooms to cover their cash costs any extra room sales are pure profit
- Other barter exchange members will prefer to stay with hotels because they are part of the same business network
- Other barter exchange members will pay in barter dollars to the hotel/motel
- The hotel/motel will use these barter dollars to pay for things like cleaning products, linen or advertising etc – saving them cash and attracting more customers
- The hotel/motel could also use barter dollars to refurbish their premises or pay for maintenance (painting, plumbing etc)

EXERCISE:

- A retail shop sells wine for \$25 a bottle
- The shop purchases wine at \$10 a bottle from its wholesalers
- The cost of a hotel room on barter dollars is \$120
- A different hotel charges \$90 cash for a hotel room in the same area

Q: Which hotel room costs less cash and why?

(Hint: Take some time to think about this)

A: _____

Q: How much cash does it cost the wine shop to generate \$120 barter dollars?

A: _____

GYMS & FITNESS CLUBS

In an area where several gyms or fitness centers are competing for business it is sometimes hard to attract more cash paying customers.

It can be hard for a gym to expand its customer base when cash to pay for advertising is sometimes restricted, and money to upgrade its premises is sometimes not available.

When this type of business joins a barter exchange the owners can begin using barter dollars to pay for some of their regular expenses. As they begin using barter they can start saving cash and using it for other purposes.

The business can also begin purchasing advertising using barter dollars and attract more cash paying customers.

Barter exchange members who use the gym/fitness centre will also tell their friends who may join and pay with cash.

EXERCISE:

List 5 “essential” business expenses and 2 “non-essential” business expenses that a gym may be able to purchase using barter dollars.

(HINT: These things are services that they might already purchase using cash or want to save up for if they were renovating)

BARBERS, HAIRDRESSERS, BEAUTY & TANNING SALONS

These types of business face heavy competition.

Customers are often very loyal to their hairdresser or beautician and it is hard for new businesses of this type to get new customers. Even existing businesses in this field sometimes also find it hard to get more regular customers and sometimes “reach a peak” of customers and find that they still have unsold appointment time on their hands.

When a business of this type joins a barter exchange then other businesses in the group will start to purchase their service.

As the new customers pay the business using barter dollars, the business can then use these barter dollars to pay for some of their regular business expenses – saving cash!

EXERCISE:

What are 9 things that a business could purchase using barter dollars to improve their “customer loyalty”.

(HINT: Think promotions, give-aways etc)

GRAPHIC DESIGNERS & WEBSITE DESIGNERS

Most graphic designers and website designers are owner-operated businesses who obtain customers through referrals from existing clients.

Unless these businesses have contracts with large corporations they are often regularly on the lookout for more customers.

As a member of a barter exchange other businesses in the group will want to use them for their design needs. This saves these businesses cash and earns the designers valuable barter dollars which they can use to purchase things that they need (instead of paying cash).

Other benefits are:

- the graphic and website designers receive more customers
- the designers expand their portfolio
- they receive more “word of mouth” advertising which may bring in more cash customers
- having more customers also means that their competitors will have less customers
- they increase the value of their business
- they have attracted new customers with no additional advertising costs

EXERCISE:

What is something that a graphic designer can purchase from other members of a barter exchange and then sell for cash to their customers?

EXERCISE:

What is something that a website designer may be able to purchase using barter dollars and then sell for cash to their customers?

ENTERTAINMENT VENUES (CINEMAS, BOWLING ALLEYS, SKATING RINKS ETC)

Business owners (*especially those starting out*) often spend a large amount of money on wages and office expenses.

After a business owner pays all of their bills entertainment is sometimes a luxury that they cannot afford.

As part of a barter exchange these business owners can purchase entertainment through selling their own goods or services.

The entertainment venue benefits because the cost of an additional seat or ticket is virtually nothing. Any barter dollars they earn are almost 100% profit.

The entertainment venue can use these barter dollars on everyday expenses. They can then save their cash and use it to buy goods or services that are not available through the barter exchange.

EXERCISE:

Name 10 types of entertainment venues.

PRINTING & PHOTOCOPYING COMPANIES

A printing company is a mixture of a service industry and a retailer.

The company must pay for the cost of inks and paper, yet they mostly sell labour (*the time it takes to organize the printing, manage the print run, print samples etc*)

The printing company may have a cost of 10 cents per colour copy and sell these for \$1 each. This will give them a 90 cent profit on every job.

