

BY STEVEN VAN YODER



# CASHING IN ON AN OLD IDEA

Bartering may be an ancient type of economy, but it has new twists for today's medical practices.

**W**HEN DR. JEFFREY J. BETMAN, A podiatric physician and surgeon, opened his Chicago practice eight years ago, he had the same concern facing most start-ups: He needed clients right away.

Knowing it would take time to implement his word-of-mouth marketing plan, Betman joined a barter exchange as a way to generate billable hours. To Betman's surprise, the exchange turned into a major source of business. In no time he began trading his services with other businesses for things he needed, such as office furniture and telecommunication systems.

"I was shocked at the amount of services I could barter and the extent that barter helped me grow my business," says Betman, who has

since expanded his practice to four locations. "Ten percent of my clientele now comes through barter. I trade for practical things, like orthopaedic products for my practice, but also barter for personal needs like vacations, meals, and auto repairs."

Bartering—the cashless trading of goods and services—is as old as civilization itself. Although the idea is ancient, many businesses now see the age-old practice of barter as a way to create new income and cut cash costs. But where our ancestors may have traded chickens for horseshoes, today's savvy entrepreneurs swap hotel rooms for printing, office space for nights on the town, and shiatsu massages for vacations in the Caribbean.

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barter is still an option. But if you understand how to exploit barter from a contemporary perspective, you can make trade work for your business in a very big way. All that's required is a bold new way of thinking about the oldest form of commerce.

One of the most common ways businesses embrace trade is through business barter exchanges. Barter exchanges are "mini economies" linking members into trading networks. Barter exchanges typically charge an initiation fee, annual dues, and a 10 to 15 percent commission charged on every trade. In return, they facilitate trading, provide monthly statements of transactions, issue checks or debit cards, and maintain a membership directory.

Here's how a "modern" barter ex-

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change transaction might look. The owner of a sign painting company needs brochures printed. Instead of paying cash, he goes to a printer within his barter exchange and pays with trade dollars. The printer does not have to spend with the sign painter. He may decide to eat out at a restaurant, seek legal advice for his business, or reduce his monthly courier expense.

Because barter exchanges often

have hundreds of members across dozens of industries, it is easy to find what you need to spend trade income wisely. Because exchanges provide a form of currency, they also solve the "universality" problem that has always plagued direct trade; barter credits can be used like cash with other exchange members when, where, and with whom you desire.

Though it may look like an underground economy, bartering is big

## Joining A Barter Exchange

If you join an exchange, expect to pay an initiation fee (typically \$100 to \$500), annual dues (usually under \$200 in cash and an equal amount in trade credits), and a 10 to 15 percent commission on every trade. In return, the exchange will provide ongoing account maintenance, a monthly statement, checks or debit cards, and a membership directory. Some will provide a line of credit so you can start trading right away.

Before you join any barter exchange, compare the services and fees of other exchanges in your community. Check the listing of member businesses to insure the exchange can fill your needs. Also determine how much advertising the exchange does for its members—a strong barter "economy" will mean that the exchange is adding new members on a regular basis.

Get a referral list of the exchange's total membership who are currently active and not on standby or hold status and ask a few members if they are satisfied with the exchange. Also determine if a representative will be assigned to your account for added personal service. Finally, ask to be issued a line of credit so you can begin trading right away.

There are two national clearinghouses for barter exchanges, the National Association of Trade Exchanges at [www.nate.org](http://www.nate.org) and the International Reciprocal Trade Association at [www.irta.net](http://www.irta.net). Either can provide you a list of exchanges in your area. Also visit Intagio ([www.intagio.com](http://www.intagio.com)), or Ubarter ([www.ubarter.com](http://www.ubarter.com)) to explore online trading. ■

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business. According to the [International Reciprocal Trade Association](#), there are now more than 250,000 American businesses that bartered an estimated \$16 billion in 2000, or 0.2 percent of the total United States economy. And there are 400 to 600 retail trade exchanges in the country today with more than a quarter million members.

### Benefits of bartering

The most compelling reason to trade is that it provides a source of new clients and customers that comes in addition to existing cash business.

“The most important part of bartering is getting new business,” says Tom McDowell, the former director of the [National Association of Trade Exchanges](#) (NATE). “When someone joins an exchange, they’re exposed to hundreds of thousands of potential clients. Barter helps you get new customers you would not otherwise have.”

