

Making IT Asset Disposition a Value Generating Activity

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IAITAM – Member User Group (IMUG)
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Is IT asset disposition a liability?



Or does it actually generate value?



What kind of discounts do you get on your IT assets?

SAVE
10% – 25%



Agenda

Understanding IT asset value depreciation

- How to get paid for your working IT assets
- Total Cost of Ownership and asset disposition
- Asset disposition values and trends
- Maximizing asset recovery value
- Planning for the lowest cost and highest value of your IT assets

Selling your reusable IT assets

Retail / Direct	Wholesale / Indirect
Employee Sales	Partner with ITAD firm
Donations	Brokers
eBay, Craigslist	Resellers – Computer shops
Surplus auctions, public sales	Equipment Maintenance Organizations
Put items out to bid	Specialty equipment depots

May get more money up front, but more hassle and internal costs.

Outsource the hassle, for a fee. Others may have access to more markets to increase value.

Outsourcing options

Sell outright

- Cash up front
- Known price
- Potential lower returns
- Adversarial relationship with buyer

Revenue share

- Cash after sale
- Mutual interest to maximize return, but value not guaranteed
- Need to ensure process is legit and payment is made

Subscription/lease

- Disposition value embedded in the cost of product
- Should reduce initial purchase price
- Requires items to be returned in good condition, or penalties

What goes into the cost of a PC?

- **Total Cost of Ownership** is a method for the systematic accounting of all costs (direct & indirect) related to IT investments
- The initial purchase price is relatively small part of total cost of owning and operating IT products.

“Locked and Well-Managed Desktop”: \$3,310 TCO

27% hardware/software, 72% operations, 1% disposal (Gartner, 2013)

Examples of Costs

Life cycle	Costs
Acquisition & Procurement	<ul style="list-style-type: none">• Hardware purchase or lease, including all accessories• Software licenses• Admin costs (bid specs, contracts, tracking purchases, delivery, installation)
Operations & Maintenance	<ul style="list-style-type: none">• IT and personnel training• IT support such as network and software management, help desk• Internet, energy, furniture and floor space costs• Software & hardware upgrades & related staff downtime
Disposition costs	<ul style="list-style-type: none">• Admin costs (asset management, inventory tracking, contract services)• Sanitizing data• Storing, shipping and disposition costs

What about . . .

*The value of the asset
at disposition*

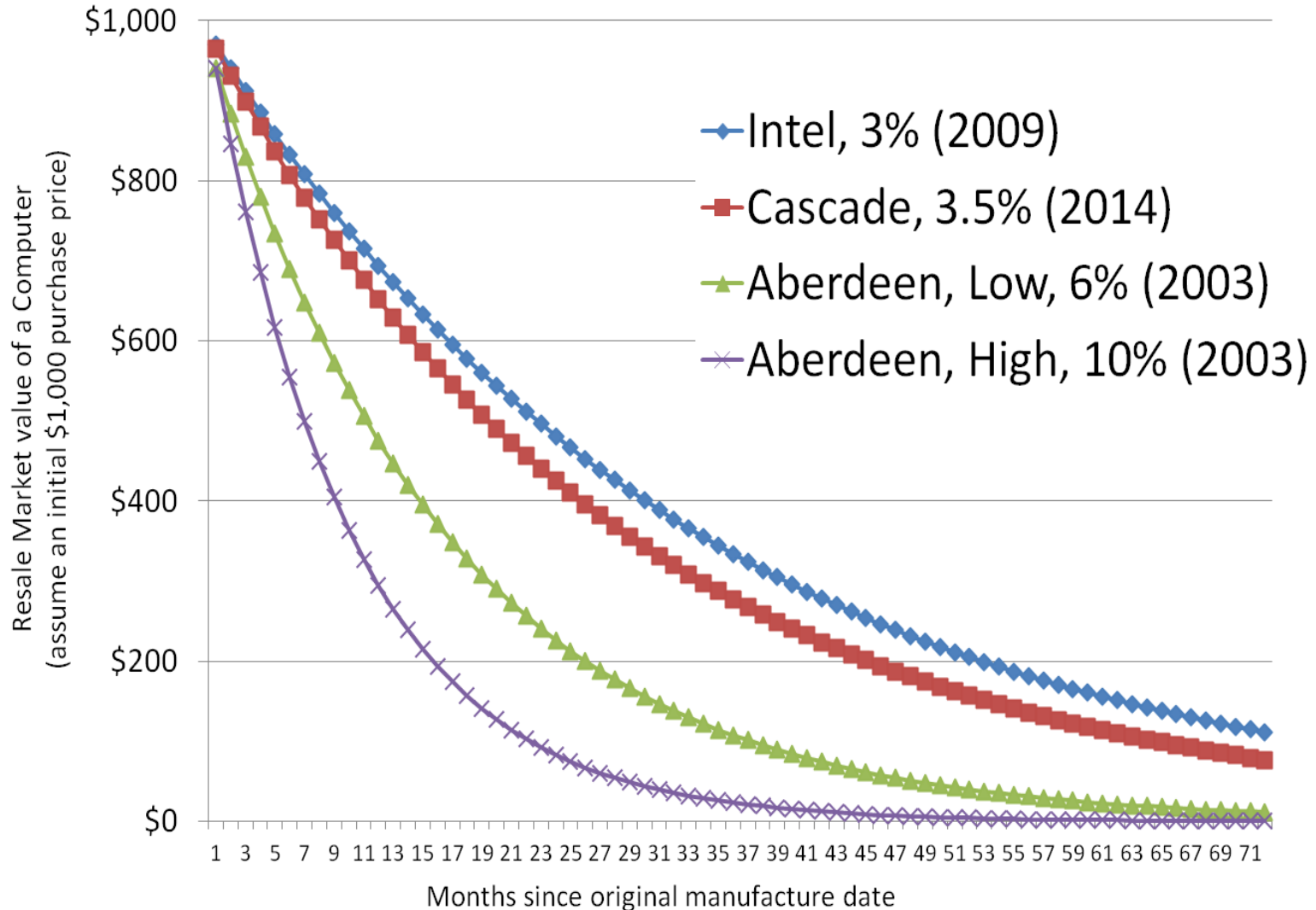
. . . and how it can reduce TCO?

