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In Lean Times, Restaurants Barter for Trade Services

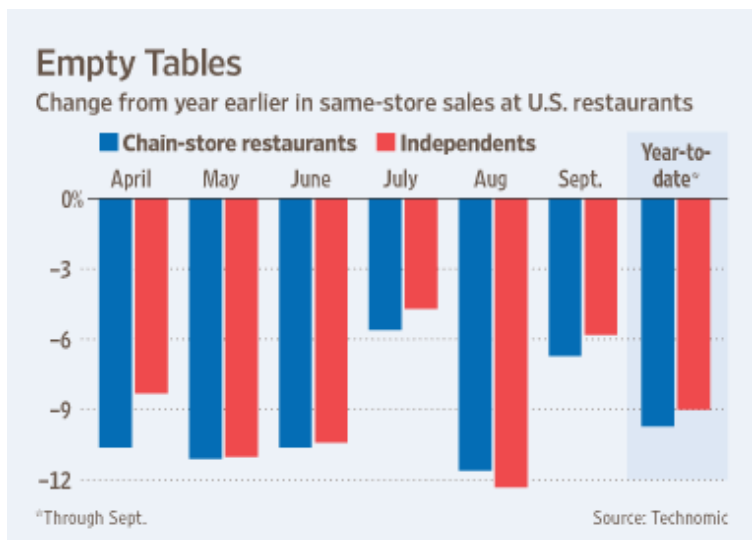
By JULIE JARGON

Independent restaurants are turning to an old-fashioned method to fill tables—barter.

As they struggle to keep customers and pay the monthly bills, restaurants are swapping food for services like oven-hood cleaning and pest control.

Bartering helps restaurants fill seats, reassuring prospective customers who might be turned off by the sight of a vacant eatery. It also attracts new customers when tradespeople bring friends along, reduces some costs, and helps retain employees who can't scoop tips off empty tables.

It's hardly a permanent fix for ailing restaurants, which still need cash to cover such expenses as rent, mortgages, taxes and utilities. But bartering is an especially useful tool for independent restaurants that, unlike some chains, lack access to corporate credit lines or cash.



Many restaurants are using barter exchanges that track and manage the transactions, which count as taxable income and must be recorded for tax purposes. Rather than traditional bartering, in which services are swapped directly between vendors, most barter exchanges use a "round robin" approach that offers flexibility for both restaurants and service people. For example, a plumber uses trade credits accumulated at an exchange to pay for a restaurant meal. The restaurant owner can use the

credits spent by the plumber to "purchase" a variety of services offered by appliance repairmen, electricians and other exchange clients. The exchange acts as a bank, keeping track of credits and collecting fees on each transaction.

Tony Romano, owner of Marcello's Pasta Grill in Tempe, Ariz., where business is off 40% from three years ago, joined the Arizona Trade Exchange in October. Since joining the exchange, he says he's been averaging \$2,000 per week in trade credits from tradespeople, which has allowed him to pay for almost all of his monthly expenses—from laundry to fire-extinguisher maintenance—without writing a check.

Although the restaurant doesn't receive cash for the food, the tradespeople usually tip well, Mr. Romano says, which keeps his wait staff happy.

He says his traffic has increased 10% in the last month. New exchange clients also have led to catering jobs. "A lot of small businesses can't afford to take their employees out for a Christmas party, but they can barter it," he says. "I've booked two lawyers' offices and three dentists' holiday parties."

Independent restaurants have fared slightly better in the last year than chain restaurants, though it's hard to say how much bartering has helped. Same-store sales at independent restaurants declined 9% for the year ended Sept. 30, while same-store sales at chains declined 9.7% during that time, according to restaurant consulting firm Technomic Inc.

Rob Miller, president of the Arizona Trade Exchange, says he now has more than 30 restaurants involved in his exchange, up 20% from a year ago. The exchange charges a one-time \$495 membership fee as well as a \$12.50 monthly fee, and takes a 12% cut of each transaction from the person making the trade purchase.

Ric Zampatti, chief executive of The Barter Company, an Atlanta-based trade exchange with clients in South Carolina, Florida and Georgia, says his business is up 10% in the last year, due partly to signing up 35 new restaurants.

Tradespeople also appear to be spending more when they go out to eat. A trade credit is worth a dollar; Mr. Miller says he used to see tradespeople buy restaurant credits in batches of 100 or 200; lately, he says people are buying restaurant trade credits worth \$300 to \$500 at a time.

Cody Smith, owner of Dynamic Pest Control in Mesa, Ariz., has been cashing in his trade credits at restaurants more frequently in the past six months. "It's a great way to take the family out, enjoy a meal and walk away with very little cash out of your pocket."

Trading his pest control services for restaurant meals and other services has brought in new clients and boosted his sales by 15% in the last year, due partly to new cash-paying clients who aren't part of the exchange, Mr. Smith says.

Atlanta restaurateur Nancy Castellucci recently opened a fourth eatery called the Iberian Pig in an historic building that needed to be brought up to code. She used barter credits to cover 60% of the refurbishment costs.

"We would have had to go to the bank otherwise and we didn't want to go to the bank. When you have barter dollars, it's a much cheaper way to borrow money because you're not actually borrowing money, you're borrowing goods and services and not paying interest."

Mr. Zampatti of the Atlanta exchange says he's seeing restaurants increasingly use barter for routine maintenance costs. "In the past, restaurant owners would use barter to upgrade their lifestyle, like to go on vacation or buy jewelry, but because of the economy, now they're using it to pay for their business expenses."

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