Barter creates new income streams at virtually no cost. Mark Miles, the owner of Greener Pastures lawn care service in Minneapolis, turned his business around from near bankruptcy several years ago to a company worth an estimated \$20 million today. With a \$10,000 credit line (in trade dollars) from a barter exchange, he was able to market his company and grow his customer base without cash.

And because few businesses run at 100 percent capacity, barter increases profitability by providing extra income in the form of new clients and customers from what would have otherwise been unprofitable downtime. For physician offices, this means acquiring barter patients to augment existing



Doreen Michele DuPont, MD, a general practitioner in Sarasota, Florida, has been using barter for more than ten years. “Everything I can trade for, I do. But I’ll only barter directly with patients I know and trust on a one-to-one basis. And it’s easy to do that because they trust me and already enjoy my services.”

cash patients.

Another benefit is cash conservation: using trade income to offset normal operating expenses. “The main benefit of barter for us is that it offsets our normal operating expenses,” says Dr. Rocco J. Pelegrino, a chiropractor, sports physician, and scoliosis specialist

in Tampa, Florida, who has been bartering for 15 years. “Barter is great for the times when we have extra availability, and helps us maximize billable time.”

Pelegrino advises paying special attention to individual spending needs before joining an exchange. “Doctors

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must figure out beforehand what an exchange can do for them. Currently, I earn from \$1,000 to \$6,000 a year in barter and belong to three different exchanges. This gives me a wide array of options for spending my barter income.” Pelegrino uses barter for things he can immediately use for his practice, like cleaning services and office furniture.

“We barter contact lenses, vision exams and other optical goods and some surgical procedures,” says Delisa Evatt, a laser surgery coordinator for Dr. PeThan Tin, MD, an ophthalmologist based in Chattanooga, Tennessee. “Many of our barter patients do not have vision insurance. So they can use barter to get regular eye exams and purchase glasses or contact lenses. We also have had a handful of people who barter for surgeon fees.”

In turn, Evatt uses barter to attract new cash customers. “We barter for radio and TV advertising, PR events, and open-house expenses like food and catering. It’s been a great way to pick up extra patients and turn this alternative income into new cash patients through investments in marketing,” says Evatt.

Betman, the podiatrist, agrees. “Barter income was my vehicle to do the marketing to get new cash customers,” says Betman. “By effectively using barter to keep your marketing going, you don’t have to sell yourself to death. Now it doesn’t matter to me whether I do business on a cash or trade basis. I never have enough trade, just like I never have enough cash.”

Barter is also a great way to justify otherwise discretionary purchases. “Providing employee perks is easy with barter,” says Jason Perry, the president of Azavar Technologies in Chicago. “We provide our employees with barter credits to spend as they wish. They can spend

for vacations, clothes, or nights on the town. It’s like an auction where employees don’t spend any of their own cash—or mine, for that matter.”

### Physicians and barter

In this increasingly competitive world, physician offices can and should take advantage of the many opportunities that barter provides. If there is any limitation to what doctors can do with barter, it’s that most doctors have not considered barter a viable business tool.

“It’s been my experience that most people in the medical profession don’t see the barter opportunity,” says Andy Boon, the president of [American Barter Exchange](#) in Fresno, California. “For enterprising doctors, that’s part of the appeal. Recognizing that there aren’t a lot of doctors on trade, and knowing that they can capitalize on that.”

Another perceived issue for MDs is that many potential barter clients already have existing health insurance plans, which means they are likely to have a standing relationship with a regular doctor. Although there are ways around this issue, most doctors see it as an obstacle.

However, the key to making barter work is reaching out to uninsured or underinsured barter exchange members, including small businesses with high policy deductibles or co-pays. In these situations, doctors can accept all or part of the patient’s fees in trade.

“We charge barter patients who have health insurance like any other patient,” says David Ortiz, a physician’s assistant for Dr. Frank Sweeney, a general practitioner in Fresno, California. “We’ll accept full barter from uninsured patients. Or, if they have insurance, we’ll trade for the deductible portion. Sometimes, we’ll

take an insured patient, accept full billings in trade, and let the patient collect the cash reimbursement from the insurance company.”

With a little creativity, there are plenty of opportunities to put barter to work for any medical practice. “If a doctor really explored the possibilities, they’d come up with a lot of options to effectively use barter,” says Boon. “For example, a doctor’s office could set up a barter arrangement with a company that requires a lot of physicals or mandatory drug tests. They could do the exams on trade.”

