



The Swap Forum

A practical and
informative guide to list
swapping

INTRODUCTION

Until now there have been no clear guidelines surrounding list swaps and what you can expect to happen with your swap transactions. There is also confusion as different companies have different ways of handling swap transactions. The guidelines also look to provide advice to ensure that you do not fall foul of any legislation e.g. VAT avoidance.

These guidelines have been constructed by The Swap Forum to aid all those involved with list swapping and equip them with some practical advice and remove some of the confusion that surrounds this way of trading in lists, as well as seek to have some market wide minimum standards.

The Swap Forum was formed to debate some of the issues and confusion surrounding swaps as each member had encountered many of the issues that undoubtedly you may have indeed encountered yourself. In essence these guidelines are made from experience to move to a more desired and informed state.

The guidelines are written assuming that you are a list owner however they can be equally used by list brokers, list managers or indeed anyone involved with list swaps.

WHY SWAP LISTS?

Swaps between two list owners can be a cost effective, budget stretching way of prospecting for new customers that are close in profile to each other. However there are many pitfalls to be aware of that are not visibly evident and a good list broker or manager will be able to provide sound advice. They will also ensure that you and the other party comply with the Data Protection Act 1998.

Normally a list owner or their list broker will identify the opposite list that they'd like to swap with and usually will approach you directly or via your list manager to enquire if you are interested in swapping your list for theirs.

You should be aware at the outset that list swaps are and should always be treated as a transaction irrespective of the fact that in essence no money changes hands (albeit you will attract VAT, this is explained further later on).

Swapping “buyers” data between two parties is the most common i.e. 1 name for 1 name, however it is also possible to swap enquirers, lapsed buyers and inserts. Again a good list broker or manager will advise you on how best to handle these.

What follows is a step by step guide on what happens from that point. A logical flow chart is attached that maps the various stages for you to follow.

THE SWAP ORDER

Once you have agreed to swap your list you should confirm the following in writing to the other party, the specific details of the swap transaction and also have confirmed to you in writing by the other party the same i.e. what you want and what you will be getting in return.

- Volume
- Selections i.e. 0 -12 month female buyers
- Mailing date
- Terms of use*
- Delivery date and address
- List layout & media specification
- Fee/commission that you will be paying a broker or manager
- VAT amount
- Previous order exclusions
- Excluded postal areas such as BFPO's
- Mailing Preference Service screened
- Bureau processing charges
- Additional volume to allow for processing
- Agree a date when data will be reciprocated
- Confirm the swap balance
- Confirm that the data being swapped is fully compliant with The Data Protection Act 1998 and is correctly registered

You should also agree with each other what you will be mailing and should have sight of the intended or indicative mailing piece before agreeing to a swap. You should also ensure that the mailing piece meets with ASA approval.

* Please note that if you are using a list broker or manager they will normally act on your behalf to ensure that terms and conditions are in place together with a physical swap order detailing all of the above.

Please be aware that you maybe asked to sign terms and conditions as well as an order confirmation so that the broker or manager can carry out the transaction.

As it is rare that a swap transaction is simultaneous i.e. you give and receive your data at the same time, you can expect the order process to happen when you provide your data to the other party and again when you receive it or vice versa.

DELIVERY & INVOICING

After completing the order process outlined above you will receive or provide your data as specified in your written order.

At this point, if you don't have a list broker or manager acting on your behalf or you are exempt from VAT you are responsible to raise to the other party an invoice for VAT.

H.M. Customs & Excise view that a swap of data is quite simply paying for goods with goods and therefore is a transaction that attracts VAT at the prevailing rate.

This should be calculated on the volume x the rate card cost per thousand that you normally rent the list for x 17.5% i.e.

5,000 records x £95/'000 x 17.5% = £83.12p (rounded down which is an accepted accounting principle)

It is a given that each party will cover its own costs in processing, selection and delivery for the purpose of the transaction and therefore it does not normally attract VAT.

In the event that the list is not commercially available i.e. there is no rate card for the list then it is advised that a sensible rate be adopted for the purpose of a VAT calculation. This can be achieved by benchmarking the list against one that is commercially available.

However care should be taken when two lists are commercially available and are priced differently i.e. List A is £100 per thousand and List B is £130 per thousand and they enter into a list swap together. The difference between the two means that an invoice for the correct amount of VAT needs to be raised otherwise you may find yourself in hot water with H.M. Customs & Excise

If you have a broker or manager acting on your behalf they should arrange the invoicing on your behalf which will include the VAT for the transaction together with their fee which also will attract VAT.

