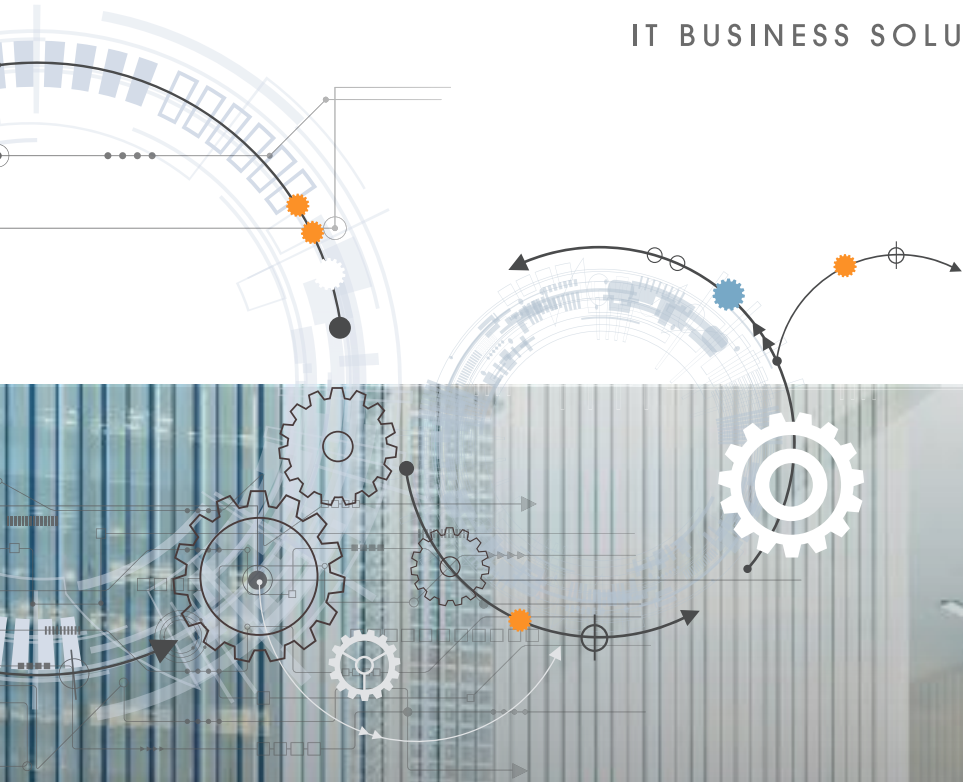




INTELECA

IT BUSINESS SOLUTIONS



IT Asset Disposition

A guide to choosing the right ITAD service provider

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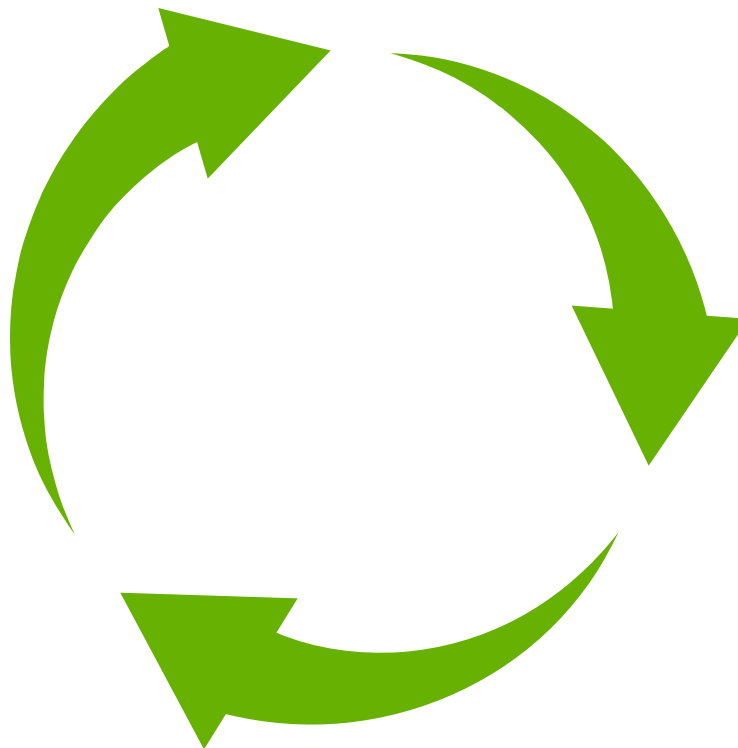
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Introduction

IT asset disposition (ITAD) is the redeployment, refurbishment, recycling, and remarketing of company assets that are at the legacy, end-of-life (EOL), or end-of-service (EOS) phase of their lifecycle. At the end of the useful lifespan of an IT asset, it is critical to choose the right ITAD service provider. With the right provider, the organization can realize the tangible benefits inherent in these otherwise “useless” assets—in that their useful life within the organization is at an end.

