

Consider bartering as a marketing strategy for growth

While most trade credits are used for advertising media, it is important to note that the range of what a corporate barter company can provide is expanding to include air travel, hotel rooms, sales meetings, air freight, co-working spaces, cruise berths, car rentals, limousine service, and the like.

M MUNEER | JANUARY 13, 2021 / 04:07 PM IST



The pandemic has created turmoil for small and medium businesses more than it did to large businesses. The credit schemes of government did not really help many of them, as there were no growth prospects for months on end.

In addition, increased competition from the same industry as well as from substitute products created even more trouble for most. More and more firms have started to consider the use of corporate barter as a viable and valuable marketing strategy, not just as a way to solve financial problems.

"Retail" barter exchanges are trades of products and services among local small businesses and individuals, each paying the trade exchange a transaction fee. By comparison, corporate barter companies take title to the goods themselves. Transactions can involve crores of rupees of goods and services and are conducted primarily with large companies – in many cases publicly traded ones.

While corporate barter originated as an industry in the 1950s, it really took off during the U.S. recession of the early 1970s. Many companies had excess inventories and limited cash resources. Corporate barter companies stepped in and bartered inventory for media time and space, allowing companies to continue their advertising and marketing efforts without spending cash they didn't have.

Today's corporate barter industry is a lot more than an alternative to liquidation of excess or obsolete inventory; it is actually a marketing tool that can help companies enter new markets without incurring extra costs, generate incremental sales, use excess production capacity, expand advertising and marketing budgets, inexpensively extend geographical distribution, reduce corporate purchasing costs and generate positive cash flow, and boost export sales.

RELATED STORIES



CBIC introduces liberalised Authorised Economic Operator package for MSMEs



Budget 2021 | FRAI urges PM Modi to order recall of proposed changes in law on cigarettes, other tob...



Customer satisfaction alone not enough for revenue growth



And, of course, unlike liquidation and distress sales, corporate barter nearly always provides a company with at least its cost of goods and often the full wholesale value of its unwanted products and services, thereby allowing it to earn a profit.

As an example, a leading automaker sold automobiles to a police force at a time when the government had no cash to pay for the vehicles. The barter company arranged to accept payment in minerals, which it sold for cash on the world market. It then bought spot TV advertising credits equal to the value of the automobiles.

A leading electronics company wanted to reward its top dealers with an incentive programme without spending cash. In exchange for surplus inventory, a corporate barter company arranged for 50 staterooms for 100 passengers on a major cruise line for the dealers.

Another leading automaker was saddled with hundreds of cars of a model about to be discontinued. A barter company took over the cars, with the manufacturer's approval, and remarketed them into channels preapproved by its dealer group.

In exchange, the automaker received from the barter company spot television advertising for an aggregate amount equal to the full dealer cost of the automobiles.

A number of corporate barter companies operate worldwide and can help a manufacturer sell goods or services overseas, even when the country in question does not have hard currency with which to pay the purchase price.

“While corporate barter originated as an industry in the 1950s, it really took off during the U.S. recession of the early 1970s

goods and durables to some extent.

Traditionally, companies with poor or declining sales cut their advertising budgets to save money – something many agree is just a way of enhancing a downward sales spiral.

The current pandemic has already shown us that. Corporate barter can solve the problem by helping to pay for more advertising at the very time the company needs it most.

While most trade credits are used for advertising media, it is important to note that the range of what a corporate barter company can provide is expanding to include air travel, hotel rooms, sales meetings, air freight, co-working spaces, cruise berths, car rentals, limousine service, and the like.

In the post-pandemic commerce world, I see a bright future for corporate barter as a marketing strategy, as well as an innovative financial solution, to some of the thorniest problems of revenue growth a healthier bottom lines. Corporate barter could be the perfect marketing strategy for today and tomorrow, perhaps.

M MUNEER is the managing director of CustomerLab Solutions, an innovative consulting firm delivering measureable results to clients.