Ortiz seconds this attitude. “Because we’re a walk-in clinic, I’d eventually like to develop referral sources within the barter exchange where I can refer our cash clients,” says Ortiz. “It would be nice to have an orthopaedic specialist, a neurologist, and a dermatologist on the exchange. Then, when a cash patient needs these services, we could refer them to barter vendors, pay the referral specialists in barter credits, and bill the patient’s insurance company ourselves.”

### Trading one-to-one

One-on-one trading the “old fashioned” way is also an option and is fairly easy to orchestrate. Direct trading is a straightforward way of exchanging services with someone who has what you need. Quite simply, you find a person or business that has something you want, work a deal, and then exchange value for value.

If you need something for your business, instead of reaching for your checkbook you can look for somebody who has what you need and propose a trade. “Barter has been part of my financial picture for more than a decade,” says Doreen Michele Dupont, MD, a general practitioner in Sarasota, Florida. “I barter for landscaping, accounting ser-

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vices, and other things for the practice. Once, I catered a party for 122 people at my house, all paid for with barter.”

Dupont enjoys bartering with select clients because of the “relationship factor” she has with each of her trading partners. “Everything I can trade for, I do. But I’ll only barter directly with patients I know and trust on a one-to-one basis. And it’s easy to do that because they trust me and already enjoy my services. I draw on these relationships and propose mutually beneficial barter arrangements.

“I got my house painted this way. The monetary value of the job was \$2,000. In exchange, I bartered medical care that required a lot of testing. This person had no insurance and no cash to pay for this work out of pocket, so the arrangement was favorable to both of us.”

Because dollar amounts are often disproportionate, Dupont keeps good records and extends long-term credit with vendors to use as needed. She strongly advises that doctors be familiar with the quality of work of any potential trading partner. “Some people might barter because their business isn’t doing well. And there might be a reason their business isn’t doing well, such as shoddy workmanship. I make it a practice to barter with people I know and trust, especially when I do direct, one-on-one trades.”

### Putting barter to work

Before you jump into barter you must know your “cost of trade,” or the real cash outlay involved in doing a barter transaction.

Barter is particularly effective for service-oriented companies, be they locksmiths, Web designers, or physicians, who have little or no out-of-pocket job-related expenses. Physicians need to

carefully calculate any direct cash costs associated with any barter transaction, including medication, special products or equipment, and non-employee expenses. If these expenses exceed 30 percent of a trade transaction, doctors should consider asking for these in cash.

Trade dollars are easy to acquire, but usually require more work to spend. This means that flexibility is crucial. A common complaint among barter exchange members is that they can’t spend their trade dollars effectively within the exchange. Often this is because they are not flexible about how and where they spend their money.

Unlike doing business in the cash world, where you can spend your currency wherever and whenever you wish, barter requires a different mindset. If you want to buy a computer, for example, you may have to work with your broker to find a machine and have it shipped from elsewhere. And spending trade effectively often means switching from established vendors to those within the exchange.

Another important consideration is to formalize trade deals with the same legal and professional consideration as cash transactions. Remember that bartering is still a business deal—the standards and etiquette of the cash world still apply. Both parties should expect and deliver courtesy, high standards, and a commitment to putting out a great product or service.

When applicable, set deadlines for the completion of projects and put all agreements in writing. And anticipate disparate perceptions of value between trading parties before work begins. Talk about this openly and make sure that both of you believe you are getting a fair deal.

Before joining a barter exchange you

must know your “cost of trade,” or the real cash outlay involved in each barter transaction. A hotel, for example, has a low cost of trade because it costs little to barter an empty room. Beware of cash-heavy transactions with outlays for overhead or equipment.

Do not take more trade than you can comfortably handle and wisely spend. Barter may be a close second to cash, but you can’t pay your telephone bill or the IRS with trade. Because cash is the one currency you can spend for everything you need, it is vital that you not load up on trade jobs at the expense of cash clients.

NATE recommends that a company should monitor its barter intake and, as a rule, avoid doing more than five to 10 percent of its total yearly revenues in trade. Although some businesses can manage to take more trade without it becoming a liability, it requires careful planning and management to pull this off. Work with an accountant and your barter exchange to come up with a plan that is realistic for your business.

The IRS views barter income the same as cash for tax purposes. Barter exchanges issue 1099-B forms to members and the IRS at the end of a tax year. With this in mind, it is advisable to treat barter the same as cash and to use trade for tax deductible expenses whenever possible.

With a little flexibility and creativity, bartering can be ancient idea with benefits for the modern medical practice. ■

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