



Waste, Not!

**Recovering Value from
Unused and Surplus IT Assets**



Contents

Introduction	3
The Asset-Value Recovery Landscape	4
Five Steps to Maximizing Asset-Value Recovery	6
Conclusion	9
About	9



Introduction

The traditional view of IT Asset Disposition and recycling as an expense to the business is shifting, thanks to strong and growing interest in the redistribution of refurbished technology assets through secondary markets around the world. These so-called revenue “clawback” opportunities help organizations recoup value from their IT investments where once there was only waste and cost.

Capturing residual value from used and surplus equipment demands, first and foremost, diligent adherence to data security and environmental responsibility protocols. Maximizing value asset recovery also requires established mechanisms for getting refurbished equipment and components into secondary distribution markets around the world.

By partnering with a trusted ITAD provider that can handle both phases of the process — decommissioning and reselling — business leaders and IT decision makers can safely and securely turn a traditional cost center into a valuable revenue stream that can be used to reinvest in infrastructure upgrades and new IT initiatives.

In this paper, we'll examine challenges, opportunities and best practices for extracting maximum value from used and surplus technology assets.



The Asset-Value Recovery Landscape

Sensitivity to IT asset disposal and disposition issues has been on the rise for much of the past decade. According to Transparency Market Research, the global ITAD market will take in nearly \$10 billion this year while handling 48 million metric tons of discontinued or excess technology gear. TMR predicts this market will climb toward \$41 billion and 141 million tons of so-called “e-waste” by 2019, a CAGR of better than 32 percent.

To date, much of the impetus for the stellar growth of ITAD as a practice revolved around security, risk management, regulatory compliance and social responsibility. Business leaders are acutely aware that every IT device that has ever been connected to the corporate network — from the most powerful server to the lowliest desktop printer — has some form of data storage capability that remains a trove of sensitive data even after it is taken offline.

Strict laws now make it illegal for organizations to irresponsibly discard devices containing critical or personal data, whether they be hard-disk drives (HDDs) in corporate servers, basic desktop PCs and laptops, or edge-of-the-network devices such as multi-function printers (MFPs) and set-top boxes (STBs).

Minimizing risk to the organization and the brand also involves compliance with a growing list of U.S. and global environmental rules designed to curb improper disposal of electronic waste. Twenty-nine states now have explicit laws on the books mandating the recycling of electronic waste or the banning of e-waste from traditional municipal trash streams. These laws now cover around 70 percent of the U.S. population with several additional states currently considering similar legislation.

Given the gravity of the security and environmental imperatives, it’s easy to see why ITAD evolved into a cost center for IT departments. For years, IT directors, CIOs and CFOs have been happy to pay qualified and certified ITAD services providers to sanitize and responsibly dispose of their out-of-service IT assets. Data wiping, disk destruction and other associated recycling charges were considered part of the cost of doing business and were traditionally built into most enterprise IT modernization projects.



Time for Change

This sensibility of IT asset disposal as a persistent expense is giving way to a more evolved view of IT equipment management. Perhaps the best reason for organizations to pay more attention to IT asset disposition is the sizeable — and often ignored — opportunity to extract residual value from unused and surplus assets as part of the entire IT lifecycle process.

According to analyst firm International Data Corp., there is now a \$70 billion market for used IT equipment in the U.S. The market is driven largely by two factors: constrained budgets for capital outlays and the desire to augment legacy systems with compatible additions that do not require an expansion of support capabilities.

The robust secondary market for business technology wares isn't well known among enterprise IT decision makers facing technology end-of-life issues, however. Last year, IDC found that the majority of midsize to large organizations polled said they preferred to discard used equipment through an original equipment manufacturer (OEM) as part of a trade-in or upgrade transaction.

Such deals promise simpler logistics. Unfortunately, the result is a return of “pennies on the dollar” for equipment that often still has significant, untapped value to the business, IDC found.

To avoid leaving money on the table, IT decision makers need to build asset-value recovery into their overall IT lifecycle managements systems and processes. To be considered complete, modern ITAD must incorporate all three elements — security, responsibility, and robust asset recovery that extracts every bit of remaining value from an organization's IT investments.

Five Steps to Maximizing Asset-Value Recovery

The prime opportunity for recovering maximum value from used and surplus equipment exists thanks to thriving secondary markets — particularly in emerging economies in Asia, the Middle East, Africa and Latin America — for refurbished IT equipment. Systems integrators, white-box manufacturers and IT distributors in these developing regions continue to generate strong demand for HDDs, SSDs and other components needed to bring technology infrastructure up the standards established in the world's mature markets.

While a number of factors weigh on these kinds of transactions including the condition, age and functionality of the equipment being processed, industry averages now find asset disposition firms returning between 60 and 70 percent of revenues from sales on the global market back to the equipment's original owners, according to the analyst firm Gartner. This makes robust repair, reformatting and redistribution of components such as storage media, for example, far more attractive and lucrative for organizations than the traditional methods of recouping investments through raw recycling and materials-recovery practices.

