

## What's the Benefit?

### Understanding the implications of selling used computers to employees

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#### *Executive Summary*

*Disposing of your company's computer assets by gifting or selling them to your employees may seem like a benefit to both parties. Unless the many pitfalls, problems and questions can be adequately addressed prior to initiating such a program, you will likely be engaging in damage control. Failure to do things correctly may defeat the entire purpose and turn something which had positive intentions into a very negative experience.*

#### **Keywords:**

IT asset retirement, employee sales, used computers

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It has long been a practice of many companies to gift or sell their surplus computers, or other assets, to employees. Whether in response to inquiries by employees to purchase their old computer as it is replaced on their desktop, or to generate revenue for the company, IT managers can be pressured from employees and their employer to conduct an internal computer sale.

Disposing of your company's electronic assets by gifting or selling them to your employees would seem to be a benefit for both parties. According to Gartner Research, 10% of companies use employee sales to dispose of their end-of-life PC's. Another 23% use donation as a disposal method.<sup>1</sup> Engaging in these activities can become costly and time consuming and may generate unforeseen issues. This White Paper reflects our research and experience with a number of companies who have hosted employee sales in the past.

#### **Perceived benefits for employees**

Your company may consider hosting an employee sale as a benefit to employees and their families. In order to bridge the "Digital Divide," the perception is that an employee can obtain a free or reduced cost computer which their children could use to do school work or they can use to connect to the Internet to exchange email. In addition, the employee might use the computer to gain needed IT experience to help them advance in their career or education. They might prefer a work computer because they are familiar with its software and hardware.

#### **The reality**

Used computers do not meet many of the needs of American households and may actually cause them more dissatisfaction than the alternatives.

*1. Many people already have a computer at home and know how to use it.*

The explosive growth of computer sales over the past two decades has created a substantial market penetration for computing equipment. The 2003 US Census reports 76.2% of households

with children ages 6-17 already have a computer. In 1984, only 8% of all households owned a computer. In households where the average income is below \$25,000/year, there is a 41% ownership level of computers.<sup>2</sup> With the cost of new computers now below \$300 (including an operating system, monitor, and warranty), your company may just be providing another computer for an employee who already has one or who is able and willing to purchase a new system themselves. Less than 3% of people any age felt computers or internet access costs were high enough to prevent ownership in their homes.<sup>2</sup> According to the IAER (International Association of Electronics Recyclers), a typical US household is expected to replace an estimated ten computers over the next twenty years, regardless of the source of those systems.<sup>3</sup>

Also, the comfort level with computing is much stronger than in the past. Less than 2.2% of people from 6-54 years of age consider their lack of computer knowledge significant enough to prevent them from using or wanting Internet access in their homes.<sup>2</sup> Education, exposure and on the job computer use provides a wide variety of opportunities for Americans to tackle their fears of computers.

*2. A company's retired computers are not capable of performing for many home applications.*

In many cases the computer your company considers obsolete is worthless to your employee, too. Home users typically dedicate their computers to power intensive activities, such as multimedia (e.g., games, audio and video.) Your company's workstations may not be equipped to handle some of the tasks an employee may need or find attractive. If your workstations do not have a sound card or a modern video card, it is doubtful they will be attractive to your company's employees. At the same time, employees without significant computer experience (those you are trying to benefit) may not be aware that the computer they are buying from your company won't meet their needs. This could lead to disappointment and frustration.

*3. Operating systems and software applications present a legal and cost challenge.*

The most frequently used part of a computer is the software, and it is a critical issue when redeploying or reselling. Most people are familiar with Microsoft products and demand them on their home computers. Commercial software brings licensing issues into play. Modern licensing restrictions may prevent your company from giving or selling the software to your employee if you are unable to supply the original licensing packets, certificates, and media (seldom do companies save these.) Furthermore, it would be unwise to not remove company data from the device before selling it. If you are required to comply with FACTA or HIPAA, you cannot give your computers away without first eliminating the data and proving that you have done this somehow. The only reliable method for data destruction requires the removal of the operating system. To provide a functioning computer with an operating system will likely require you or the employee to purchase and install a new license on the machine, increasing its cost by \$100 - \$150.