Cascade Asset Resale Data

- Cascade has provided ITAD services since 1999. Gartner Magic Quadrant for North America (visionary); ISO 9001, ISO 14001, e-Stewards, and NAID certified
- Since 2007, Cascade published reports on the resale value of IT assets we refurbish
- In 2016, over 230,000 assets inventoried and processed for reuse or recycling; more than 81,000 assets refurbished
- Equipment owned and retired by healthcare, financial, insurance, government and manufacturing firms. *No OEM or lease returns*



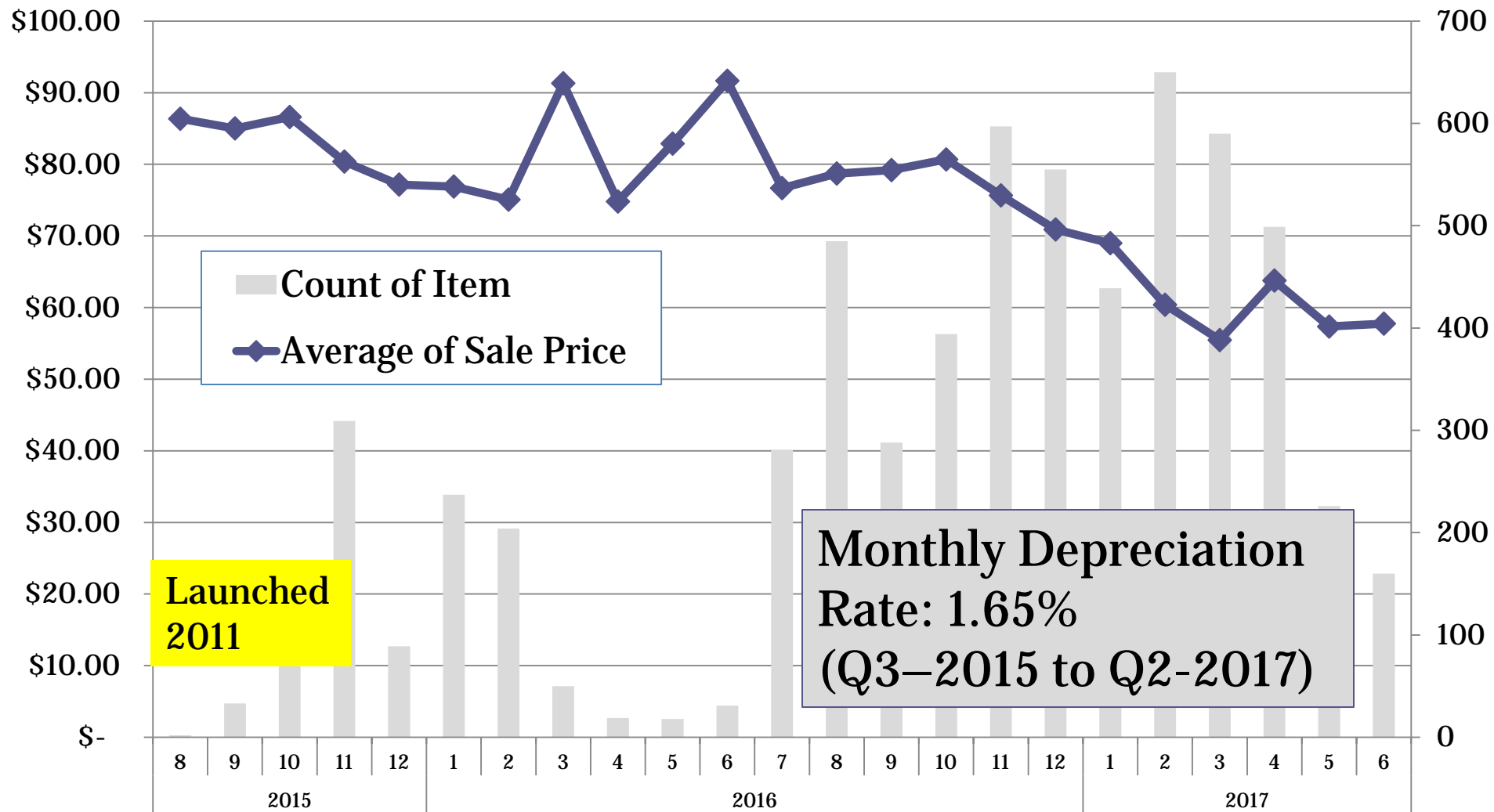
Historical resale price models



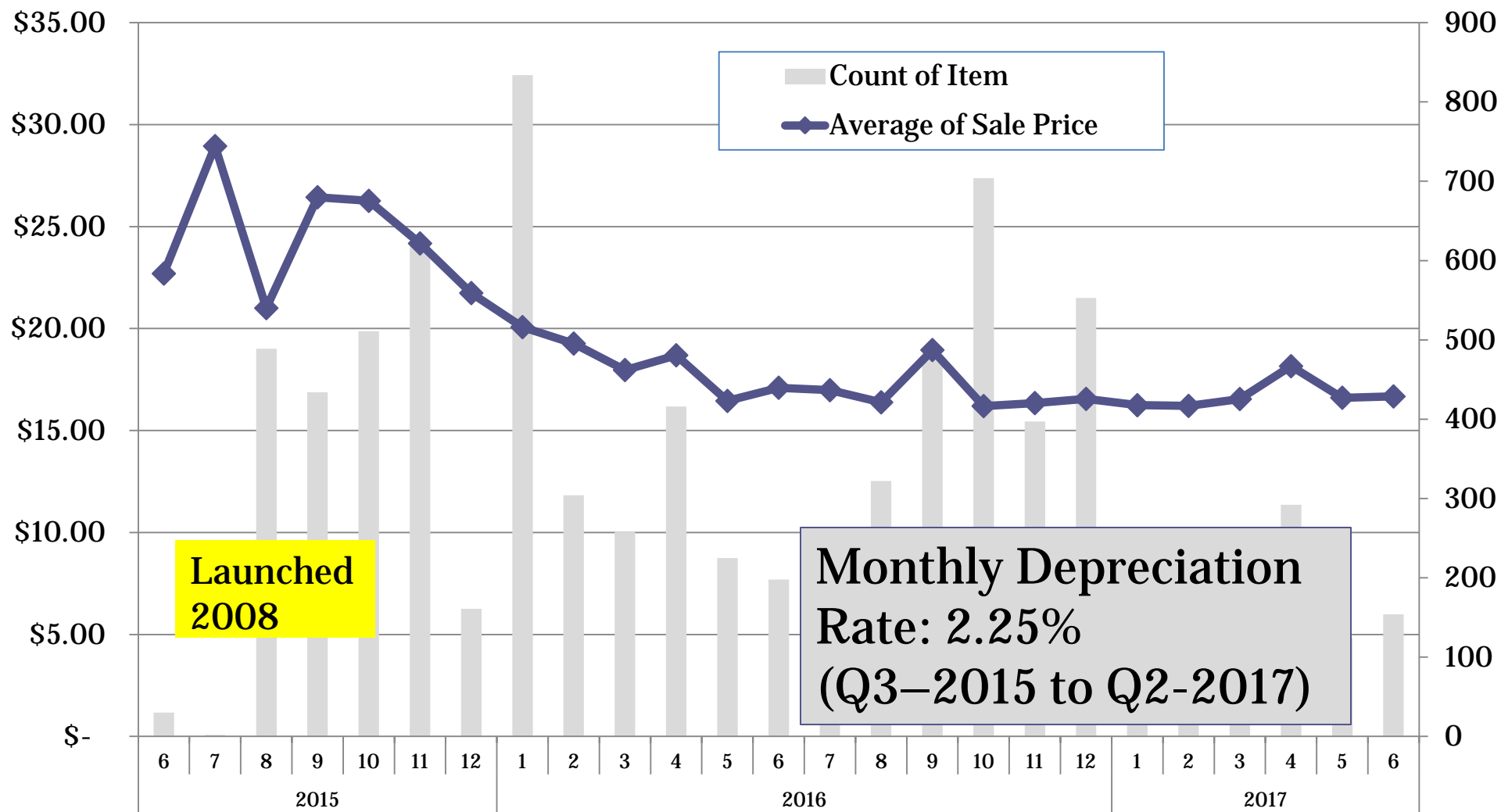
Current data analysis methodology

- Sales period reviewed: 2015 – June 2017
- Good, Working Desktops, Laptops, and iPhones
 - Tested to perform to manufacturer specs
 - Some cosmetic cleaning and repair
 - No Operation Systems
 - Predominant Brands, with ~10% White Box desktops
- >74,000 desktops and >34,000 laptops
 - Dual Core (Intel Core 2 Duo, AMD Opteron)
 - Quad Core (Intel i3, i5, i7; AMD Opteron)

