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## **IT EQUIPMENT DISPOSAL**

**HOW TO TURN A COSTLY PROBLEM  
INTO PROFIT**

## PLANNING FOR THE END

With the rapidly changing pace of computer technology, the process of performing IT equipment upgrades, replacements, or consolidations is an ongoing task for enterprise information managers. It is virtually inevitable that information architects will replace critical IT assets over time. When that time comes, what do you do with the old equipment?

Failure to set an effective disposition strategy for used IT equipment has significant implications, ranging from the failure to receive a fair financial return to the dire consequences of network security risks and the disclosure of sensitive business information.

Take the case of two young enterprising students at MIT's Laboratory of Computer Science who purchased 158 used hard drives at a computer swap meet. Scavenging through the drives, they found more than 5,000 credit card numbers, medical reports, detailed personal and corporate financial information and several gigabytes worth of personal e-mail.

***THE RESEARCH POINTS OUT THE SIGNIFICANT RISKS IN THE MARKET FOR USED EQUIPMENT, WHICH IS FLOODED WITH HARD DRIVES BRIMMING WITH CONFIDENTIAL INFORMATION THAT COULD BE EXPLOITED.***

They published their findings in the 2003 issue of IEEE Security and Privacy, funded by IEEE, as association for the advancement of technology. The report was titled "Remembrance of Data Passed: A study of Disk Sanitation." The research points out the significant risks in the market for used equipment, which is flooded with hard drives brimming with confidential information that could be exploited. Such data could be used for identity theft or, if taken from a business server, could be used to steal critical business information passed along to a competitor.

Given the desire to maximize the recovery of equipment investment costs coupled with the need to minimize IT asset disposition risks, establishing an effective disposition strategy is a critical step for every enterprise organization. To create an effective strategy, risks and rewards must be carefully weighed.

## UNDERSTANDING WHAT IS INVOLVED

Let's say you have recently acquired a competitor, and it is time for the data center consolidation. While some of the newer servers from the acquired assets can be used in your current IT environment, most of the remaining systems are around three years old and need to be moved out. You know that the equipment has some value, but since there is not an industry blue book on used IT equipment, you do not have a clue what it is worth or really how to go about selling the equipment. As you investigate and weigh your options, here are some things you need to consider:

- Resale Value – Since there is no guide for the value of used IT equipment, companies are left on their own to set what they think is a good selling price. Some brands of equipment have a greater demand and value than others. If you have the unfortunate luck of trying to sell a large quantity of a less desirable brand, then selling the entire lot can net you a lot less than selling each item one piece at a time...but is the labor intensity of that approach worth it?
- Data Security- System commands to delete files off of a hard drive do not get rid of files permanently. Unless sophisticated tools are applied to wipe an entire drive of all its data, your enterprise can be at risk. If some unscrupulous person or organization wants to obtain critical information from your systems, they can usually do it.
- Time and Human Capital- Selling the equipment in-house can require a lot of time and many resources. Dedicating a person within your organization to create an ad and then field phone calls or emails about the equipment takes valuable time away from day-to-day activities. This incurs indirect costs to your

organization, which should be accounted for in evaluating the bottom-line return on the asset sale.

- **Broker Reputation-** If you decided to sell your equipment through a third-party broker, it is important to understand how they work. Most brokers operate on a 100% markup and will offer you a lot less for your equipment, knowing what they can liquidate it for on the open market. Also, most brokers only care about selling the equipment. Their buyer could easily be a competitor who wants to see what information they can uncover from your critical systems.

***BROKERS OPERATE ON A 100% MARKUP AND WILL OFFER YOU A LOT LESS FOR YOUR EQUIPMENT.***

- **Public Relations-** In the event that your equipment falls into the wrong hands and sensitive information is obtained (which can happen even if the equipment is discarded in a public landfill), the negative publicity to your reputation could cost you far more than the equipment cost at the start. Civil lawsuits can compound the problem even further.
- **Federal Regulation-** For certain industries, such as healthcare or financial services, leaving retrievable personal data, transactions, or account information on your equipment could violate certain federal regulations and impose additional fees, fines, or penalties to your firm, not to mention the resulting negative publicity.
- **E-Waste Disposal-** When a piece of equipment no longer has any resale value, it must be disposed. During this final phase, it is important to find a consignment organization that employs a “zero landfill” policy, ensuring that no part or component will end up in a landfill that could create any negative publicity for the original owner. The process that a cosigner will use during e-waste disposal involves separating and crushing each of the distinct materials within the equipment (metal, glass, or plastics), and selling those materials to a reputable recycler.
- **Equipment Removal-** Removing IT systems from a data

center can create great risks to your business if not performed correctly. Do you allow a third-party organization to enter your data center unescorted to remove the equipment or do you have your staff do it themselves? If performed incorrectly, equipment removal can create more damage to the remaining systems and information than the amount the old equipment was worth.

- **Buyer Credit-Worthiness-** What are the terms you are willing to offer? Is it just cash or are you willing to offer carrying terms if a buyer will give you your full asking price? Who carries the burden if they do not pay within 30 days? Do you give them another 30 days, pursue collection options, or just write the whole thing off? Do you really want the hassle?

These are pitfalls that you need to consider should you decide to sell the equipment yourself.

### **AN ALTERNATIVE APPROACH**

In addition to hiring a third-party broker or selling the equipment yourself, there is a third option for disposition of your IT equipment, and it offers more advantages and lower risks than your other alternatives.

Liquidating equipment by working with a consignment specialist provides you with a higher return for your used equipment and minimizes your security risks.

Because experience cosigners have dealt with a vast array of equipment, including hundreds of different brands, configurations and organizations, they are in the best position to know the actual value of your equipment. They are also experts at used IT equipment marketing.

