

## Will you buy used IT hardware?

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Would you buy second-hand IT equipment? Even though your typical technology manager in the US may say yes, it'll be difficult finding a seller in Asia. And you can blame it on virtually non-existent demand in the first place.

To find out why, we conducted a readers' poll last month, and more than 340 IT managers from Singapore and Malaysia responded.

Buying second-hand is usually significantly cheaper and ought to take the pressure off IT budgets, yet so few are considering it here. It seems one of the most prominent reasons people might buy second-hand, in fact, is to address legacy problems.

That came in the form of solving problems with outdated equipment that might serve testing needs or complement existing legacy hardware that could be too expensive to replace wholesale. Old platform software that cannot be supported on newer hardware may also require older equipment, which may then only be available on the second-hand market.

### Necks on the line

IT managers are not willing to sacrifice much for reliability. The poll also showed that respondents' top priority if they were to buy second-hand equipment was a warranty. They wanted the equipment to be certified by either the second-hand agent or manufacturer.

The two more important factors taken into consideration when buying second-hand equipment were the risk of breaking down and cost of ownership. (Table 2)

Seventy-five per cent of IT managers feel that the price needs to be halved or more, to justify buying second-hand while 20 per cent said they'd never consider it, regardless.

Waleed Hanafi, Global Refund Group's chief information officer and senior vice-president, acknowledges that buying used equipment is "always a gamble because you don't know how well the equipment has been maintained or used."

And it is the IT manager's neck on the line when things break down. Hanafi says: "For most corporate buyers, there is no upside to saving money, just risk. Nobody will remember you saved the company money when the equipment breaks down—they just remember that you bought used."

Hanafi is a seasoned second-hand buyer. However, he says he is stuck to "known commodities like routers, switches, servers, telephone equipment." When buying, he examines which parts are mechanical and likely to fail, then considers that against whether the price discount justifies the "hassle of doing some internal maintenance".

The poll reflected that people were most likely to buy server racks and routers. (Table 1)

"Typically, I would avoid things like SANs (storage area network) or other products with a lot of disks," Hanafi says.

### External challenges to second-hand concept

Hanafi says that often, price discounts aren't big enough to justify buying second-hand simply because vendors prevent it from getting much cheaper.

"In many cases," he says, "the vendors force you to 'recertify' the equipment in order to get warranty and support. This is actually a tax to make sure used equipment is unattractive, and brings the price back to that of new equipment."

Moreover, vendors like Hewlett-Packard offer exchange programmes, where users can trade-in their old equipment for a new one with a top-up fee, or return for a cash rebate. Customers aren't likely to see the incentive to go to the secondary market when vendors lower the barriers to procuring new equipment.

Hanafi also thinks that the lines between new and old get blurred after a machine has gone through several service cycles, and doesn't see what a huge difference brand new equipment has between used, in that respect.

"A complex machine like a mainframe is just a metal casing with parts inside. As service and warranty takes place, the parts are swapped out. What is new, and what is old? In the mainframe market nobody even argues about used, you just buy the amount of processing power that you need," he says.

Hewlett-Packard Asia-Pacific's business development and marketing manager of its equipment management and remarketing arm, Christopher K Atamian, cautions users against placing their full trust on "refurbished goods", however. He cites a number of sources that refurbished products come from, including "customer returns, cancelled orders, overstocks and lease returns," mentioning "products damaged during shipping," as well.

### Renting as an alternative

Some companies have gone the way of renting, rather than be saddled with aforementioned 'burdens' of owning a piece of

second-hand equipment. Users want assurance of a product's performance, and the onus is on them when it goes down.

If they were to rent, on the other hand, some of that responsibility gets contractually transferred to the rental company.

Colin Whitehead, managing director of Malaysia-based Rentwise, which leases enterprise hardware, says that his company's edge comes from the fact that they "support the product for the duration of the lease."

Another factor that might attract clients is that they stand to save possibly from more modest equipment. By supplying equipment that "suits the job scope," the company's web site also mentions that this would "save unnecessary expenditure on the 'latest and greatest' where it's not required for the organisation's needs."

However, Hanafi views the renting as more of a capital expenditure issue. "If cash flow is key, your CFO (chief financial officer) will likely prefer leasing. I don't think that has any bearing on the equipment though, that is just financial engineering," he says.

Even so, this may not affect some companies. "Since budgets are often based on what you spent last year, there is even less incentive to reduce," says Hanafi.

### **Asian intellectual laziness?**

Hanafi uses online enterprise-IT trading site, dovebid.com. The site caters mostly to Western countries, which seem to have healthier second-hand markets.


"Yes, I think the reluctance to buy used is very Asian," says Hanafi.

"In North America there is a tradition of taking used parts and making something new or better. I have watched people here replace an entire water heater because of a leaking pipe.

"In fact, just look at en bloc sales; we tear down buildings rather than maintain them properly. I have heard all the excuses about the climate being hard on buildings, but it is just intellectual laziness.

"Maintenance is work, and it has to be done to keep equipment working properly. Asian culture has become one of use and dispose—really quite at odds with our understanding of the environment and use of resources.

"Landfill containing otherwise serviceable equipment is just criminal," he says.

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