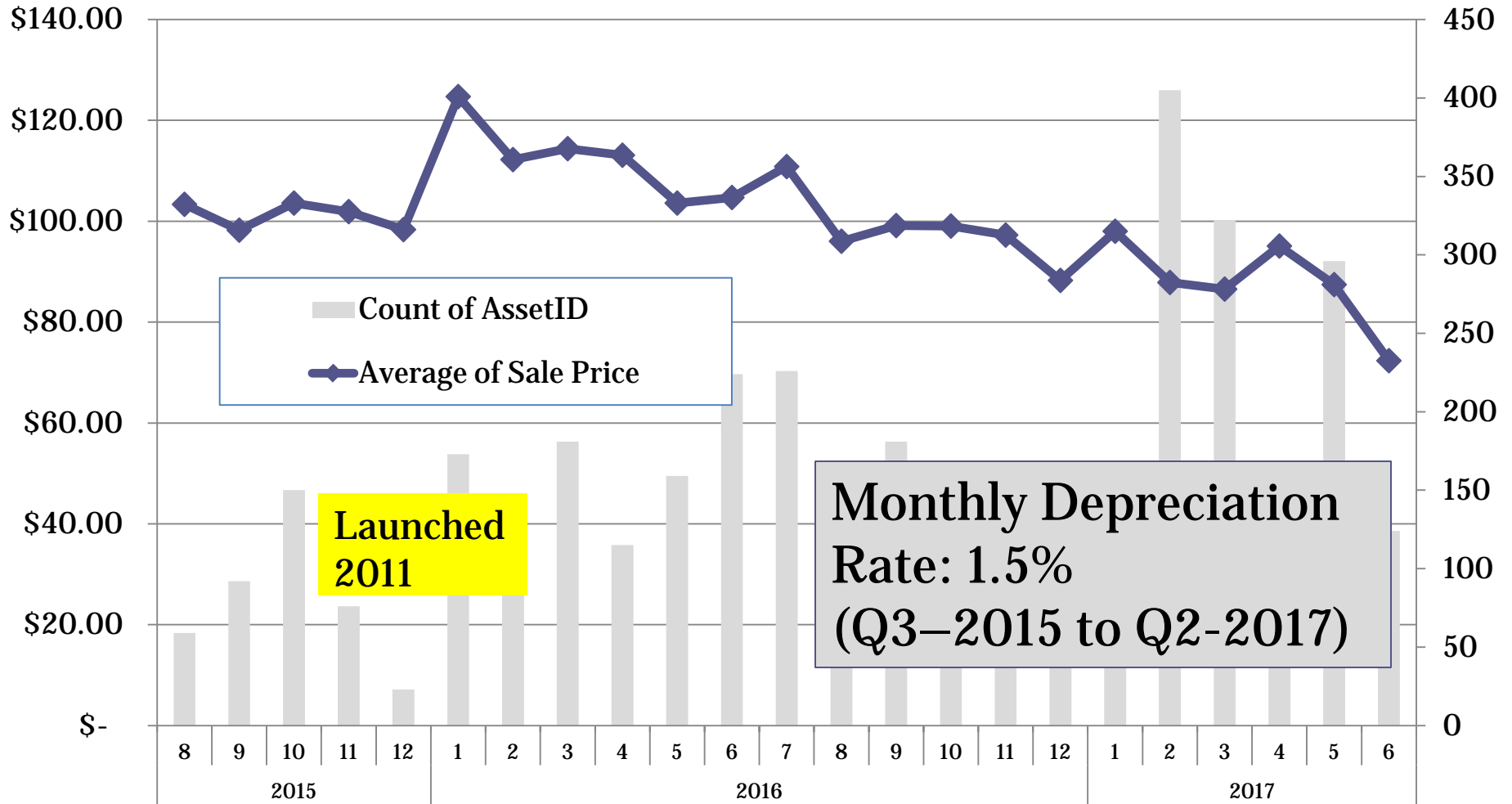
Desktop computers - Intel Core i5-2400 CPU @ 3.10GHz



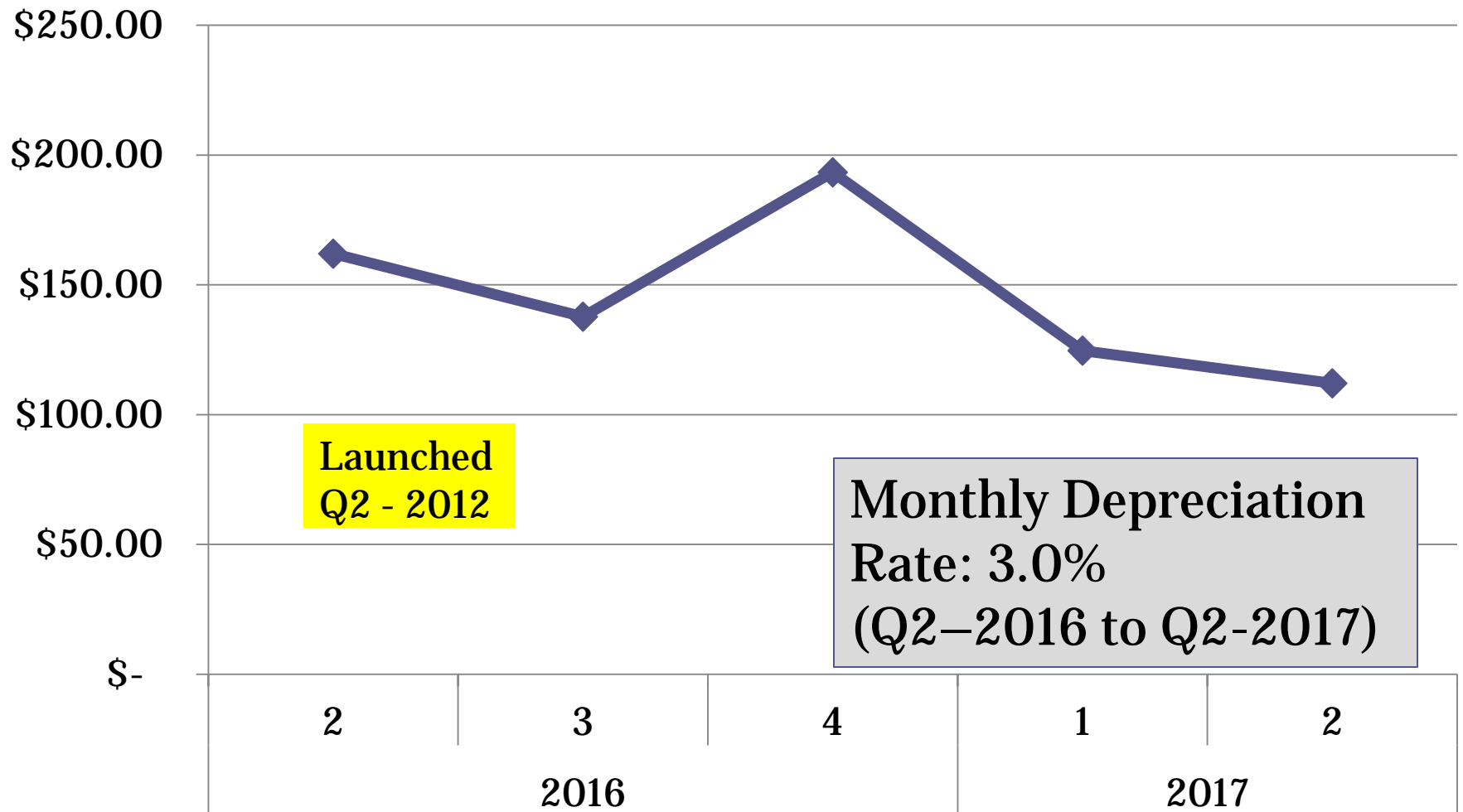
Desktop computers - Intel Core 2 Duo CPU, E8400, 3.0 GHz