The ITAD market is massive and highly competitive. It is expected to reach USD 20.09 Billion by 2022, at a compound annual growth rate (CAGR) of 9.83% during the forecast period (Research and Markets, 2016). This kind of predicted growth attracts investment which, in turn, increases competition, leading to mergers and acquisitions and industry consolidation. When infrastructure and operations (I&O) professionals also face the challenges posed by immense shifts in product types and volumes, as well as increasing compliance risks, it is essential they find the right ITAD service provider and disposition procedures.

These challenges within the ITAD market are compounded by the complexity of managing the technology lifecycle and the disposition of IT assets. Many organizations do not possess the required resources and legal expertise to retire their IT assets; thus, they need a certified, third-party service provider who has an ITAD procedure that fully meet the needs of I&O professionals for value recovery, transparency, and peace of mind. It is vital the ITAD service provider has an ITAD procedure that incorporates comprehensive data sanitization and that conducts responsible recycling in adherence to the United States Environmental Protection Agency (EPA) guidelines.



Key Attributes

The most important step when choosing the right ITAD service provider is to ensure the provider incorporates the following three attributes in its service delivery:

1. Value recovery

One of the primary functions of the ITAD service provider is to maximize the IT asset value recovered while minimizing the risks associated with data-bearing, EOL equipment—as well as being fully compliant with local and national rules and regulations. To accomplish this, the ITAD service provider requires an in-depth understanding of the asset and its components to ensure a fair return on investment (ROI) for the organization.

As reuse and resale can be a source of revenue and is a core ITAD cost benefit, then this in-depth understanding of the IT asset is indispensable: it helps to ensure a revenue source rather than a revenue loss. The revenue, of course, depends on the status of the asset: the type, age, and condition. According to Gartner, the percentage returned to the client is typically 60 percent to 70 percent, “They must also understand how the ‘net proceeds’ of the asset sale (against which this percentage is applied) are calculated. What costs and fees are deducted from the gross resale proceeds? We have seen many cases where 60% of fair net proceeds is actually higher than 70% of an unjustifiable low net” (Schafer and Dixon, 2016).

Another value recovery source is recycling and component recovery. In this regard, I&O professionals should choose an ITAD service provider who has the expertise and experience to know whether the asset can be reused or repurposed, or whether to break down the asset to uncover its hidden value. The ability to reclaim serviceable components and to recycle any of the raw materials from the asset, while complying with local and national rules and regulations, is an indispensable trait.

For an asset recycling assessment, the ITAD service provider must have the ability to evaluate the value of the asset as a whole. It must be able to ascertain if it can elicit a return large enough, either by selling the asset in full or the asset’s components, to justify the effort to refurbish the asset. If the refurbishment costs outweigh the recovery value, then the asset should be recycled. It is essential that the selected ITAD provider not only has the requisite services to determine whether an asset should be remarketed or recycled, but also a remarketing global network to maximize recovery value for the asset.

In many cases, most of the value of an asset lies in its components. Thus, being able to drive value out of components is a key capability. The ITAD service provider needs the experience and understanding of how to efficiently break down assets—even to the motherboard, fan, and power supply level. This can turn a net negative position into a positive net benefit for the organization and can help to maximize the return on the organization’s IT investment.

Further, when choosing an ITAD service provider, look for zero-landfill and zero-incineration solutions, as well as a procedure that incorporates reclaiming and recycling.

2. Transparency

A fully transparent managed process is critical when choosing an ITAD service provider. The increasing visibility of corporate social responsibility (CSR) and the resulting requirement for openness and transparency with corporate stakeholders, means that an ITAD service provider must collect and report metrics throughout the ITAD project, and must continually track to ensure regulatory compliance and transparency.

Corporations require data and reports for their stakeholders and their annual reports. Therefore, I&O professionals should choose an ITAD service provider who can deliver the reporting required to meet corporate social responsibilities, as well as environmental compliance.

The I&O professional must see their assets in the ITAD service provider's system upon receipt, and through a portal or other method of delivery must be able to access all testing and tracking reports, certificates and data-wipe logs, current inventory and sold inventory throughout the lifecycle of the project. All reporting should be available for download by the organization at anytime.

