



Why Bartering for Advertising Makes Sense for Your Restaurant

The old adage of “survival of the fittest” has been replaced lately with a new slogan: “survival of the smartest”. The standard approach to advertising and the types of advertising that are most effective have been redefined. What worked in a flourishing economy is now being scrapped as new avenues of attracting buyers are being explored.

Traditionally, advertising has been purchased with hard earned cash. After all, the media industry needs to make a profit too. But, smart media operators have realized that unsold advertising is very time sensitive and if not sold becomes perishable. Therefore, to capture value in some form rather than not at all, alternative methods of payment have been developed to capture an advertising market that otherwise wouldn't exist.

This new method of payment, called barter, provides you with a unique opportunity. Before, you had to budget for your advertising with cash resulting from existing sales and from net profits. However, barter provides you with a better way of paying for advertising with new incremental sales, which you otherwise would never have.

Payment is in the form of gift cards or gift certificates to your restaurant. They represent the future delivery of your product (food and beverage) to a future unknown customer to be provided by the recipient of the barter payment (a free sales person). Since your existing overhead is already being covered by your existing cash sales, the only incremental cost you incur from an incremental sale is your raw food cost. If your food cost is the industry average of 30%, you then benefit from a 70% discount when you barter. Your purchasing leverage is therefore equal to your gross profit margin.

Gift cards issued by your restaurant are really nothing more than your own private currency. They are as good as money when you spend them for anything you need for your business. Let's look at some of the additional benefits that gift cards provide you that cash cannot provide:

1. When you pay for anything with a gift card rather than cash, you receive the benefit today for what you purchased. However, you don't incur any cost until the gift card is redeemed in the future.
2. Gift cards are usually redeemed by new customers who will return as cash-paying customers, provided they have a good experience.
3. Gift card users seldom purchase the exact amount of the gift card. Most people will have a bill that exceeds the gift card requiring them to add cash with the card. This additional cash amount could possibly even cover your food cost.
4. Gift card users are usually heavy tippers because they feel like they got such a great deal by using the card. Gratuities are always paid in cash, keeping your wait staff happy. Happy and prosperous employees help the morale of your entire business.
5. Gift card users will usually bring their friends who don't have a gift card and who are cash paying customers.
6. A good dining experience will result in repeat cash business as well as referrals. Gift cards have a reach that is much farther than the initial transaction for which they were used.
7. A full restaurant will attract more cash customers than an empty restaurant. Diners are more comfortable trying an establishment that appears as if other diners are enjoying themselves. Empty tables represent excess capacity, which is the problem that barter so uniquely solves.
8. IF you use an expiration date on your gift cards or gift certificates, a farther date is better than a nearer date. Human nature is such that if you think there is no urgency to use something, you store it away and will likely even forget about it until after it has expired. Historically, the gift card industry profits from a 40% breakage rate. How often do you write a check that never gets cashed?

Advertising is an expense that every business has and you even budget for it. If you are able to barter for advertising rather than use that budgeted cash, by a process of substitution the gift cards you issue as payment for advertising convert to a cash sale because you retain the budgeted cash. So, in reality, bartering improves your bottom line because the cash you save less your food cost (gross profit) drops directly to net profit.

Equitrade International, Inc. is committed to becoming your advertising partner. Because of our understanding of the power of barter we can assist you in developing an ad campaign that combines advertising with a powerful financial tool that will result in your advertising effort being a great success. Call your Equitrade representative today and explore the wonderful world of barter.