There is often a lot of competition amongst printing companies. Some businesses will use the closest printing company and others will use the same printing company that they have always used. New businesses might use the first advertisement that they see, or may be referred by other people.

As the industry is very competitive it is often hard to attract new customers.

When a printing or photocopying company becomes a member of a barter exchange most of the other businesses in the exchange will want to start using them instead of paying cash.

As many businesses are simply selling services for barter dollars the cost to create a barter dollar is almost nothing (their spare time).

For the printing company there is a real cash cost to sell something for a barter dollar.

If a printing company sells 1000 copies for \$1 each for another barter exchange member their cash cost for paper and ink might be \$100. Their profit on the job is \$900 barter dollars.

The printing company now has a total of \$1000 barter dollars they can use. If they spend these barter dollars purchasing services that they would normally buy using cash then they reduce their cash costs and increase their profit.

E.g. The owner of the printing company has the following cash expenses every month:

- Accountant - \$200
- Babysitting- \$100
- Lawnmower - \$100
- Cleaning Products - \$50
- Office Tea and Coffee - \$50
- Entertainment - \$500

Normally this would cost him \$1000 cash. As part of a barter exchange this will now cost him \$100 cash – a \$900 saving!

EXERCISE:

Work out the cash savings on the following:

A photocopy shop has the following costs and retail prices:

Item	Cost	Sell
Black & White Copying	5 cents	10 cents
Colour Copy	10 cents	\$1
Ring Binding	50 cents	\$2

Q: How many colour copies will they need to sell to make \$800 barter dollars

A: _____

Q: What is the cost to earn the \$800 barter dollars?

A: _____

Q: If the business sells 10 B&W copies, 17 Colour Copies and does 10 Ring Binding how many barter dollars will they earn?

A: _____

RETAIL SHOPS

The retail market is very competitive. Lots of businesses have products to sell but attracting new customers is sometimes difficult.

Retailers will get new customers from businesses who are members of the barter exchange network. The retailer can then use the barter dollars earned to pay for things that they would normally buy in cash.

- The retailer gets new customers
- The retailer earns more revenue
- The retailer reduces competition (*people who were previously buying from other businesses will now buy from them using barter dollars*)
- The cost of products or services that the retailer/wholesaler buys from other members of the barter exchange group is cheaper – as they are paying using their own products instead of cash.

EXERCISE:

List 9 businesses which are combine both service and labour to make up their sale price.

(HINT: Part of their expenses will be in cash and the rest will be related to their time)

PART THREE

GETTING SALES STARTED

Sales Phases

It is important that you do not take a “blanket” approach to these phases. Just because you have a number of members in a country or state does not mean that you are successful everywhere.

QUICK TIP

Grow by area

Make sure there are enough businesses in each area using barter. Try to have at least one of each essential business per area so that the members can spend their barter dollars locally.



Start out small in each area and grow step-by-step. People will generally prefer to deal with local businesses so try and build up each area by following the phases through. Try to split your exchange up into geographical areas no larger than 15kms in diameter.

1. Introduction

When you first launch your barter exchange the concept will be new to most people in the area. It is important that you select members based on your knowledge of their business or, if you do not know enough people, the fact that they are owner-operated and/or seeking new customers.

Go for the innovators, well-educated, cosmopolitan types who like to try new things.

People who use technology are interested in media or marketing often fit within this segment.

It is unlikely that you would charge any of your founding members joining fees. You would probably also want to waive any “trading” fees for the first few months whilst they prove the concept to themselves.

EXERCISE:

Name 3 signs of an “innovator” in business.

2. Growth

Once you have a solid group of members trading with one another you can begin adding on “regular discretionary-spending” type members. These are businesses who people will use once a month or less **and** whose product or service does not cost very much.

Examples of these types of businesses are hairdressers, vets, beauticians, florists etc.

Each of these new members is needed in a barter organization. As their product or service does not cost very much to purchase you will need a reasonably size membership base to ensure that these businesses receive a regular amount of barter dollars coming in every month.

3. Maturity

Once you have a group of members trading you can begin asking them for referrals. If you have done your job right (i.e. the members are happy **and are trading**) they will give you the names and addresses of other people in business who will want to join in.

It is important to get leads only from those members who have been both buying **and** selling using the barter currency. If someone gives a lead but they do not know how to use the system themselves then the lead may not be very good, or, if that person comes back to ask their friend how they found the barter exchange, the feedback may be negative. It is important that you resist the temptation to get leads from people who are happy but do not understand the concept properly as they will not be able to explain it to their friends very well.

