

The C-Suite

Guide to
CORPORATE
TRADE



Contents

It seems every day the business world is becoming more competitive. 3

This eBook is designed as a high-level guide for executives. 4

Why leading brands use Corporate Trade..... 5

What is Corporate Trade? 7

How Corporate Trade works 9

What assets can be used in a Corporate Trade transaction? 10

What kinds of expenses can we use a Corporate Trade Credit for?..... 11

How to Account for Corporate Trade 12

How to guarantee a successful Corporate Trade partnership 13

The bottom line on Corporate Trade 15

What's next? 16

It seems every day the business world is becoming more competitive.

Technological advances, flat markets, new competitors (including those from overseas), nervous consumers and uncertainties surrounding near-bankrupt European countries all impact Canadian organizations.

You're likely finding in your own business that the difference between a profitable year and one that is not can be found in small variances in line items (often in inventory, capital equipment and real estate).

Companies can't afford to keep assets on the books that aren't contributing to the bottom line. Everything (and everybody) needs to produce at a high level to ensure an organization's continued success.

Historically, companies have avoided write-offs through liquidation. However, balance sheets suffer; liquidation typically recovers only one-third of an asset's original value. It's no wonder many Fortune 1000 companies are embracing Corporate Trade as a strategic tool to maximize value on underperforming assets.

In a nutshell, Corporate Trade is a **smart business solution** that unlocks value from under-performing assets while freeing cash for investments to help organizations grow.

This eBook is designed as a high-level guide for executives.

This eBook is designed as a high-level guide for C-level executives not yet familiar with Corporate Trade. It covers some of the common questions senior managers are asking including:

Why Corporate Trade is a smart business solution?

What is Corporate Trade?

How does Corporate Trade work?

What assets can be used in a Corporate Trade transaction?

What can a Corporate Trade credit be used for?

How do you guarantee a successful Corporate Trade partnership?

Active International Canada has set the standard for Corporate Trade for close to 30 years. During that time we've executed thousands of successful transactions, helping companies meet their bottom line commitments.

It's our hope that this eBook will help you understand the benefits of Corporate Trade and decide if it's a fit with your own organization.

The Active International
Canada team - meet us
here

Why leading brands use Corporate Trade

In the era of innovation and rapidly changing consumer preferences, CXOs of leading consumer goods brands find themselves in a constant state of beta with new product development. And with a continuous cycle of 'new and improved', comes the cost of transitioning from one sku to another.

As much as we all wish for a crystal ball from time to time, even the most successful companies can't predict all market variables.

Many leading companies around the world are planning for inventory risks using Corporate Trade as a safety net. Excess inventory sitting in your warehouse incurs carrying costs and can ultimately spoil, causing you to take a loss on your books. Using Corporate Trade is one way you can not only recover that loss, but drive incremental ROI.



A leading North American food manufacturer

had excess inventory with a wholesale value of over \$3MM that was worth a mere \$1MM if liquidated. They used Corporate Trade to recover a painful write-off of over \$2MM. The US media budget couldn't accommodate the \$3MM in Trade Credits they received in the transaction. Instead, the Credits were transferred to Canada and used over a number of years to help fund digital and TV advertising efforts.

Why leading brands use Corporate Trade (cont.)