Let's say that you have 1,000 pieces of a mainstream brand server. Consigners know that offering them all for sale in one market would significantly drop their perceived value and, ultimately, their selling price. By selling the equipment in small portions in many different markets across the globe, they can often net you a higher per unit selling price. As a result, consigners typically garner anywhere from

a 50% to 150% higher return for their clients than an equipment broker. This means a greater return to your enterprise.

***CONSIGNERS TYPICALLY GARNER ANYWHERE FROM 50% TO 150% HIGHER RETURN FOR THEIR CLIENTS THAN AN EQUIPMENT BROKER.***

A professional IT equipment consigner also has the ability to remove sensitive information and effectively sanitize your data, thus minimizing the risk of having confidential information recovered from your equipment. Top consignment firms know how to make data retrieval virtually impossible and conform to U.S. Department of Defense standards for removal of proprietary/confidential information. When considering a consignment firm for your asset disposition needs, review their capabilities and qualifications in these critical areas:

- **Shipping and Logistics-** A consigner should have a dedicated logistics team available online or via the phone to set up delivery and receipt of your IT equipment and ensure its safe arrival at its end destination.
- **Auditing, Testing, Refurbishing and Repairs-** Look for consigners that have qualified teams of IT auditors that can record serial numbers, break down systems into component parts, remove tags, test the equipment, refurbish it if necessary and note the equipment's condition upon receipt. They should also audit the information and make it easily accessible to you online.
- **Storage-** Unlike brokers that require you to store your own excess equipment, many consigners will store it for you. Some can also insure the equipment while it resides with them. Look for ones that can do both.
- **Forensic Data Removal-** The ability to remove sensitive

information is of the utmost importance. Look for a consigner that has in-house or on-site disk scrubbing services that can effectively sanitize or destroy your data to minimize the risk of having confidential information recovered from your equipment. Many manufacturers have certified formatting processes that make data retrieval virtually impossible and meet U.S. Department of Defense standards for removal of proprietary/confidential information. Look for a consigner that has an expertly trained staff that adheres to these rigid standards.

- **Fair Market Value Assessment-** A consigner should have experts on staff who can provide you with assessments of fair market value and show you what your equipment is really worth today. The more experience they have in this area, the more accurately your equipment will be priced. Look for an organization that has experts on staff with many years of IT market experience and documented history of working with a wide range of IT equipment.
- **Reporting-** Does the consigner have online tools that provide you with easy online access to sales and inventory reporting? Can they provide you with immediate access to equipment condition, values, inventories, sales history, disposal history and repairs? They should make this information easy to access and download in mainstream application formats, such as Excel, XML, or PDF, that can be imported into other enterprise applications for your analysis and review.
- **Engineering-** Many consigners do not have extensive support resources. Look for one that has a staff or certified engineers that can reconfigure and retest your equipment prior to its resale. Make sure they can provide a warranty for your equipment so that it will be guaranteed to work soundly and meet customer expectations when it is sold. Having these capabilities will ultimately add to your equipment's final value and resale price.
- **Sales-** Make sure the consigners' best interests are aligned with yours. For example, how aggressive and extensive is their sales

force? How many sales representatives do they have and is it just in the U.S. or across the globe? Do their salespeople have an incentive to find the highest return on your equipment?

- Returns Management- What about their warranty? Will they take care of any issues after the resale of your equipment so you never have to worry about replacements, repairs, refunds, or return hassles?
- Collections- Will they collect all proceeds from the resale of your equipment and provide you with a prompt payment for your portion of the sale every month, whether or not they have received payment from the final end-user?
- Equipment Purchase- If your organization has an immediate need for capital, and time restraints prohibit you from monetizing your equipment through a consignment sale, can they purchase your equipment from you at once, while retaining its value at fair price?

2. Provides the Highest Return- The consigner should have extensive experience with IT assets and equipment that ensures your enterprise receives the highest possible return for your assets, above what you could obtain using your own internal resources or a third- party broker.
3. Ensures Extensive Security- The vendor should provide you with a level of security in knowing that you have a trusted and competent business partner as well as a high level security assurance that your equipment and data have been properly disposed of by an expertly trained staff. This ensures that no information remains on any storage drives that might fall into the wrong hands and be used against your organization.

By applying these principles to your decision making process, you can rest assured that the end of life for your IT equipment will not be a painful process.

Finding a company with knowledgeable, well trained and professional sales and support staff as well as consignment-related services can be very challenging. While there are only a select few in the United States that meet these qualifications, one organization that rises to the top is Canvas Systems, located in Norcross, Georgia.

***FINDING A COMPANY WITH KNOWLEDGEABLE, WELL TRAINED, AND PROFESSIONAL SALES AND SUPPORT STAFF CAN BE CHALLENGING.***

No matter which consignment vendor you choose, look for an organization that adheres to these three key principles:

1. A Single Source- The organization should provide a unique single source for your IT equipment disposition, including flexible on-staff and online resources to manage every aspect of your needs across every major IT product line.

## ABOUT CANVAS SYSTEMS

With over \$100 million dollars in inventory – Canvas Systems is one of the largest, independent suppliers of new and refurbished IT equipment in the world. Our immediate access to IT equipment from the leading manufacturers, such as IBM, HP, Dell, Cisco and Juniper, helps our clients realize significant cost savings of 50-70% off at every stage of the IT lifecycle: buying, selling, repairing and disposal.

Our staff features some of the top technical engineers in the country, all of whom spend their days testing and retesting equipment so they know it inside and out. This expertise allows us to provide a variety of high-end services, including maintenance, leasing and rental, data migration, supply chain solutions and disaster recovery, at rates that are a fraction of those charged by the well-known consulting firms and service providers.



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