

Media bartering set to soar amid credit curbs

By Tim Bradshaw

Published: March 21 2009 02:06 | Last updated: March 21 2009 02:06

Cash-strapped companies are bartering for media space with their excess stock as they struggle to sustain their marketing momentum in the downturn.

Barter is estimated to make up about £100m (\$144m) of the UK's £12bn annual media expenditure, but could grow by up to 30 per cent this year, according to trading companies and agencies.

That contrasts with predictions by Group M, a WPP media agency, that spending on UK media will fall 5.6 per cent in 2009. And while most agencies are laying off staff barter companies are hiring.

The rise of media bartering reflects companies' need to make use of alternative assets as banks continue to withhold credit. The practice is popular among companies selling perishable goods such as food, drink, flights and hotel rooms, or those with high depreciation, such as cars. Advertisers include Mercedes-Benz, Mazda, BMI, Hilton Hotels and Vodafone.

The most commonly traded media is outdoor, including billboards from media owners such as JCDcaux, CBS Outdoor and Clear Channel. Most big newspaper groups, including Associated Newspapers and News International, and broadcasters such as ITV and BSkyB also take part in barter deals.

Most of the trading is arranged through intermediaries, such as independent companies Astus, Active International and Miroma, as well as divisions of larger media agencies such as Interpublic. They are responsible for buying media upfront and selling on excess stock, often to other clients. Offsetting their own risk requires strong cashflow and often credit insurance.

Dean Wilson, UK managing director of Active International, which is based in the US, said he started to field "many more" inquiries before Christmas. He expects Active's growth rate to increase from 15 per cent now to 20 per cent by year's end, as new clients offset withdrawals elsewhere.

Car companies are sitting on millions of dollars worth of unsold cars, but they need to advertise to protect their market share. We offer a solution.

Paul Frampton, UK managing director at MPG, the Havas-owned media agency, agreed that "reciprocal media exchange has suddenly become relevant". "Barter is one of those things that will be more talked about and agencies will want to have it in their arsenal when talking to clients."

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