The broker or manager acting for you will also provide a swap balance certificate, so that you will know how much data you owe and are owed. This is important if you do many swaps throughout the course of the year, as it is possible you could lose track.

It is strongly advised that if you are owed data following a swap that you use it within 12 months of agreeing a swap mostly for good housekeeping to ensure that swap balances do not go on for years but also to ensure that you get back data similar to that you gave out i.e. a company may change it's product lines, pricing or recruitment method and thus may skew it's original customer base which may then not match your own.

CREDIT REQUESTS

After the swap has occurred you may receive or request a credit for unusable names. These are names that are dropped during the de-dupe process mostly because they are considered un-mailable, i.e. incomplete addresses. It is quite normal to expect a credit on these as clearly they could not be mailed and thus were un-used. As no monies changed hands the credit will be in the form of a names credit. i.e. if you received 5,000 records and 35 were unusable then it is perfectly reasonable to ask for a credit of 35 names to be used on another occasion.

Additionally you may ask for or receive a credit request for goneaways i.e. these are swapped names that you have mailed but you have had postal returns labelled by the Royal Mail as either goneaways or deceased. The Direct Marketing Association recommends that you have no more than 3% of goneaways in your mailing volume. If you have less than 3% of goneaways then is considered to be reasonable and therefore no credit would be entitled.

Some companies advocate over supplying the swap volume by 3% i.e. $5,000 + 3\% = 5,150$ to allow for both gone ways and unusable names. This then removes the requirement to raise a credit as each party accepts that the additional volume supplied will be used for “norming” of the swapped volume. This additional volume should be reciprocated between the parties and agreed on the original order.

It is also considered good practice to return any goneaways that you receive to the list owner so that they may update their list. The same is true for unusable names. Most list owners welcome the opportunity to improve the quality of their lists.

FEES & COMMISSION

This is probably one of the main areas for confusion for all parties involved with list swapping.

If you have a broker or manager acting on your behalf then they will be administering the process on your behalf and as such are entitled to charge for the work. However what happens in reality is to be negotiated between you and the broker or manager beforehand and most companies will detail what the charges are upfront or at the time when they provide you with the order.

As the swap order is not simultaneous, means the broker or manager acting on your behalf will have to administer the process twice, once when you take data and the other when you provide data and thus the broker or manager should be entitled to charge each time. It is usually accepted that if you have a manager or broker acting on your behalf then they will charge you and not the other third party or their agents acting for them.

Brokers or managers usually work on a fee or commission basis. If it is the latter, then this is calculated as if the transaction were a rental order i.e. 5,000 records x £95/'000 = £475 x % commission.

Charging structures can vary from company to company, but as a guideline in today's market you can expect the commission to be 15% of the order value, or in the case of fee's £15 per thousand records swapped. Please remember that commission & fees will attract VAT.

Some companies offer to transact swaps for no reward as part of other fee/commission based work that they do on your behalf i.e. if they buy data for rental campaigns for you they may agree to do the swaps free of charge as long as the swap volume does not exceed 10% of the total volume mailed.

If you have a list manager working on your behalf, throughout the normal course of their duties they will be promoting and marketing your list for list rental and you may as a result receive swap enquiries from them or directly from another third party. In the case of the latter, the approach may have been as a direct result of your list manager actively promoting your list and therefore you should forward the enquiry for them to handle on your behalf.

We recommend that all fees and commission arrangements are negotiated upfront and that you have an operating agreement between you and the manager or broker acting on your behalf.

There are many benefits from using a professional manager or broker to act on your behalf but mostly to remove the hassle and to ensure the process runs smoothly. They will also record how much data you owe and how much you are owed and will provide to you a swap balance certificate (example attached) each time a swap transaction is made that will detail the current balance so that you know exactly where you stand at any given point.

ABOUT THE SWAP FORUM

The Swap Forum was formed in May 2003 and is a consortia made up of a variety of organisations representing list owners, advertisers, managers & brokers.

