

Barter: **Increase Yields, Load Factors** **and the Bottom Line**

Presented by:
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BizXchange is a leading global authority on barter

Background

- Since 2002 BizXchange has conducted over US\$200 million in barter transactions
- BizXchange has over 2,000 active member companies, with affiliates worldwide in Singapore, Turkey, Malaysia, Australia, UK, Canada, France, Mexico and more.
- In 2007 BizXchange saved its member companies over US \$30 million

Rewards and Recognitions

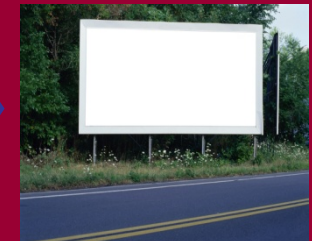
- Recognized by the International Reciprocal Trade Association (IRTA) as 1 of only 2 Certified Trade Exchanges in the world
- US Chamber of Commerce Blue Ribbon business award winner
- Rated by Inc Magazine as a top 5000 fastest growing private US company; ranked 16th fastest in State of Washington; 25th in the San Francisco Bay Area

Barter accounts for over 30% of the world's total business today

Direct Trade

- Billions of dollars of business is conducted in trade each year
- An estimated 65% of Fortune 500 companies use trade as a part of their business practices

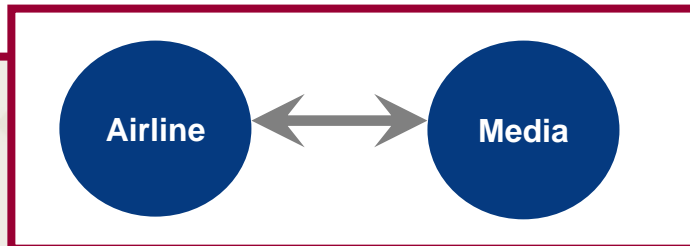
For Example:



Historically, the Airline Industry has only facilitated direct trade

Challenges with Direct Trade

1. Limitations to trading partners
2. No internal control and tracking systems
3. Trading based on voucher system
 - Treated as non-revenue fare
 - Displaces revenue generating passengers
4. Expiration of acquired inventory



BizX Solution

1. Multi-later transactions: Barter market place where neither buyer nor seller are limited by partner or volume
2. All transactions are tracked and reported according to GAAP
3. Trading based on excess capacity and prices do not need to be discounted
4. Trade credits accumulated do not expire
 - Seller provides services when it has capacity; Buyer uses credits at its convenience

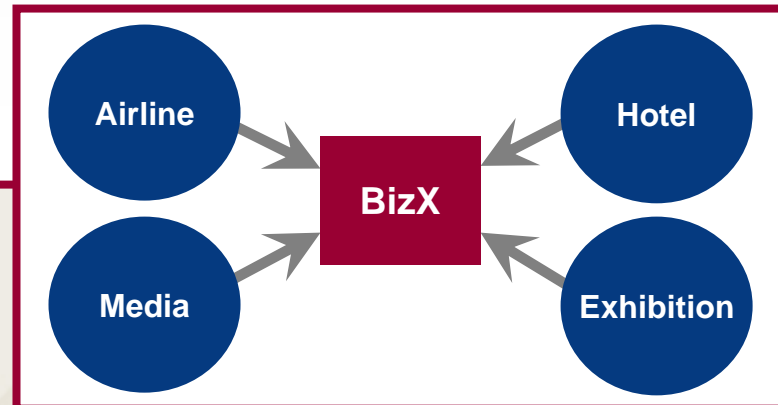
Barter companies offer a solution to challenges raised by direct trade