*4. It is difficult to provide fair and convenient access to computers from all employees.*

In many cases it is difficult for all employees to participate in an employee sale, especially if your company is distributed over a wide geographic area. Operating hours and shift times can even be an issue. The cost of shipping can be prohibitive or impractical in many situations.

*5. Often the sale is below a buyer's expectations.*

Experience has demonstrated that many employees will respond very favorably to a used computer if it is free, has an operating system and some kind of support and warranty associated with it. When employees are required to purchase the equipment from your company, the cost may not be low enough to be attractive to employees who could purchase a new computer system, including software, support and delivery, for only a slightly larger investment. Even if the cost can be made low enough through subsidy or other means, it is often not low enough to make the employee completely satisfied.

### **Perceived Benefits to your company**

Many corporations and institutions believe they can receive certain benefits from distributing their surplus computers to employees. There is the perception that this disposal method is an attractive alternative to landfilling computers without the associated processing costs of recycling. They also believe employees who purchase the computers will see this as a benefit and be grateful.

### **The reality**

It is costly to manage an employee sale (or even outsource a sale) and an improperly managed sale may negatively impact employee morale.

*1. Disposing of computers through employee sales does not absolve your company of its liability.* Please consider what your employee will do with the computer when they consider it obsolete, which may be sooner than you think. Once you transfer ownership, they are essentially free to do what they please with it, which could include dumping it in the nearest waste pile. There have been cases where company assets disposed of at employee sales have been traced to companies based on manufacturer warranty records and or even asset information obtained from asset tags or labels on the equipment.

*2. The cost of preparing computers for sale and managing a sale are significant.* Gartner calculated in November, 2005 the cost to dispose of 3 year old PC through a variety of methods. An internally managed employee sale placed the most burden on the company with an expected average cost of \$130.63 per asset. This even took into account the proceeds from selling that computer to the employee for \$25. From administrative tasks to sanitizing hard drives to reloading operating systems to processing payments, this process gets expensive.

*3. The IT department should expect to handle technical support issues, even if the sale is outsourced.* Who will handle inevitable technical support issues? Major computer manufacturers supplying new computers with new hardware expect many support requests based on hardware failure. The rate of failure will be much higher when selling or gifting used or even functionally obsolete computers.

Selling or gifting computers without any warranty may be appropriate for technical people who are capable of solving technical problems. For others, this means they may attempt or expect to use your Help Desk resources. If you can't offer support or some warranty you may be defeating the supposed purpose of the sale in the first place.

### **What can outsourcing do to help with an employee sale?**

One option for managing an employee sale is to partner with another firm with an expertise in this area. They may already have a mechanism for testing, listing, selling and distributing computer equipment. They also may offer warranty and technical support. It is important to define the roles and responsibilities in this outside firm and to understand all the costs involved for the company and the employees who purchase the equipment.

Still, no firm can improve on many of the pitfalls an internal employee sale program might experience. Before engaging a service provider to assist with an employee sale, ask how they would respond to each challenge and require them to demonstrate how they addressed these concerns in previous sales. Finally, if you do nothing else, at least talk to someone who has either participated in an employee sale or speak with another company to see what they can share from their process.

### **Summary**

Your ultimate goal in crafting and managing an employee sale program is to provide some benefit to your company and employees. When evaluating the appropriateness of an employee sale,

consider its impact on the buyers and your company to ensure the program can deliver the value you hope to achieve.

### **About the Authors**

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Together, Neil and Kevin have coordinated and managed several computer sale events for Cascade customers and also convinced more companies that it might not be the best option for IT asset disposal.

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