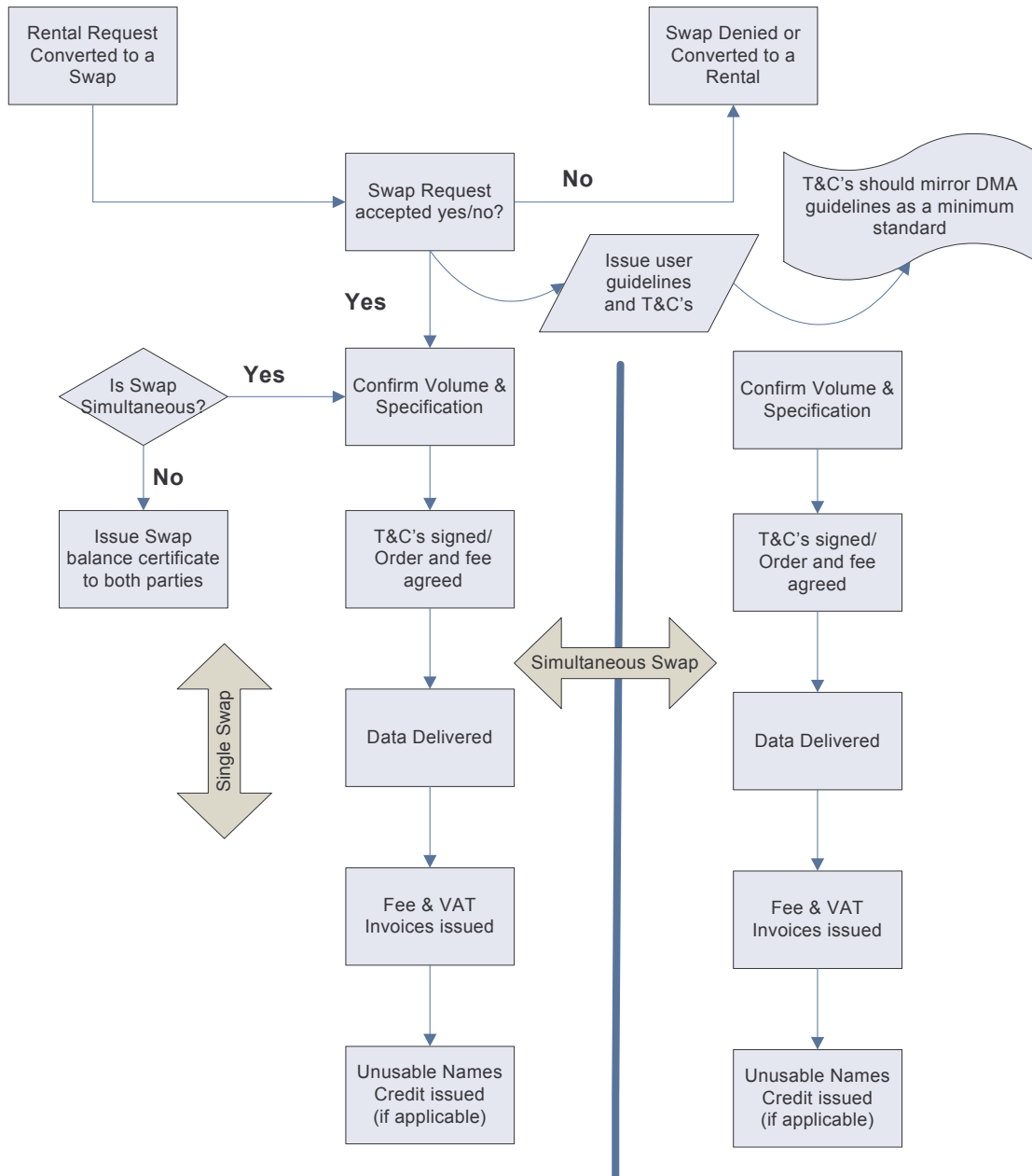
The Swap Forum has only one goal and that is to make the process of swap transactions more transparent by providing the industry with some practical guidelines and advice for the benefit of all concerned with list swaps.

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Feel free to contact any member of The Swap Forum for advice or guidelines on list swaps or discuss them with your appointed broker or manager.

LIST SWAP LOGICAL FLOW

List Swap Logical Flow



EXAMPLE SWAP BALANCE CERTIFICATE



The Swap Forum

Swap Balance Certificate For Itoldyou Ltd as at 12th April 2004

Balance you owe

The Brown Catalogue = 5,000

GG Horses = 15,000

Smith Group = 6,000

Total balance you owe = 26,000

Balance you are owed

Great Big Co. = 7,000

Homes & Houses = 5,534 (includes 34 unusable records from previous campaign)

Total balance you are owed = 12,534