

Trio Barter Unneeded Assets For Ad Space Or Time

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Three former advertising and media industry executives have found a new career: acquiring companies' unwanted assets and turning them into trade credits that their clients use to "buy" advertising time and space.

Gary Kearley, Graham Lawrence and Stephen Farr run the Australian arm of Active International, a New York-based corporate bartering company that had gross trading volume of \$US1.3 billion during 2003 and bought more than \$US800 million of media advertising, making it the ninth-biggest media-buying firm in the world.

The eight-year-old Australian firm - which has been run by Mr Kearley, a former managing director of the advertising agency Young & Rubicam, since June 2002 - will finish 2003-04 with trading volume of \$25 million, up from \$14 million in 2002-03.

Mr Farr, a former media director of the ad agency John Bevens, joined Active in late 2002. Mr Lawrence, a veteran newspaper and magazine industry executive, joined in September last year.

About 60 companies use Active to sell unwanted assets, 70 per cent of which are products, including delisted product lines and excess production capacity.

About 70 per cent of the trade credits Active Australia's clients receive for their assets are used to buy television, radio, outdoor, magazine and newspaper ads.

Mr Kearley declined to name most of Active's clients. "Most don't want it to be known they have surplus inventory, while others don't publicly endorse any of their suppliers," he said. Two clients he could name were Sancella and Fuji Film.

The list of media companies Active deals with is also secret; the only one Mr Kearley named was Ten Network.

Active has held talks with John Fairfax Holdings (publisher of The Australian Financial Review), News Limited, Publishing & Broadcasting Limited and Seven Network but has not struck any deals with them.

Active buys "impaired" assets for their full book value in exchange for trade credits. Companies then use the credits, plus cash in some cases, to buy advertising or other services (such as freight, printing and travel) through Active.

Mr Lawrence said the average asset purchase in Australia was about \$1 million, although Active recently bought assets worth \$6million from an unnamed company.

The assets it buys are sold, or "remarketed", through approved markets. A wine company, for example, sold unwanted stock to Active but banned it from on-selling it in 113 countries where it operated. Active sold the wine in other countries and the client spent the trade credits on ads in the United States and Britain.

In the US, Active is increasingly buying assets such as property and bad debts. Here most of its work involves fast-moving consumer goods. Most of the products it buys are on-sold through Dstok, a company that specialises in selling delisted and excess products.

Although the research firm Recma ranks it as the ninth-biggest media-buying agency in the world (with 2003 billings of \$US855 million compared with \$US34.4 billion for the biggest media agency, Publicis Groupe), Active does not pay for the ad space and time its clients receive.

Instead, it barter with media companies.

Active buys products or services from companies and then swaps them for advertising.

Mr Kearley gives the example of hotel rooms. Active buys rooms from, say, the Hyatt chain, agreeing to on-sell the rooms for incremental revenue for Hyatt. It then "sells" the rooms to a TV network, but instead of being paid in cash, it receives air-time, which its clients buy with trade credits.

In the US, magazine ads account for the biggest chunk of the media advertising Active "buys", followed by national TV ads.

Mr Kearley would not provide a breakdown of the media ads Active handles. He said the advertising Active's clients secure with trade credits was planned and booked through their regular media agencies, with Active often working with agencies to target deals with specific media companies.

"Typically we are dealing with advertising volume that represents 20-25 per cent of a client's ad spend," Mr Farr said.

"Clients can use the advertising they get through us to save money - that is, reduce the amount of cash they spend on ads - or to boost their marketing budget and presence."