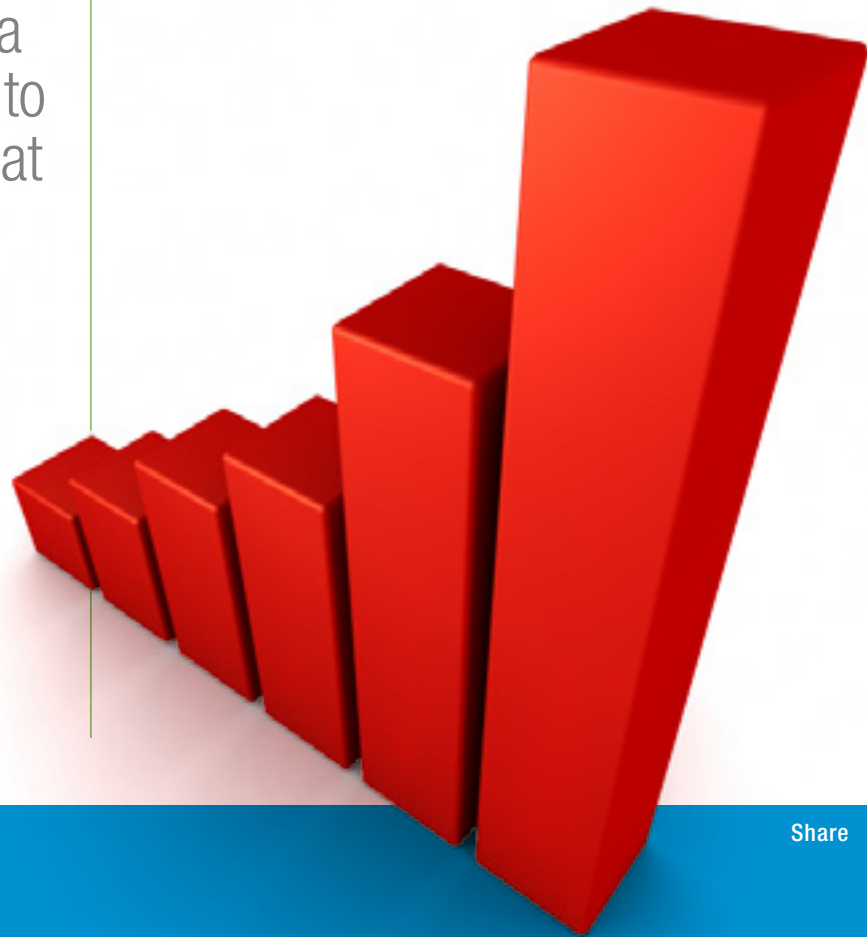
A rapidly growing industry

Corporate Trade is thriving, not only in Canada but in other markets around the world.

Over the past 30 years,
new Corporate Trade providers across north America have entered the market in order to meet demand from companies that want to **remain competitive and profitable.**

Advertising agencies, which once looked down on Corporate Trade, now have their own barter divisions due to client demand.

Trade Credit currency is also on the rise and growing in popularity among media providers. In 10 years, Active International in Canada has seen more than a 900% increase in Trade fulfillment – reflecting the increased depth and breadth of trading relationships in the marketplace.



What is Corporate Trade?

Corporate Trade is a **smart business solution** that restores value where it's diminished and creates **value** where it's needed.

In short, it's a solution that helps organizations preserve the bottom line and deliver EBIT targets to company owners or shareholders.

A strategic tool

Many Fortune 1000 corporations use Corporate Trade as a strategic tool to maintain book value on slow-moving, returned, or obsolete assets—including last season's clothing, perishable food, outdated electronics, capital equipment or excess real estate.

Higher returns

In a typical Corporate Trade transaction, assets are acquired in exchange for cash and Trade Credits. Corporate Trade delivers higher returns, usually three times what the asset is worth in the liquidation market.

Reduced expenses

Companies use their Trade Credits as a discount against tier 1 media expenses.

What is Corporate Trade? (cont.)

Recover painful write-offs

Corporate Trade helps to recover write-offs on obsolete assets, restoring original value wholesale value and freeing cash for investments that help your company grow.

You don't need to have an asset problem to take advantage

Companies without any asset problems whatsoever use Corporate Barter as a tool to reduce advertising expenses by trading in their first-line inventory in exchange for media Trade Credits.

Corporate Trade also addresses situations that occur in the normal course of business: sales targets to be hit, product packaging is redesigned; weather is unseasonal; fashions evolve; consumer shopping patterns change.