If people want to give you leads but are not using the system themselves properly then it is important that you curb their enthusiasm and tell them that you want to see them use the barter exchange first.

During this phase you can focus on larger businesses, retailers and wholesalers. These businesses will join because they see a huge range of spending outlets for both private and personal use.



SUCCESS SECRET

Stick to the plan

There is sometimes a temptation to take referrals or new members which were not part of your growth strategy. It is important that you do not take new members who you do not have business for in the group. By accepting members who will not get many barter dollars you are incurring a higher cost to manage more people who are lowering your average turn-over per member. You also run the risk of receiving bad “word-of-mouth” publicity from members who have joined but are unhappy because they are receiving little or no business.

**STEP 2:
SEEK OUT COMPLIMENTARY BUSINESSES**

From your list of people you know pick five to ten businesses who will use each others services on **a regular basis**. Preferably these businesses should not already be customers of one another in the cash economy and should all be in the same area or city. Do not pick businesses too far away from one another or they will not be inclined to use each-others services.

A good starting network is as follows:

1. Accountant
2. Lawyer
3. Printing / Photocopying Company
4. Mechanic
5. Hairdresser
6. Courier Company
7. Doctor
8. Dentist
9. Vet (Animal Doctor)

Q: Why do you think we selected the above businesses?

(HINT: There are two answers which you will need to give)



SUCCESS SECRET

Leads are everywhere

People advertise whenever they want new business. Lawn-mowing operators, baby-sitting services or other businesses who put flyers in your mail box or who advertise on shop windows are all prime-barter members. Every time you receive advertising literature treat it as a sales lead. If you cannot deal with it immediately, then take note of it and save the telephone number or flyer for later. If a sales person comes to your door, take their details and ask if you can reach them at a later time.

**STEP 3:
FIND MORE BUSINESSES TO COMPLETE
YOUR LIST**

If you do not have enough businesses on your list who will definitely use each others services, or if one business is of a specialist nature, you will need to get more.

There are many places you can look for these businesses:

- Library notice boards
- University notice boards
- School notice boards
- Shopping centre notice boards
- Community groups
- Newsletters
- Social club newsletters
- Markets
- Club newsletters
- Letterbox advertisements
- Door to door sales people
- Businesses with advertisements on the footpath
- Flyers handed to you in the street
- Flyers found on your car windscreen
- Community newspapers
- Council notice boards

Look for advertisements placed by small business people.

EXERCISE:

List other places where you can find potential leads

Starting Out

This method is particularly suitable for those people who are creative and don't mind getting their hands dirty. The exercise takes a day or so to complete and is best done in your local area.

1. Get a small notepad and pen. Make sure the notepad has at least 150 pages in it and ensure that each page is no bigger than your hand
2. On separate pieces of paper write down the first name, address, phone and business type for everyone that you know who owns their own business in your area
3. Ring your closest friends, or friends in business, and ask them for the names and contact details of business owners that they know in the area
4. Go to the local supermarket, fish-and-chip shop, take-away, YMCA, community hall, town notice-board etc
5. Get the local community newspaper. Take down all of the details of the small businesses in there who are advertising for more customers
6. Find the local school newsletter and take down all of the details of the businesses in there who are advertising
7. Copy down the details of each business onto separate pieces of paper
8. Once you have 150 businesses sort them into two groups – those who provide mostly a service, and those who sell mostly a product.

9. Sort the service group into smaller groups:

GROUP 1: Essential Businesses

These are businesses that 70% or more of members will use at least once a month. This group should include accountants, mechanics, commercial cleaners, lawn-mowing contractors, printing companies

GROUP 2: Secondary Businesses

These are businesses that 50% members will use approximately once every month or two. These include veterinary surgeons, lawyers, doctors, dentists, local radio stations, community newspapers, alarm monitoring services etc.

GROUP 3: Tertiary Businesses

These are businesses that only some members will use irregularly but whose service is still of a high-value. These include specialist type businesses such as plastic moulders, chiropractors, architects, electricians, painters, plumbers, hotels etc

GROUP 4: Discretionary Spending Businesses

These are businesses which only a few members will use every now and then. Examples are baby-sitters, carpet and upholstery cleaners and those businesses whose services are relatively inexpensive and irregularly used.