Challenges with Direct Trade

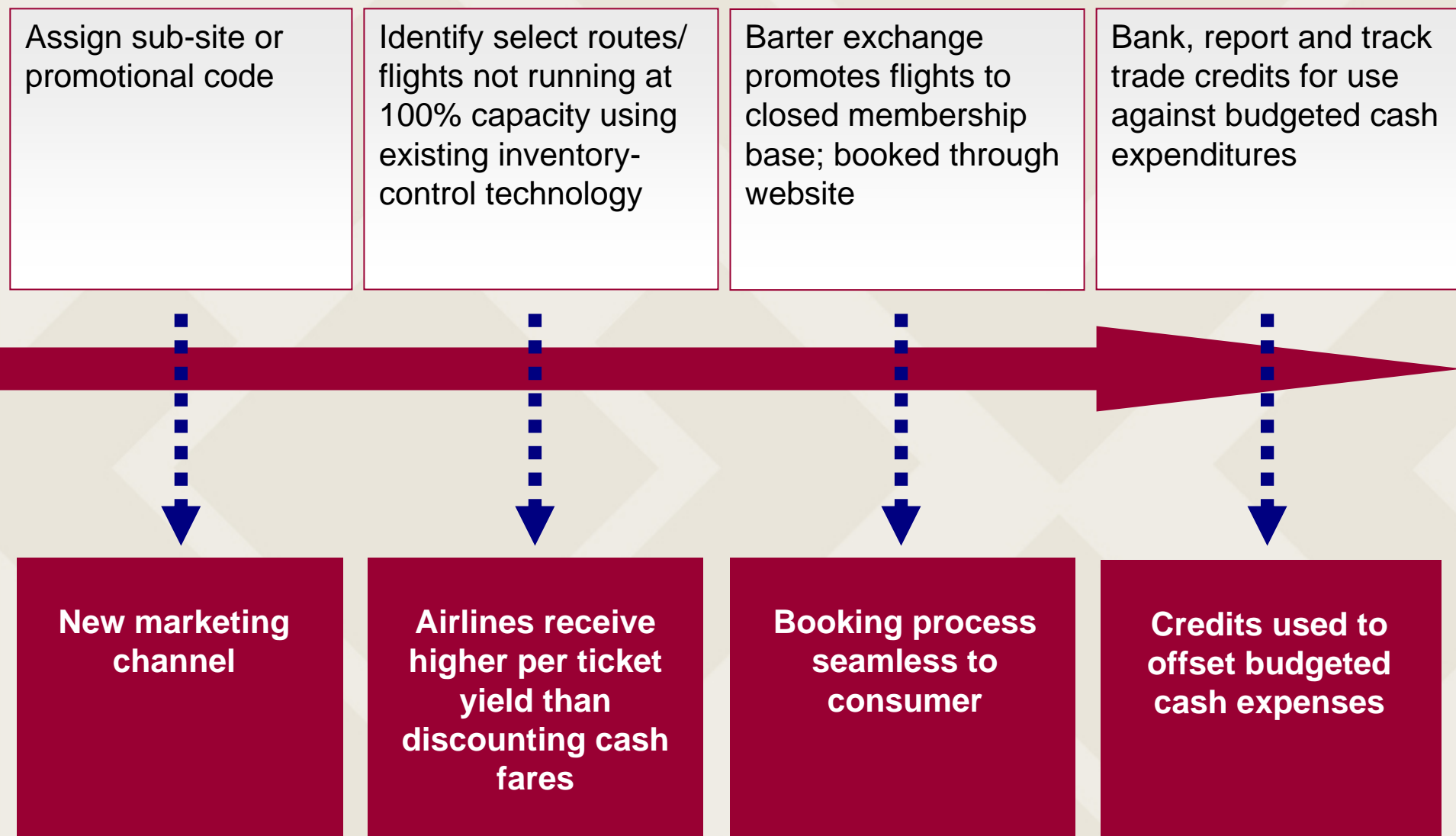
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The airline industry can use this solution to capture unsold inventory, without discounting prices



An airline has high fixed costs and low variable costs, so filling empty seats has a direct positive impact on cash flow

Airline Industry

TOTAL COST = **Fixed Costs:** labor, fuel, airport fees, etc. + **Variable Costs:** boarding pass, beverages, etc.

Minimal Impact on Total Flight Cost

Additional Sales Channel

Only Unsold Seats Allocated to Barter

Barter company sells tickets (not full Y, not fully discounted)
Incremental cost to airline minimal (based on Variable Cost)
Credits accumulated from sale offset budgeted expenses

Cash Savings

New Customers

Airline tickets sold to:

- Exclusive pool of corporate clients in barter marketplace
- Used for promotional and cross-promotional activities

New Customers

A barter transaction translates directly into cash savings

Total Capacity

Daily flight from Toronto to London with 40 business class seats



40 seats x 30 days x 3 months
= 3600 seats available/quarter

Excess Capacity

Assuming an ALF of 80%, release only 5.5% of excess capacity available for barter passengers



At an average cost of \$4000 per seat, this would generate an additional \$792,000 in new revenue

Savings

Use trade credits to offset an equal amount of budgeted cash expenditures



Assuming a variable cost of 10%, airline saves over \$3 million per year in expenses by leveraging otherwise unsold, perishable inventory

Trade Credits can be used to offset budgeted cash expenses

Areas of Trade Credit Utilization

- ❖ Media and Marketing Services
- ❖ Hotel Accommodations
- ❖ Crew Uniforms and Luggage
- ❖ Printing and Signage
- ❖ Passenger Recognition Programs
- ❖ Employee Incentives