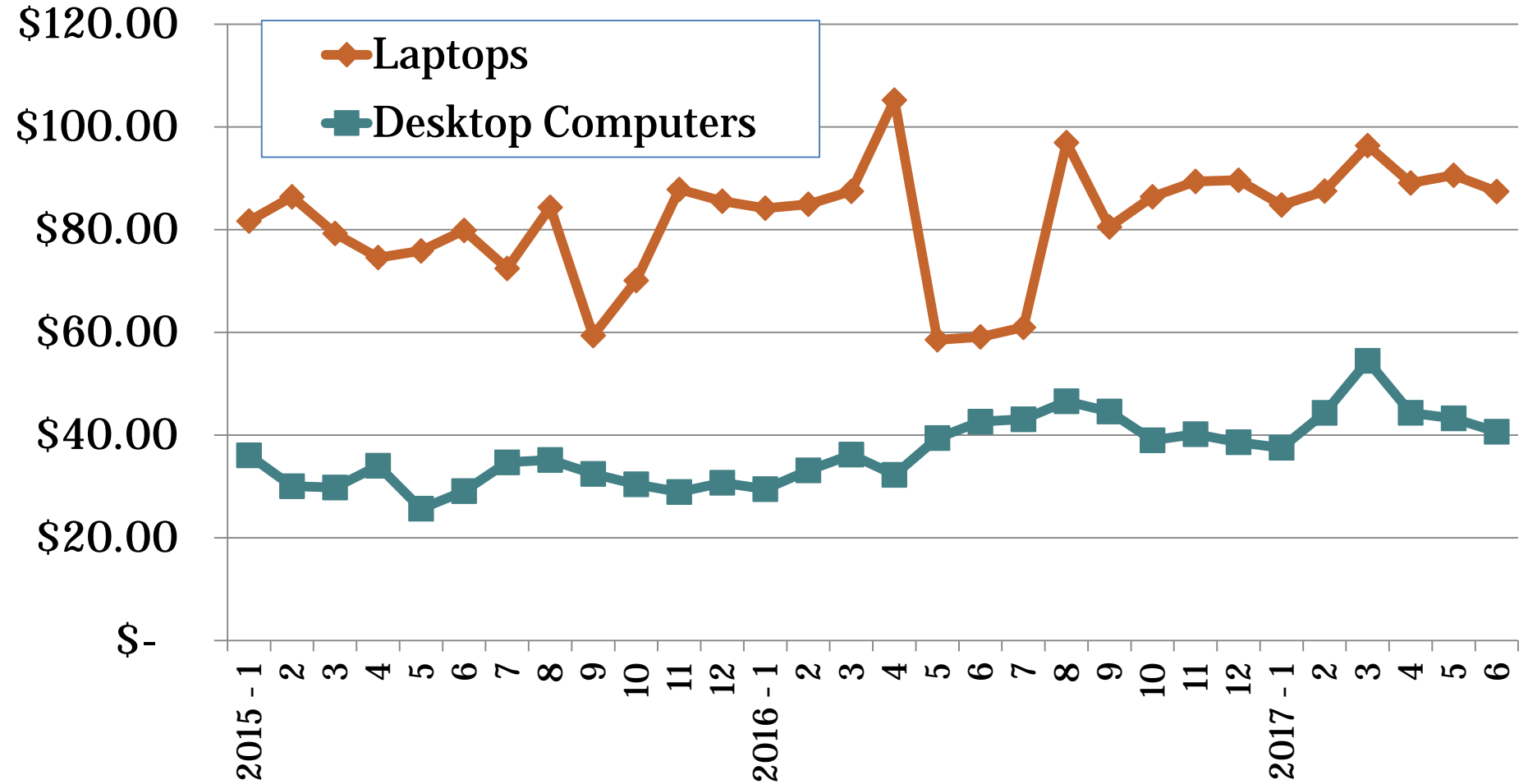
Laptop computers - Intel Core i5-2520M CPU @ 2.50GHz



Laptop computers - Intel Core i7-3520M CPU @ 2.90GHz



Average Resale Price - all devices



What's our conclusion?