GROUP 6: Non-Essential Products

Those whose products are used by other groups, or whose products are not easily categorized.

9. If you have more than one business of a similar type then put it aside for the time being.
10. Look at your groups and ensure that you have a minimum of:

- 15 Businesses in group one
- 30 Businesses in group two
- 10 Businesses in group three
- 20 Businesses in group four
- 20 Businesses in group five
- 20 Businesses in group six

If you do not have enough businesses for this ratio then you will need to keep looking before you move on to Step 10.

11. Once you have enough businesses you can begin to establish a successful exchange in your area.
12. You can now proceed to contact everyone in Group 1 and invite them to learn about barter using the principles found in the following section.
13. Once Group 1 have started bartering with one another using your exchange you can add Group 2 as members and invite them to come and learn about your exchange.
14. When Group 1 and 2 are members you can invite Groups 3 to 4 to become members and so on.

It is important to tailor the reasons to join a barter exchange to suit the business. Focus on every day expenses that they could purchase using barter dollars. For service-type businesses explain that, rather than spending cash, they are simply “trading” their own labour for the labour or surplus products of others. For retailers explain the cost to earn a barter dollar is less than the cost to earn a cash dollar.

Explain the fundamentals - everyone gets wealthier, costs of products and services are less than paying in cash, customers and suppliers become loyal to one another, competition is reduced, turn-over improves, business value increases, more cash in the pocket of the owner (as they are using barter dollars for their regular expenses instead of paying cash).

Remember:

In a cash society the level of business is dependant on the flow of national currency. In times of depression cash is hard to come by. A decrease in the money available does not mean that there are not products and services on offer, simply that there is not enough cash available for business owners to make purchases. Barter can resolve this issue as it is wealth created by the trading of goods or services.

PART FOUR

CUSTOMER ADMIN

Credit Limits

A negative barter dollar balance is a commitment from that barter exchange member to sell their own goods and services to bring themselves back into credit at some time in the future.

THE BARTER OVERDRAFT

A barter dollar overdraft is in fact, not a debt, nor is it a credit limit extended by the exchange itself. Instead it is simply a facility that allows new members to purchase services from other members.

No money is 'created' by the barter exchange so the total value of all accounts in the exchange must equal zero. In the case of an exchange with only two members one account will be in debt and the other account will be in credit.

In the case of an exchange with more than one member, some accounts will be in debt and others will be in credit.

ALLOCATING BARTER OVERDRAFTS

When you first start a barter exchange it is important that you maintain a good balance of credit limits amongst your members.

Too much credit issued to members means that some may members spend more than they will ever be able to earn (*either because they are too busy to take enough additional business, or because other members of the exchange do not require the services of that member in the quantity required to repay the debt*).

Too little credit issued to members means that there may not be enough barter dollars in circulation to allow a good volume of trade. (*If a large business has no credit limit then they will have to earn barter dollars from other members before they can spend any barter dollars. If no one in the exchange has any credit limit then no one can spend any barter dollars and no transactions will take place.*)

You should offer overdraft limits similar to the amount of barter dollars that a member can earn in two months.

Example: Unless a florist has ongoing contracts with members of your exchange, it is generally considered a 'discretionary spending' type business. There is no guarantee that it will earn thousands of dollars every month and it should therefore be given an overdraft limit only equal to that of how much it can earn on a regular basis from other members.

Typically a small florist might do between \$250 - \$500 of barter transactions per month, therefore, its credit limit would be a maximum of \$1000.

If you are unable to judge how much business a member may attract then you could calculate it on the basis of 2% of their annual cash turn-over.

Example: A legal firm may turn over \$200,000 cash per annum. 2% of this is \$4,000. Their barter dollar overdraft would therefore not exceed \$4,000.

EXERCISE:

An artist earns \$10,000 per annum in cash.

The artist has joined your barter exchange. How much credit limit would you give her?

A: _____

EXERCISE:

A large retailer earns \$2,000,000 cash per annum.

How much credit would you give them?

A: _____

IF SOMEONE HAS A HIGH DEBT BALANCE

It is the barter exchanges role to monitor accounts that have extremely high positive or negative balances and counsel these businesses on how to earn or spend barter dollars.

In the case of an account in “debt” the barter exchange should actively promote this member to other businesses in the exchange. If the businesses products or services are not wanted by other members then the exchange operator needs to fund out why and, if possible, attract new businesses to purchase from the debtor.