Case Studies – Examples of past clients

Barter company promoted and sold otherwise empty seats

Low Cost Carrier

- Media
- Printing
- Catering
- Grass roots marketing

US Network Carrier

- Outdoor advertising
- Print advertising
- Events
- Sponsorships

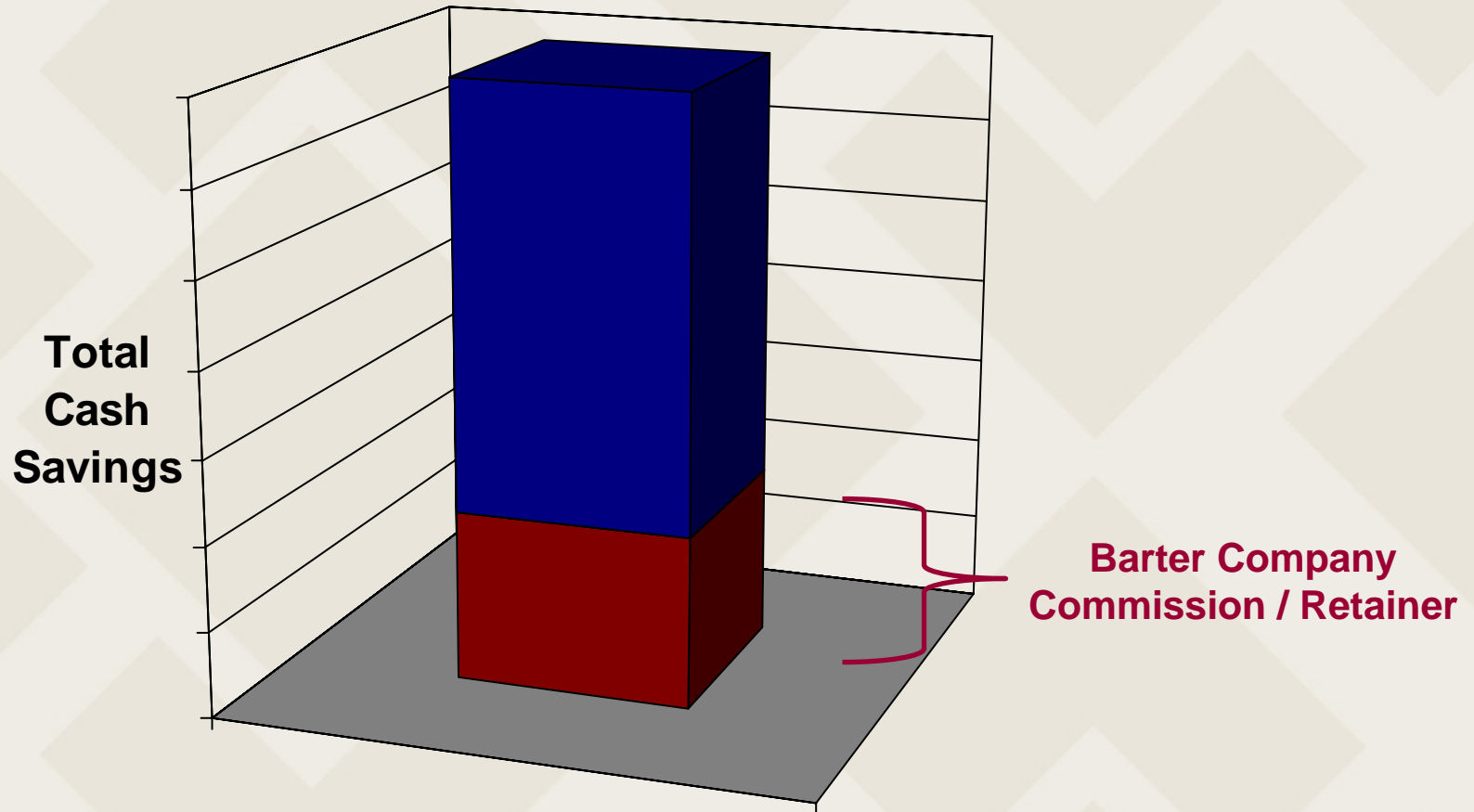
Long Haul Carrier

- Limousine service for first-class passengers
- Premium promotional items
- Conference services

Airlines used perishable inventory to offset existing cash expenses and expanded marketing and customer incentive budgets

Barter company's revenue model is based on cash savings realized

Cash savings from new revenue created



1. Increasing Capacity

- EU / US open skies agreement

2. Increasing Fixed Costs

- Fuel prices

3. Increasing Use of Discount Sites and Web Fares

- Opportunity to use the internet to drive average fares up!

In summary, barter is a strategic tool used to create value in the form of cash savings and incremental business

- ✓ Leverage unsold, perishable inventory
- ✓ Maximize high fixed costs
- ✓ Credits recognized as revenue for financial reporting
- ✓ Increases Average Load Factor
- ✓ Increases Passenger Yield
- ✓ Increases Operating Revenue
- ✓ Allows purchases to be made at low variable cost
- ✓ Offset budgeted cash expenditures