For PCs and laptops

- Prices drop dramatically in the first 3 years after introduction (year 3 is ~25% of purchase price)
- After year 3, price drop is less dramatic and items can have value up to 10 years after introduction
- Resale prices are not declining as fast as in previous years
- Equipment value is greatly influenced by condition and completeness. Missing batteries, hard drives, and A/C adapters have a significant impact on value.

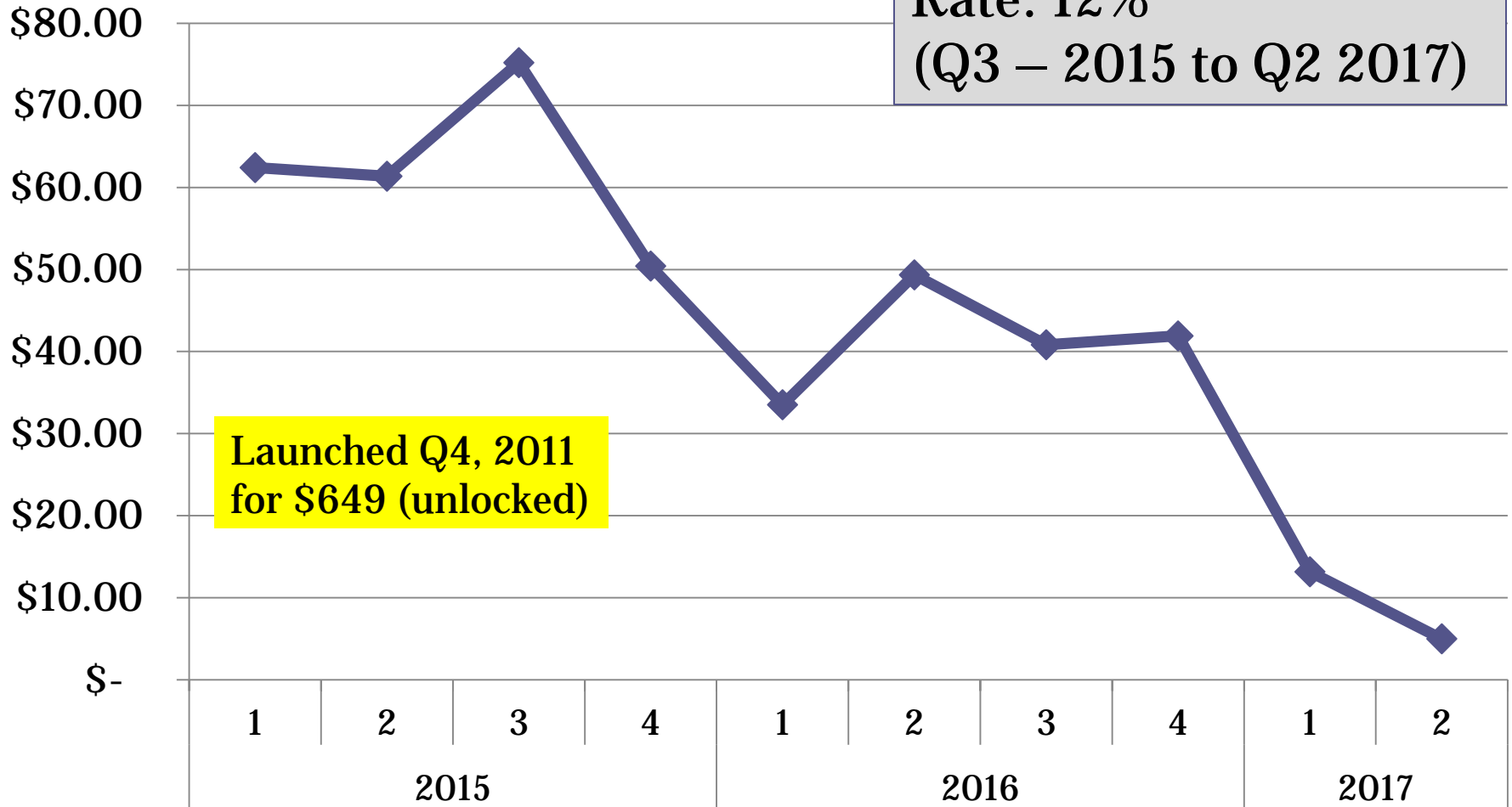
Generate even more value

- Repurpose devices – replace the hard drive (and battery) and reimage (*works just like new and great for many applications*)