If this does not work then the exchange operator reserves the right to freeze the members account, set limits on the account commitments and/or impose terms and conditions for continued membership.

If an exchange is properly managed then the amount of ‘bad’ debts should be negligible.

IF SOMEONE LEAVES THE EXCHANGE WITH A NEGATIVE BALANCE

If someone with a negative balance leaves the exchange then it is the responsibility of the exchange operators to take every step possible to recover the funds through normal debt collecting procedures. This may involve:

- Requests to provide a certain product to the exchange which it can on-sell to its members to ‘repay’ the overdraft facility
- Letters of demand to repay the funds back in cash
- Referring the member to a third-party debt collection agency
- Reporting them to credit reporting agencies
- Court action
- Bankruptcy

If an exchange member is leaving on bad terms then it is not a good idea to let them “trade out” by providing a service to other members as they may be inclined to bad mouth the exchange to other members.

IF A BARTER DOLLAR DEBT IS NOT RECOVERABLE

If someone leaves the exchange without repaying their overdraft and you have been unsuccessful in recovering the funds then it is important to remember that no ONE person is left waiting to be paid (as in the case of a default on a cash loan).

Instead, the system as a whole absorbs the cost.

If someone with a commitment leaves town, they do not create a money shortage. As long as the majority of the barter exchange members continue to participate in good faith, believe in the barter currency, and trading levels do not slow down, the 'community' of members can pick up the slack for members who cannot (or won't) fulfill their commitments.

Barter exchanges operate their own currency regulation through social control. In business reputation and word of mouth are very important so there is little incentive to act in bad faith and those who do are easily identified.

Failing to honor a barter dollar debt is the same as failing to honor a commitment to all of those businesses who have accepted payment from the debtor. Where possible the debtor should be made to realize that it is not the exchange that it is impacting, but every business who has accepted barter dollars from that member (*and everyone who those businesses have then paid using those same barter dollars*).

Barter and Tax

It is important that barter exchange members are encouraged to pay tax and treat barter transactions in the same manner as they would cash.

Barter dollars are taxable if they are earned as part of your members usual business profession. *(In some jurisdictions it is possible that taxation authorities may not require tax to be paid on barter dollars if they are not the primary source of income of the business or individual engaged in the transaction – please check this locally).*

- If a business generates income in barter dollars then it will have to pay tax on them.
- If a business spends barter dollars then it will be able to claim them as an “expense”.

EXAMPLE

If a business was to earn \$1000 barter dollars in income and spend \$1000 barter dollars on business expenses then the tax impact would be zero (providing the expenses were legitimate business expenses).

EXERCISE:

The tax rate for a business is 30%.

The business earns \$10,000 barter dollars

The business has spent \$8,000 barter dollars

Q. How many barter dollars do they have to pay tax on?

A: _____

Q. How much tax will they have to pay?

A: _____

EXERCISE:

The tax rate for a business is 20%
The tax rate for an individual is 10%

The business earns \$20,000 barter dollars
The business spends \$10,000 barter dollars
The owner of the barter exchange spends \$5,000 barter dollars

Q. How many barter dollars will the business have to pay tax on?

A: _____

Q. How much tax will the owner have to pay on their barter dollars?

A: _____

EXERCISE:

A business has accumulated \$10,000 barter dollars which it has not spent.

The end of the financial year is 1 month away.

Explain two things that the business can do to avoid paying tax on these barter dollars?

WHAT IF YOUR MEMBERS AVOID THEIR TAX OBLIGATIONS?

Responsibility for collecting and paying taxes or reporting income and expenses on barter rests with your barter exchange members.

In certain cases taxation authorities might request further information about a certain customer. In stricter taxation regimes it is possible that an Authority might ask for a complete list of all transactions (buy and sell) for each member of the exchange.

It is important that your exchange complies with these requests in an open and honest manner. Never treat barter as though it is a “tax-evasion” scheme.

To protect yourself against any legal ramifications if your members do avoid paying tax on barter dollars it is recommended that you distribute clear and concise tax information to your members on their obligations to pay tax.