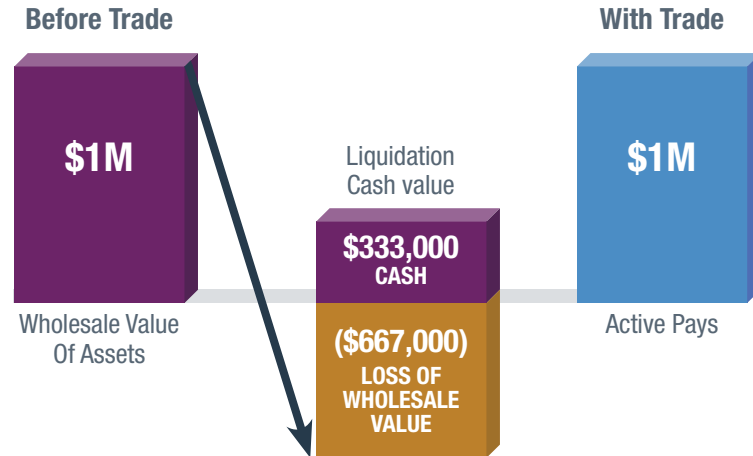
This strategic tool is both an important insurance policy and expense management tool that empowers organizations to protect their bottom line, while allowing themselves the freedom and flexibility to innovate for the future.



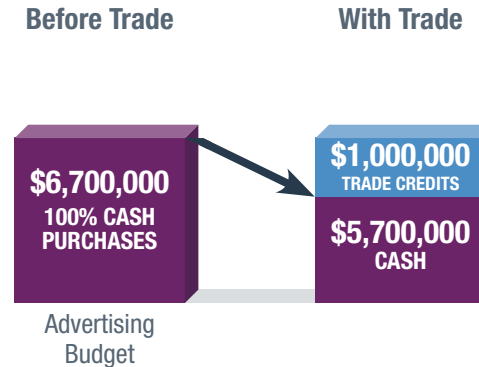
How Corporate Trade works

1. Once you've identified an appropriate asset in your organization an agreement is negotiated with your Corporate Trade provider, who buys your assets for Trade Credits.
2. They then re-sell your assets into channels approved by your company, or you can choose to manage that re-sale transaction yourself.
3. You Trade Credits are combined with cash to purchase advertising space
4. The result is an incremental return on the market value of your assets realized through a reduction on advertising expenses over time

UNLOCKING EXTRA VALUE FROM ASSETS



REALIZING EXTRA VALUE



What assets can be used in a Corporate Trade transaction?

You can trade almost any asset imaginable to earn Trade Credits. Plus, you can use your Trade Credits to fund what your business really needs, through Corporate Trade purchases.

You don't need an inventory or asset problem to strike a Corporate Trade transaction. In fact you don't necessarily need to have a problem at all.

Assets can be anything from tier one inventory, capital equipment to excess real estate to product labeled with expired promotions. And if you don't have inventory now, Corporate Trade firms can fund and trade your media while you provide inventory at a later date.



A major Canadian paper producer

hired a consultant who tried unsuccessfully—for two years—to sell an outdated piece of machinery. In the end, Corporate Trade helped this company find a local smelter to destroy the machinery while the company received Trade Credits worth \$400,000 for equipment that was virtually worthless.

What kinds of expenses can we use a Corporate Trade Credit for?

When your company enters into a Corporate Trade partnership, your assets are sold for cash. Your Corporate Trade provider takes the cash and in return gives you a pre-determined number of Trade Credits (typically three times the best cash offer available in the market).

One of North America's foremost food companies

faced a loss of \$300,000 on packaging that carried an expired promotion. They received over \$1.1MM in Trade Credits for the inventory and used these Credits to stretch their TV, radio, print and digital advertising budgets.

As part of the arrangement you agree to spend those Trade Credits with your Corporate Trade provider, in combination with cash, to purchase the media you require.

Trade Credits can be spent in combination with cash to pay for a wide variety of media including:

Television

- Conventional English & French
- Specialty English & French
- Sponsorships
- Promotions

Radio

- National / Syndicated
- Local
- Remotes
- Traffic
- Promotions

OOH

- Billboards
- Transit
- Bus Shelters
- Digital
- Large impact boards
- Resto - Bar
- Health Clubs
- Grocery / Retail Stores

Magazines

- Consumers Magazines
- Trade Magazines
- Inserts

Newspaper

- National
- Local Dailies

Digital

- Display
- Pre Rolls
- Video
- Expandable Big Box
- Site Takeovers
- E Blasts
- Contests

How to Account for Corporate Trade

Including Trade Credits in your accounting system is straightforward and there are a number of clear guidelines to follow:

Receiving Trade Credits in return for assets

- » Your company and the Corporate Trade provider enter into a mutual agreement for the asset
- » The asset value in the balance sheet is usually replaced by a prepayment for the Trade Credits issued
- » The Trade Credits are typically carried in the balance sheet at the net realizable value of the asset surrendered in accordance with GAAP

Spending Trade Credits

- » When your company purchases media and services, the Corporate Trade company issues invoices which are payable part in cash, part in Trade Credits
- » HST (or QST where applicable) is charged at the required rate for the value of the media or services provided
- » As Trade Credits are spent, an equal amount is credited to the prepayment account and expensed on a Profit and Loss account, until all Trade Credits are spent



How to guarantee a successful Corporate Trade partnership

Finding the right Corporate Trade partner is similar to finding any business partner with whom you want a long-term partnership.

Trading relationships and experience are key

Only partner with reputable, established, financially stable Corporate Trade companies with a breadth of trading relationships. This enables your company to get the full value from your Trade Credits. Ask for Canadian customer references and case studies.

Local representation, global reach

If your business operates worldwide, partner with a Corporate Trade company with a similar reach. You'll be able to generate extra value for your media spend in the countries in which you operate. It's important that your Corporate Trade firm also has a local presence, to better serve you and to develop sustainable trade relationships with local media providers and other vendors.



Put the right legal contract in place

A Corporate Trade contract is a high-trust transaction; it's important to feel confident in your Corporate Trade partner's ability to help spend your Trade Credits effectively. A legal contract is a must and should at minimum include these essential elements:

1. Any restrictions on where your distressed inventory can be distributed.
2. Agreement that Trade Credits will be applied only to your authorized media plan.
3. No commission payable (Corporate Trade companies do not typically take media fees as part of their business model).
4. A dedicated account manager and media team assigned to your business.

Independent versus agency-owned

The value of a Corporate Trade transaction is only realized if your Trade Credits lower the cash outlay on your existing contracted rates. For example, if you will be using your Trade Credits for media, take extra precaution if selecting a Corporate Trade company owned by a large media buying agency.

There's a potential for conflict of interest when the company setting your rates are also responsible for setting the Corporate Trade discount. Keeping your Corporate Trade partner separate from your media agency ensures dollar for dollar value of your Trade Credits.

How to guarantee a successful Corporate Trade partnership (cont.)

Approved resellers

It's vital that a business sells excess inventory to approved buyers, otherwise brand integrity is at risk. Ensure your Corporate Trade partner has the necessary buyer relationships in place and that you sign off on final placement.



Reporting

Always ask about reporting procedures before inking a partnership. You'll want to ensure you're doing business with a Corporate Trade company who can provide you with regular reporting on your Trade Credit usage, and ROI.

Internal alignment

Internal communication and alignment is one of the single most critical elements for success of a Corporate Trade partnership. It avoids surprises and ensure everyone across the organization understands the value of the model.

Some companies don't take full advantage of a Corporate Trade opportunity due to ineffective communication with key internal players, including marketing, procurement, finance and others. It's important to outline the benefits with everyone involved and encourage them to assist with the partnership's success. Look for a way to account for the transaction that will share the financial benefit of trade with all parties who play a role in facilitating the success of the transaction.

The bottom line on Corporate Trade

Delivering target EBIT to company shareholders is your top priority.



And like many organizations, hitting targets is challenging when new technologies, competitors and other uncertainties enter the mix.

In all likelihood your organization is faced with untapped opportunity, and challenges that can be overcome by including Corporate Trade into your P&L strategy.

Corporate Trade is not just for businesses who have an inventory problem. It's a smart solution in times where no dollar should be left on the table.

If there are **under-performing assets** on your company's books, where else can you find a service that offers an average **300% return?**

What's next?

You now have a better understanding of how Corporate Trade can help your business – unlocking value from under-performing assets while freeing cash for investments that help your organization grow.

Interested in learning more?

Active International Canada

4100 Yonge Street, S-406
Toronto, ON
M2P 2B5
Canada

P: 416.226.8650

Share

Follow us