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Michelle Rodger: Online bartering makes sense for the cash-strapped

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BARTERING is the oldest form of trading known to man. It's also the newest rising trend among smaller businesses, with thousands joining online bartering portals or simply swapping goods and services with other businesses.

Laser surgery in return for a marketing brochure, corporate massage for design services. There's even a pub offering drinks in return for carrots or spuds. The 2009 Michelin Gastropub of the Year – the Punchbowl in Windermere – has a sign asking loca

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ls to swap their homegrown produce for beer. In some cases, businesses are happy to accept goods even if they can't use them themselves but might be able to realise the value elsewhere.

The trend is certainly recession-fuelled, but not necessarily recession-driven. Many believe that while bartering is an effective way of doing business without impacting on a tightly strapped cash flow, which is ideal during tough economic times, it's clearly an innovative and stable business model for the future.

Julie Mitchell-Mehta, of Debut Marketing in Aberdeen, injured her ankle training for the Balmoral 5K race. She mentioned this to a potential client who runs a biomedical practice and the two struck a deal. Mitchell-Mehta received daily sessions of laser treatment in the week before the race and in return wrote the copy for a brochure the therapist was due to mail out. She completed the race successfully and her client got his mailing out on time.

Bartering works particularly well for small businesses, explains Mitchell-Mehta, especially when it is time rather than a physical product that is being exchanged. But she doesn't believe this form of trading is purely recession-driven. In any economic climate, small or start-up businesses tend to have limited cash but the ability to make quick decisions. Without the procedures or bureaucracy that might prevent larger companies from striking this type of deal – and because of cash flow constraints – alternative methods of payment are likely to be more appealing.

Helen Goodall, a senior executive for Network Rail, escaped the corporate world and retrained as a holistic therapist, launching Chi Holistics 18 months ago. As a start-up, she couldn't afford PR consultancy or design agency support but needed to raise awareness of her new business, which offers corporate massage and reflexology services. So she swapped regular therapy sessions for design input and received a professional brochure she could mail to local businesses.

Goodall says bartering is key whether there's a recession or not, and as long as both parties are comfortable with the trade – and make sure it's absolutely clear what is being bartered and the relative value of that trade – then as a purchasing model bartering is here to stay.

Her view is supported by the vast number of online trading portals and e-marketplaces springing up, such as barteronline.com or Bartercard. Indeed, it is estimated that 600,000 businesses in the US are actively

bartering, including 70 per cent of Fortune 500 companies.

Closer to home, TBEx (The Business Exchange) is an online trading portal launched in Aberdeen by Richard Logie, who believes that bartering is the next-generation currency. He says Money 1.0 was coins, Money 2.0 is the central banks and Money 3.0 will be a peer-to-peer mutual credit system ideal for both business-to-business and business-to-consumer markets.

Logie insists Scotland needs to learn from Switzerland, which has been effectively practising bartering since 1934. One fifth of all Swiss companies – that's 90,000 businesses – barter regularly, and you won't find a more stable economy than Switzerland's.

Bartering, he says, creates wealth that wouldn't otherwise exist since it tends to be "unsold" goods and services that are traded.

Logie has recently worked with Edinburgh Chamber of Commerce to offer a similar trading model to Chamber members. Josef Church-Woods of Edinburgh Chamber was responsible for designing and delivering the Edinburgh Chamber Business Exchange. Launched in March, the service already has 300 members signed up and 150 offers available on the website.

But in its simplest form, bartering enables businesses to grow and simultaneously manage their cash flow by not having to part with physical pounds for products and services. Which begs the question: what does our friendly taxman think about that?

According to accountant Alan Young, HMRC's finest are not impressed since there's little they can do about it.

Young, of 1st Additions, is a keen advocate of bartering and uses Bartercard regularly. While most bartering transactions could go "under the radar", he says it's important to ensure you actually record the transaction and put a true value on it for tax purposes.

The Revenue will never catch up with everybody, says Young, but it's just as important to record the sale for profit and loss purposes and to demonstrate the growth and strength in your business.

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