New Members

WHEN JOINING A CUSTOMER

When joining a customer it is important that you:

- identify immediate spending opportunities for them
- get their agreement to change some of their suppliers to those who are members of the barter exchange
- re-iterate the benefits of having joined your exchange
- work with them to arrange meetings or to receive literature from other members of your exchange whose services will be useful to them
- process their account application within 24 to 48 hours so that they do not “lose interest”
- have them complete their directory listing so that you can immediately begin promoting their product or service to other members of the exchange
- show them how to process barter transactions (*it is important that you also show their staff if possible as the business owner may not have enough time to show them or may simply forget*)
- show them how to use your barter directory (or online directory)
- place your exchanges “sticker” or advertising literature in a prominent place in their business (*if you ask the owner to do this at a later stage they may simply forget – **having your logo in hundreds of businesses throughout an area is an excellent marketing tool and helps people trade with one another***)

AFTER THE CUSTOMER JOINS

- Immediately send the customer a “thank you” card for having joined and advise that their application will be processed shortly. If the application has already been processed then remind them of the other businesses that you have recommended they trade with.
- Send the new member a “welcome pack” containing everything they will need to get started as a member of your barter exchange. **Do this within 7 days so they do not lose interest in being a member.**
- Contact other members of your exchange who may be interested in using their services (*personal contact is best, try ringing them and then following up the conversation with an email or letter to remind them that they could be saving cash by using this business instead of current cash suppliers*)
- Add the member to your weekly newsletter or email
- Call the business shortly after sending their information pack and check if they have started spending with other members of the exchange
- If the business has not yet started spending trade dollars, or has been slow in making enquiries to change suppliers to use other exchange members, then you may have to contact potential suppliers on their behalf and arrange for appointments between both business owners

EXERCISE:

On a spare A4 piece of paper create a draft a welcome letter that you would send a customer.

NEWSLETTERS

Barter networks work only if information is regularly distributed between members.

If possible you should issue an email newsletter once a week, and a printed newsletter once a month.

The newsletter should contain:

- The exchange contact details (including the editor of the newsletter and how to place ads)
- A list of new members
- Businesses who are actively seeking more customers
- Items for sale
- Products or services wanted
- Tips on how to process transactions
- Re-enforcing material about why the members have joined the barter exchange and how it benefits their business

Additionally you might want to add the following to your newsletter:

- Reference points (*members who can help others who are having difficulty spending, earning or processing barter transactions*)
- Details of any networking meetings coming up
- Examples of how people have used barter in the last week to benefit their business (*try and detail the cash cost savings they have made using barter*)

EXERCISE:

Using a single A4 page draw up a “dummy” newsletter for your exchange containing all of the elements of a good newsletter.

Member Functions

In most cases business owners prefer to deal with one another if they have met personally. A well organized function is a critical element to running a successful barter exchange as it helps cement relationships between buyers and sellers and allows the exchange operator the opportunity to reinforce the barter concept and the savings that members can achieve if they use barter wisely.

ORGANISING THE FUNCTION

A good function will contain a mixture of essential, specialist and discretionary spending-type businesses. It will also have an equal split of members wanting to buy and members wanting to sell. *(Try and make the function fun and offer food and drinks where possible.)*

STEP 1

Draw up a list of people to invite

Your list should contain an equal balance of members who are in debt with the exchange and credit. If there are more people in credit than in debt then you may need to balance it out by increasing or reducing the number of members invited.

STEP 2

Send out invitations four weeks prior to the function

A good invitation will contain the following elements:

- Location, date, time of function
- Recommended dress (i.e. formal, casual, semi-casual)
- How to find the venue (a map helps if possible)
- RSVP date
- Whether food or drinks will be served
- If a prize (or prizes) are being drawn on the day then add this
- A reason why to attend (summarize this)

STEP 3

Remind people

Ring every invited business at least two weeks before the function. Remind them to RSVP and re-iterate that it is important for them to come to meet other businesses to trade with.

You should also remind the invited businesses via a follow-up email and/or letter.

BEFORE THE FUNCTION

Become familiar with what each invited business does

As the facilitator it is your role to introduce businesses to one another. This requires familiarity with what each member does. You should also know the status of each members account and whether or not they are in debt (needing to sell their services to others), in credit (looking to buy), or are both buying and selling (needing more customers and more spending outlets).

Create a small list for yourself with each attendees name, type of business, and barter dollar account balance. Keep this list with you during the meeting.

Print name-tags for those who are attending

Buy the plastic “clip on” badges where you can insert peoples name-tags. Make sure you have a few spare in case some people arrive who did not RSVP (or where people bring their partners).

Make a list of everyone who RSVP'd

Divide the list into two sides. One side will be “Wanting Business” and the other will be “Looking to Buy”. Put those in credit on the “Looking to Buy” side of the list and those in debt on the “Wanting Business” side. Include the type of business that they operate, their directory listing description and their name and contact details.