Apple iPhone 4s - 16GB

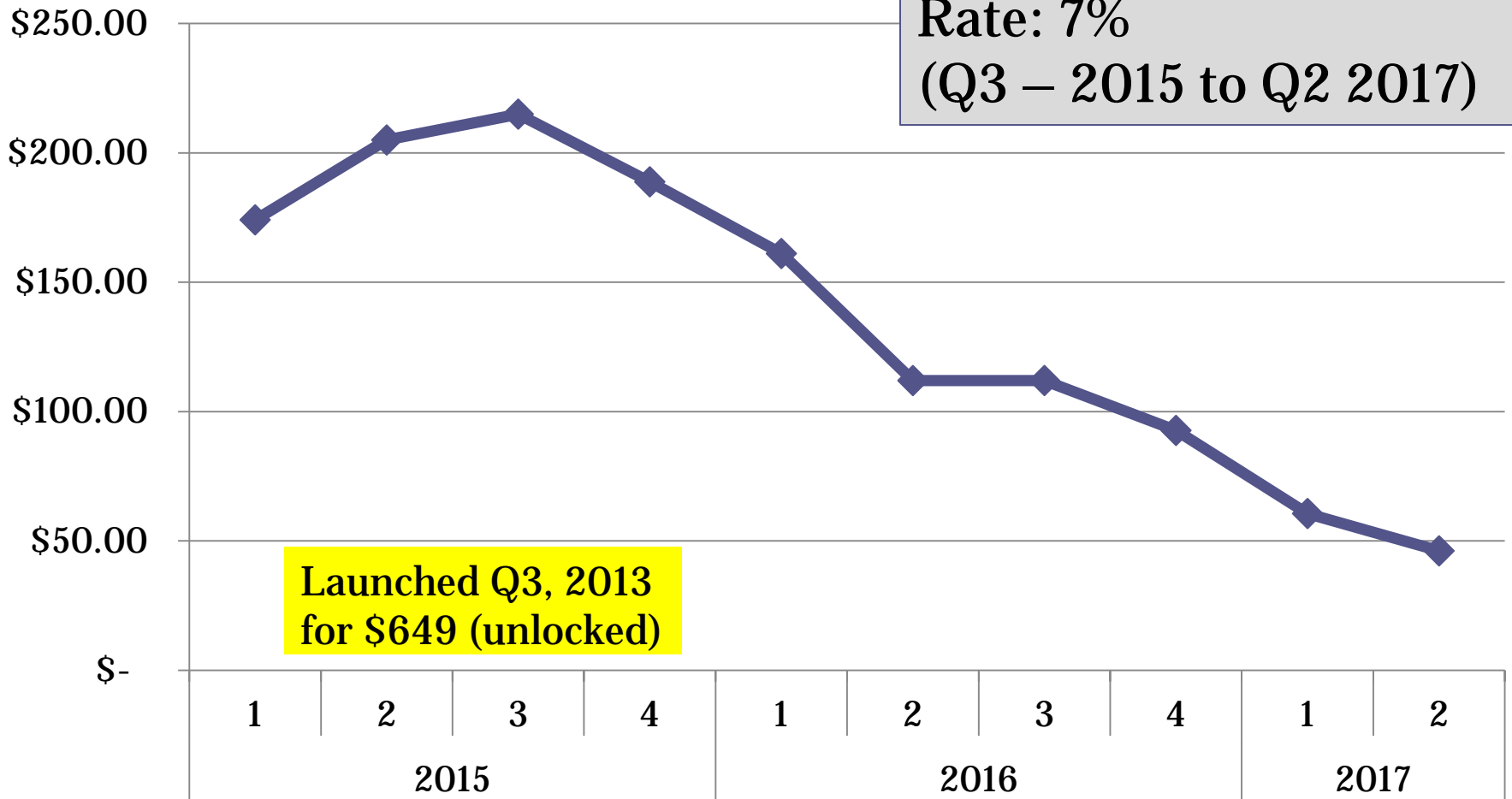
Quarterly sale price

Monthly Depreciation
Rate: 12%
(Q3 – 2015 to Q2 2017)



Apple iPhone 5s - 16GB

Quarterly sale price



iPhone lifecycle

- iPhone (2007–2008)
- iPhone 3G (2008–2010)
- iPhone 3GS (2009–2012)
- iPhone 4 (2010–2013)
- iPhone 4S (2011–2014)
- iPhone 5 (2012–2013)
- iPhone 5C (2013–2015)
- iPhone 5S (2013–2016)
- iPhone 6 (2014–2016)
- iPhone 6 Plus (2014–2016)
- iPhone 6S (2015–present)
- iPhone 6S Plus (2015–present)
- iPhone SE (2016–present)
- iPhone 7 (2016–present)
- iPhone 7 Plus (2016–present)

Initial user: 2 years (always use latest model)

Secondary user: 2 years (use previous model)

Value significantly drops if item is “2 generations old”

Factors Influencing Recovery Value

Company Policies

- Security - do items need to be destroyed?
- Refresh rate - age of devices
- Donation, employee sale, executive favors

ITAM Program

- ID and retrieval of end of use assets
- Condition of assets (complete & quality)
- Coordination of disposition program

