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In Midst Of Cash Shortfall, Barter Helps Preserve Customers, Suppliers

BY STEPHEN E. WEBSTER
DAILY RECORD COLUMNIST

On top of a poor economy during the last several years, U.S. companies are losing in excess of \$100 billion in bad debt every year, according to the Internal Revenue Service. Although this category is all inclusive, a large portion can be attributed to uncollectible receivables. The bottom line is that virtually every company may at some point be faced with customers who are unable to pay an outstanding bill.

What should you do? One of the smartest things you can do is accept the situation for what it is and then find a way to work with the delinquent party. Remember, it has cost you hundreds of dollars to originally win that customer and they continue to be valuable to your business. I say when you can't get blood out of a turnip, take the turnip!

Start by opening a frank dialogue with your customer to determine what products or services they can provide in lieu of a cash payment. As one option, you could accept a company asset such as a computer system, a product or service the company offers or something the business owner can personally provide. If any of these items have a value to you, this type of direct, value-for-value trade can offer a fast and desirable resolution.

However, if you have no use for what your client is offering, it may be time to leverage your situation by using a barter company. Now, the possible options for resolution increase geometrically.

For example, if you and your customer were to join your local trade exchange, then, as fellow trade members, your client could offer that same product or service to hundreds or thousands of exchange members. If the client can't or won't join the exchange with you, your company still has the option of offering the client's product or service to trade members. In both scenarios, you would receive the total amount owed in barter dollars and the debt would be satisfied without sacrificing a client.

BARTER BASICS



STEPHEN E. WEBSTER

Regardless of the situation, it's very important to take immediate action, as other creditors are most likely affected as well. Keep in mind that over time the customer's financial situation could deteriorate, making it even more difficult for you to collect even a small portion of the amount due.

If Your Business Is Unable To Pay, Reverse The Process

When the tables are turned and you're having a difficult time meeting your own accounts payable, it's wise to start a straightforward dialogue with your own creditors. Most vendors will be open to any fair and reasonable solution for satisfying your overdue account. And taking a proactive approach to the problem underscores your sincerity.

In lieu of cash, trade dollars can also be an equally valuable method of immediate payment. If you can resolve your delinquent account and help your vendor free up valuable cash to purchase items they regularly buy for their own business, you are offering them a win-win situation.

If the amount in question is large and the vendor is reluctant to accept barter for the total amount, consider a compromise. Remember that barter is just another form of payment and can be used by itself or along with other forms of payment.

By resolving your own accounts payable crisis quickly, you salvage a trusted vendor relationship and keep the supply lines open for future business. And once you've successfully used barter, both your vendor and your clients will very likely be more open to the possibility of additional barter-based purchases in the future.

Stephen E. Webster is president and CEO of Alliance Barter, a 25-year-old Rochester-based company with offices in Toronto, Buffalo and Syracuse. Webster is past president of the International Reciprocal Trade Association (IRTA) and presently serves on the board of governors of its universal currency. He is a lifelong resident of the area.