Make enough copies of this list to give everyone at the function. This will help them find one another and have some prior information about each others business to help spark up some conversation.

Purchase a prize

Buy a gift basket, or a gift voucher to give out at the function. If possible, ensure that this prize was purchased from another member of the barter exchange.

Order name badges for all your staff

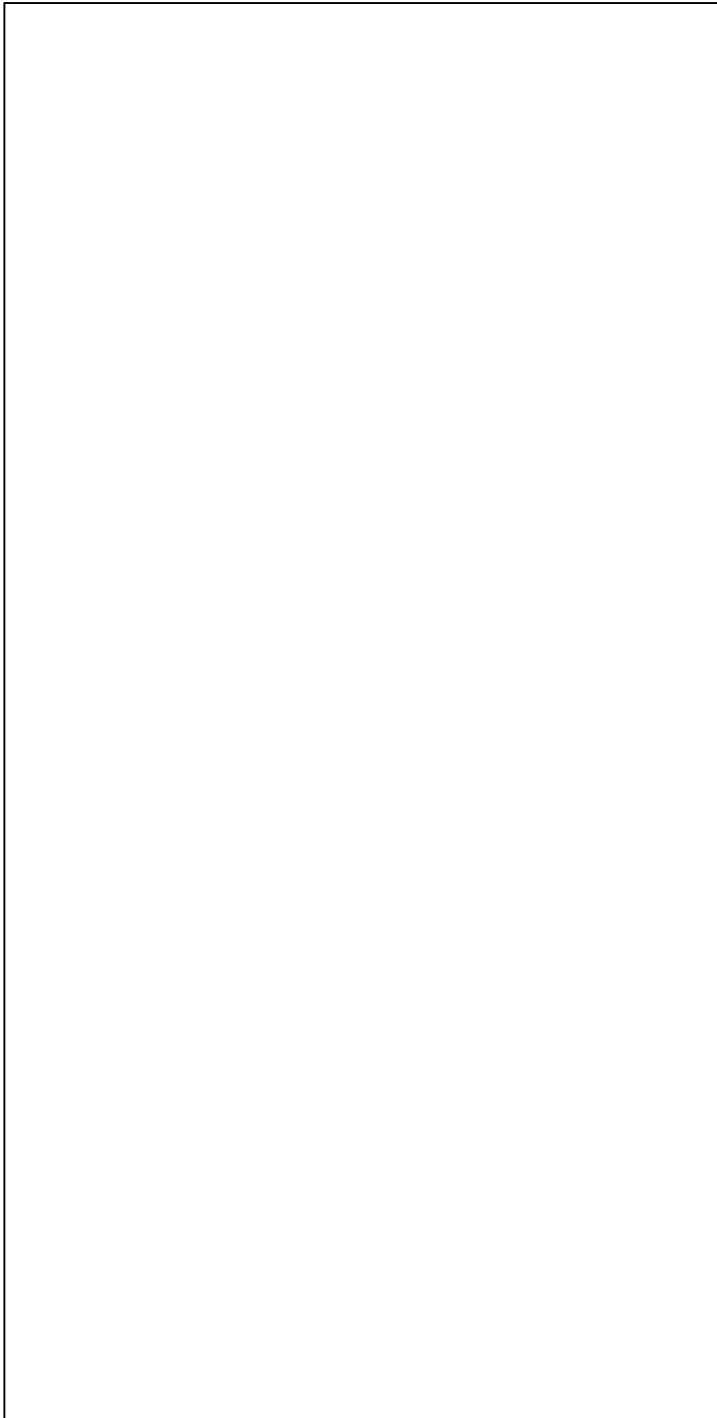
Have name badges professionally made for your staff. Ensure that your exchange logo is on the badges so when people see your staff they will know that they work for your exchange. A professionally made name badge costs around \$30 but is well worth the investment.

Organize your staff

Make sure that your staff know what time they must attend the function and how they are getting there. Advise them what to wear on the day and what they must bring with them.

EXERCISE:

Draw up a “demo” invitation to your imaginary function.

A large, empty rectangular box with a thin black border, intended for the student to draw up a "demo" invitation to their imaginary function.

AT THE FUNCTION

Keep a note of who has attended this function and compare it against who attended previous functions or who has RSVP'd but has not turned-up.