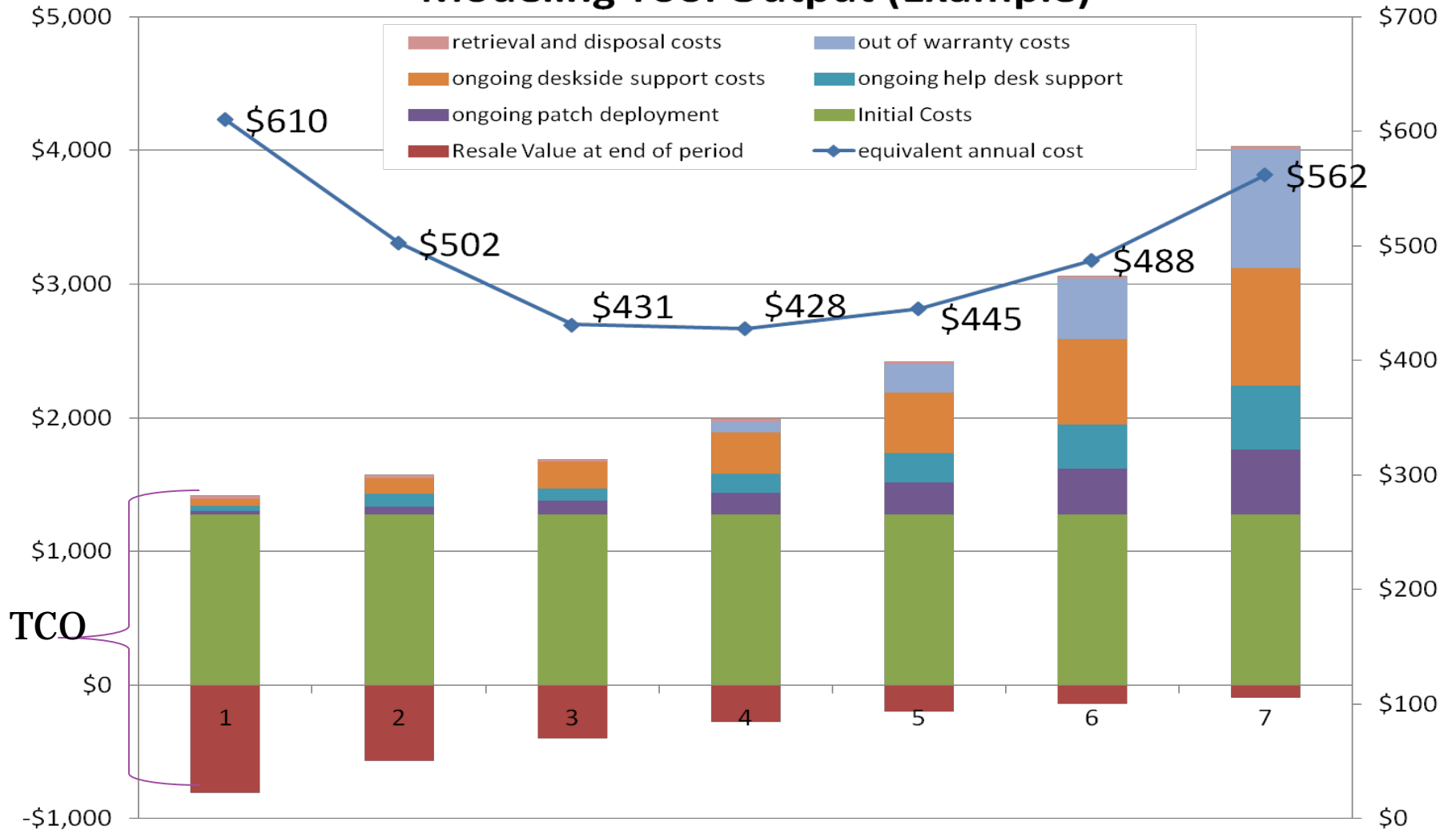
External

- Market conditions – demand for assets
- Access to buyers
- Global currency rates (value of the dollar)

Equivalent Annual Cost

- For a given refresh cycle, what is the average annual total cost for that IT asset?
 - Total cost of ownership divided by refresh cycle = Equivalent Annual Cost (EAC)
- Good for budgeting to a set refresh period
 - For a 4 year refresh, replace 25% of assets each year
 - Establishes accrual cost for assets
 - Spend the same each year on acquisition/maintenance

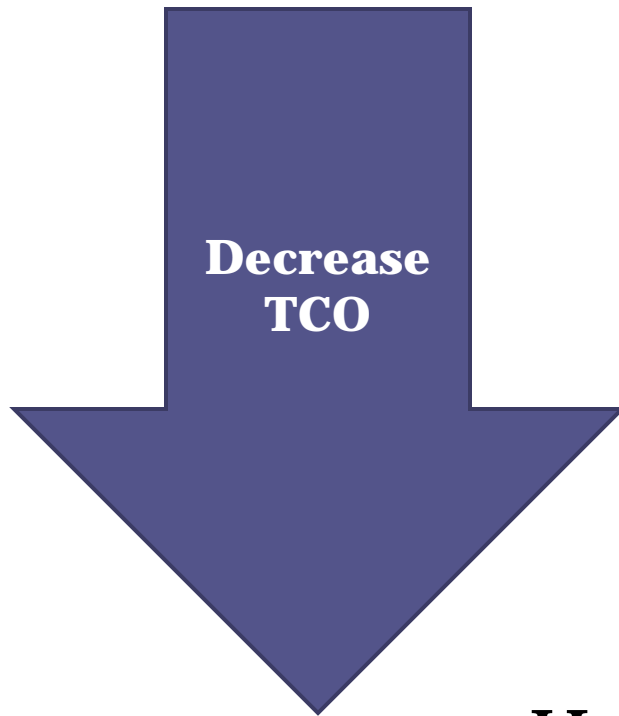
Cascade Asset Management Equivalent Annual Cost Modeling Tool Output (Example)



What's the optimal refresh rate?

- From a cost perspective – the one with the lowest Equivalent Annual Cost
- From a value perspective, also consider the positive impacts of the device to the organization
- Often, these two criteria come up with the same refresh rate

Align Goals



How can the IT Asset Manager influence these goals?

Consistent refresh = lower ITAM costs

- By retiring equipment on a consistent basis
 - Reduce storage costs
 - Reduce maintenance costs from supporting old and broken technology
 - Reduce compliance costs
 - Reduce personal property taxes
 - Stop subscription charges
 - Get paid for retired assets
- Reduce your costs and keep resale values consistent
 - Offset product purchase costs
 - Keep devices in good working order and complete
 - 3 – 4 year refreshes can cut 19 – 28% off original purchase price



Thank you!

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