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Sometimes Barter Is Better For Your Small Business

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In his landmark 1776 book *Wealth of Nations*, Adam Smith called money one of the three great inventions, along with the written word and mathematics. Money has helped businesses grow more efficiently, markets expand more dynamically, and nations trade more effectively.

But there is something still in use in the marketplace today that humans used for millennia before money: barter. Indeed, barter birthed the marketplace.

In simple terms, barter is the direct and mutual exchange of goods and/or services between two parties. The Latin term *quid pro quo*, “something for something,” is the original definition of barter. Think of the frontier doctor who accepted a chicken and a

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Nevertheless, barter is still being conducted, primarily between businesses that know each other and have a mutual need for what the other offers. For example, a printer barters a brochure job for food from a local restaurant. Or a lawyer accepts personal and/or real property from a client in barter for legal representation.

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Small **business** should look for barter opportunities. For example, with too much inventory and too little cash, barter can be part of a survival strategy in a bad economy. Slow-turning goods become the equivalent of cash to pay for something that in a better economy would have been covered by the cash flow and profits from customer sales. Plus,

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As handy as barter can be, it does have three inherent challenges that money was invented to address: party familiarity, timing, and relative value. But a few entrepreneurs have created something to overcome these limitations in much the same way that money does, while keeping the advantages of barter. They're called barter networks or exchanges.

A barter network becomes the nexus between parties by offering services that address the challenges mentioned above, including barter credits that can be used any time in exchange for a variety of goods and services from a catalog the network has aggregated from and for its members.

Before using a barter network, remember you may be exchanging assets today for future redemption. So conduct the due diligence to make sure the barter network has experience and a good track record.

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