This will enable you to work out quickly which members turn up to functions and which ones don't. You can then correlate whether those who are not attending need to attend (so they are introduced to people to trade with) or whether they have been successful trading by themselves.

Put everyone's business cards into a bowl and draw a small prize

This is an easy way of keeping track of who has attended.

Open the function and have everyone introduce themselves

Open the function only once everyone is present and had the chance to circle the room and meet one another.

When opening the function it is best if the organizer stands and welcomes everyone. The organizer should then ask everyone to introduce themselves one by one.

The person being introduced should be asked to stand, state their name, the name of their business and what type of business they are in. They should also say whether they are more interested in buying or selling or both.

The practice of standing helps reduce the amount of rambling as people tend to talk less when they are standing compared to when they are comfortably seated. The practice also has the advantage of making the speaker the focus of attention and discourage little conversations between those members who are not officially speaking.

Draw the prize

Select a member who needs trade dollars and have them draw the prize. Use this time to re-iterate to other members who this member is and that they should see them if they want to do business with them. Ask them to draw a business card from the bowl and give out the prize.

Circle the room and introduce members to one another

Introduce members who are in credit to other members who are in debt. When introducing them say things like *“John here is an accountant, he is looking for business. I thought I would introduce him to you, Mary, because you have some trade dollars that you would like to spend and changing accountants is a good way to keep spending regularly”*.

AFTER THE FUNCTION**Send brief “thank you” letters to everyone who attended the function**

Send a post-card or some form of card as a “thank you” for attending the function. Be sure to remind them when the next function is and that they are very welcome to attend. It may also be worth-while re-iterating that they can spend or earn more trade dollars through function people in real life than they will online or through the directory.

Sign each thank-you note personally. Resist the temptation to photocopy or scan your signature. If more than one staff member from your barter organization attended then have everyone sign the thank-you note.

Follow up any leads given to you at the function

Make sure you follow these up promptly. Ring the business and tell them the name of who the lead came from and why you are calling. Follow through with your standard telesales script.

Give all attendees a follow-up call a week after the function

Thank them for coming to the function and ask if they have obtained any new business or made any new sales as a result of the function. If they have not then use this opportunity to discuss other options for them to generate business or spend trade dollars. Draw up a personal “leads” list for them and work on putting them in touch with other barter exchange members who can meet their needs. Ask the business owner if there is anything that you could do to make the next function more useful.

Ring the people who did not attend

Find out why they did not attend and invite them to attend the next function. Remind them that most businesses prefer to deal with someone they have met in real life.

Use this time to draw up a personal “opportunities” list for the business owner and find out whether or not they need to spend trade dollars or earn them and work with them to meet their business needs.

EXERCISE:

List 5 reasons why functions are important:

EXERCISE:

What is the best day or time for a business function?
Why?

STAFF MEETINGS

Meetings are only useful if everyone has a clear idea of what the meeting is about and how long it will take. It is best if meetings are under 1 hour in length as people tend to become restive after 2 hours.

1. Draw up an agenda for the meeting

The agenda should be as detailed as possible and contain the following items:

- Names of those invited
- Copies of minutes of the last meeting
- Copies of any attachments or reading material to be discussed
- Copies of trading reports for individual sales representatives and overall weekly sales and trading statistics
- Date, time and length of the proposed meeting
- Agenda of meeting
 - *Opening*
 - *Apologies and leave of absence*
 - *Minutes of the last previous meeting*
 - *Business arising from the minutes*
 - *Company notices (leave of staff, new business)*
 - *Sales reports from staff*
 - *Proposed time of next meeting*
 - *Closing*

2. Distribute copies of the agenda before the meeting

This means that when matters of interest or importance are to be discussed those entitled to attend can put some thought into the issues being raised prior to arriving.

You should invite those attending to submit any more matters which you can later add to a new version of the agenda

3. Print additional copies of the agenda and have them available at the meeting

Most people will forget to take their copy of the agenda to the meeting so it is a good idea to have some spare ones available.

4. During the meeting work through individual sales and trading reports

Identify any sales or trading issues and deal with them. Make notes and draw up a plan of action which can be distributed to everyone after the meeting

5. Discuss business plans

- Future events/functions/newsletters
- Distribute any new literature
- Have everyone proof-read any newsletters to go out
- Business sales initiatives
- New members that are needed by current traders

EXERCISE:

Draw up a draft agenda for your barter exchange:

