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Barter's hard sell in local markets

Lara Sinclair
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MEDIA companies including the Ten Network, Southern Cross Broadcasting and the Seven and Nine networks' regional affiliates have begun to barter advertising inventory on the \$20 million secondary advertising trading market.

But newspapers and metropolitan television remain an obstacle to expanding the barter trade in Australia, according to Darren Riley, international media director of global corporate barter company Active International, which founded the barter market in Australia nine years ago.

Active, which is run in Australia by former advertising executives including Gary Kearley, Graham Lawrence and Stephen Farr, allows companies to barter surplus or devalued stock for a mixture of cash and trade credits in essential business areas including advertising, freight, printing and car fleets.

Active resells the surplus inventory and makes a commission when the client later converts its trade credits.

The business model allows companies to redeem the full book value of devalued assets and promises incremental business – such as additional advertising spending – in return for the commission it takes when trade credits are cashed in.

In the US, Active expects to trade advertising worth more than \$US1 billion (\$1.3 billion) in 2005, according to Mr Riley, up from \$US860 million last year, which ranked it among the top 10 media agencies. It has offices in North America, Europe, Asia and Australia, and plans to expand in South America and Asia.

In Australia, Active traded advertising worth about \$20 million in the past financial year, compared with a reported \$25 million the previous year. About 75 per cent of the company's trade credits are redeemed through advertising.

"It has been a challenge for us to break through with certain media owners and convince them that working with us can be a benefit," said Mr Riley, who visited the Australian operations this week.

He named several media companies that do business with Active but said that Nine and key

newspaper publishers, including News Limited and John Fairfax, did not.

"We've had a difficult time with newspapers. We haven't had any real clients who we can bring them that they don't already have."

Clients that have used Active include Fuji Film, ice cream company Streets and Bonland.

Fuji Film finance director Craig Hawkins has used Active to convert unused stock – such as outdated photographic equipment – into advertising, freight, packaging, travel and computers.

Fuji has purchased advertising media including radio, regional TV, cinema, magazines and point-of-sale material, contributing to total estimated savings of \$3.5 million in six years.

Ten general manager of sales Grant Blackley said dealing with Active "does cost us some margin" but said it allowed the network to build relationships with advertisers by helping them to convert their unused inventory into marketing dollars.

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