Once an organization looks beyond the costs associated with the retirement phase of the IT lifecycle, it's time to consider how to make the most of legacy IT investments through judicious application of holistic ITAD best practices. Here are five key ways to ensure maximum return when it comes time to decommission your technology infrastructure assets:

1 Plan Around the Market

Keeping costs in check ensures the best possible ROI when it comes to extracting maximum value from retired assets. That means planning end-of-life contingencies early in the IT lifecycle, factoring in disposition costs and clawback opportunities as soon as new equipment is acquired and provisioned. What kinds of equipment hold their value and promise the best return? How much will age and use affect residual value? At the same time, IT decision-makers need to be aware of the cyclical ebbs and flows in the used technology marketplace. Baking ITAD into IT administration



and understanding the markets allows the organization to plan IT refresh cycles that coincide with peak prices on the secondary market in order to command the best financial returns for decommissioned gear.

2 Consider Condition

The condition of used equipment greatly impacts its resale value. Once an organization commits to an aggressive asset-value recovery program, it's important that all equipment be kept clean and serviceable. In most cases, assets are worth more if they are complete and functional, so avoid cannibalizing parts and ensure items are carefully packaged once they are taken out of service. More importantly, make sure that storage media, which can account for 30 to 60 percent of a device's residual value, is properly handled. Modern data sanitization through software wiping is now considered superior to degaussing and/or physical destruction not only because it preserves the drives for resale, but because it generates a more reliable audit trail of the elimination of sensitive data as well.

3 Track Everything

Document every piece of IT equipment by serial number from the day it is acquired until it is removed from service and sold or otherwise disposed. Meticulous IT inventory records create an audit trail that is vital for meeting regulatory requirements and reducing risk of data loss. Moreover, they can be used to track used and surplus gear through the disposition and asset-recovery phase to determine which items and which markets are producing the best returns.

4 Act Quickly

The best returns go to IT decision makers who can act quickly and decisively to recover value from their IT assets. Despite their inherent and lasting value, used electronic equipment and components such as storage media can depreciate up to 10 percent per month once they are taken out of service. This reduced value is exacerbated by the physical costs of storing the assets, a cost that includes warehouse staffing and other real estate charges such as taxes and insurance.

5 Choose the Right Partner

Engaging an ITAD partner who can get large batches of price-sensitive components like data storage media processed and on the global secondary market quickly results in lower costs, less depreciation and higher return for the asset owners. IT decision makers must query ITAD providers about their data security and environmental practices as well as their logistics processes and records-keeping. These are table stakes in ITAD. But for maximum asset returns, the ITAD partner must also share details of their revenue-recovery policies, the per-unit success rate of their refurbishment efforts, their terms of payment — either upfront or on commission — and the policies they have in place that affect clawback payments, particularly on items that are returned under warranty from secondary-market buyers.

By the Numbers

THE CHALLENGE

An enterprise manufacturing services client had been delaying the refresh of more than 300 network devices due to budgetary concerns.

THE SOLUTION

Partnering with CNE Direct, the client was able to recover significant value from the end-of-life equipment. Those recovered funds were then used to help pay for new networking equipment.

THE EDGE

By taking a holistic view of their IT disposition, CNE Direct was able to provide the client a total solution, as well as help the client in meet project deadlines, and keep the project on budget.

THE REWARD

A value-recovery centric approach to ITAD allowed the client to realize \$171,150 that was immediately reinvested in IT infrastructure.

TALE OF THE TAPE

Remarketing Value of Equipment

\$250,000

Hard costs for disposal of 315 units

\$5,500

Remarketing Profit Shared with Client

\$171,150

Return for Client

70%

Project Cycle

<30 Days



Conclusion

Disposal of used and surplus IT equipment needn't be a burden on IT administrators or their bottom lines. Opportunities for asset-value recovery abound with thriving secondary markets for many common IT components, particularly storage media like HDDs and Flash arrays. The money recovered from used and surplus equipment can be reinvested in critical IT modernization projects that might otherwise be out of reach for the constrained budgets of many enterprise CIOs. The trick is getting the right equipment to the right market at just the right time.

By partnering with CNE Direct, you get an ITAD specialist driven to deliver maximum asset recovery of used and surplus IT storage media while keeping your business safe, secure and compliant. We're trusted by major OEMs and ODMs, component makers, service providers, enterprise IT organizations, carriers, content providers and other ITAD partners around the world to make the environmentally responsible disposition and purchase of high-quality used and surplus technology goods more secure, less complex and more beneficial for all of our clients.

For more information about any of our offerings, please visit www.CNEdirect.com. Or talk one-on-one with a CNE Direct value-recovery specialist at (877) 741-8686.

About

CNE Direct helps the world's most recognized brands realize maximum value recovery from their storage assets, securely and responsibly. Founded in 2002 with a bold new vision for IT asset disposition, CNE is a storage asset value recovery specialist focused on making the environmentally responsible disposition and purchase of high-quality used and surplus technology goods more secure, less complex and more beneficial for all partners. Our superior ability to rehabilitate IT storage media and our reputation as a trusted supplier to distributors around the world translate to maximum investment recovery for OEMs and ODMs, component makers, service providers, enterprise IT organizations, carriers, content providers and other ITAD partners. Headquartered in Peabody, Mass., CNE Direct can be reached at **(877) 741-8686** or on the web at **www.CNEdirect.com**.