The ITAD service provider should be cognizant of and fully understand the ramifications of CSR and the regulatory requirement for environmental compliance. Furthermore, the ITAD service provider should have the ability to protect the organization from the legal, business, and environmental risks associated with IT asset retirement and recycling.

An ITAD service provider must have procedures that benefit both the organization and its stakeholders. It should deliver transparency through sale and audit reporting, while controlling IT costs, maximizing the value of IT assets, eliminating data security risks, and contributing to environmental sustainability.



3. Peace of mind

An ITAD service provider delivers peace of mind on three levels:

1. **Transparency** – Without a transparent process, organizations have no protection against unwanted surprises or last-minute threats to their brand’s integrity and reputation. Without transparency, no confidence or certainty can exist. An organization is, in effect, placing its reputation in the hands of a third party. Consequently, it must know with absolute certainty every step taken by its ITAD service provider.
2. **Secure data destruction** – Peace of mind comes from the knowledge that sensitive data is wiped clean in accordance with the United States Department of Defense sanitization guidelines. The ITAD provider’s services should include a report that certifies 100 percent erasure and destruction of data on any IT assets processed at its facilities: wiping and sanitizing hard drives, thumb drives, and most data devices; removing the data; reselling the product; and ensuring safe deinstallation, and transportation.
3. **Expertise, experience, and core competencies** – When an organization’s strategy for decommissioned assets is being managed by experts in the field, peace of mind follows. Therefore, select an ITAD service provider with the following credentials and characteristics:
 - ISO Certified – This certification ensures the ITAD service provider delivers consistent, high-quality products and services.
 - Partnership with a single R2-Certified Recycling Company – R2 is the premier global environmental, worker health and safety standard for the electronics refurbishing and recycling industry. It includes secure data destruction and a zero-landfill policy for users’ parts. The ITAD service provider should send the organization a report from its R2-certified recycler on the final disposition of the asset.
 - Core Competency – ITAD is the company’s core business. It should operate its own laboratory with certified technicians conducting rigorous inspection and testing procedures. It should also have ancillary services to maximize the value of the decommissioned asset, and the experience and expertise to properly inspect, test, pack, and ship the equipment.
 - Landfill and Exportation Policy – This ensures that assets are not disposed of in a landfill site or in another country. Whether for resale or disposal, the ITAD service provider does not export to embargoed countries, adhering to the US Electronic Code of Federal Regulations – Part 746 Embargoes and other Special Controls, and to the Office of Foreign Assets Control (OFAC) current country sanctions list.
 - Global Partner Network – An ITAD service provider should have an established global network of resellers and end-users who are in need of decommissioned assets.

Due Diligence Requirements

The second step when choosing an ITAD service provider is conducting due diligence. The following requirements, which encapsulates the three key attributes, will help I&O professionals select the right ITAD service provider for their organization.

ITAD Service Provider – Due Diligence Requirements	
Environment	Recycling in adherence to the United States Environmental Protection Agency (EPA)
	Landfill and exportation policy and appropriate permits to handle e-waste
	Zero-landfill and zero-incineration solutions
	Partnership with a single R2-Certified recycling company
Data Security	Comprehensive sanitization of data-bearing equipment
	Sensitive data is wiped clean in accordance with the United States Department of Defense sanitization guidelines.
	Provides a Certificate of Destruction with the serial number of each asset.
Regulatory Compliance	FACTA: The Fair and Accurate Credit Transactions Act includes provisions that help protect consumers from identify theft with requirements for the proper disposal of consumer information.
	GLB: The Gramm–Leach–Bliley Act consists of consumer privacy rules for financial institutions such as banks and insurance companies.
	HIPPA/HITECH: The Health Insurance Portability and Accountability Act and the Health Information Technology for Economic and Clinical Health Act help protect patient privacy and safeguard patients’ health information.
	PCI: The Payment Card Industry is the standard for data security.
	SOX: The Sarbanes–Oxley Act of 2002 is a federal law that sets standards for public companies, their boards, and their management teams.
Transparency	Collects and reports metrics throughout the ITAD project and continually tracks to ensure regulatory compliance and transparency
	Delivers the reporting required to meet corporate social responsibilities and environmental compliance.
	Provides a portal for all testing and tracking reports, certificates and data-wipe logs, current inventory and sold inventory throughout the lifecycle of the project.
	Understands the ramifications of CSR and the regulatory requirement for environmental compliance.
	Provides sale and audit reporting.
Core Competencies	ISO Certified
	In-house laboratory with certified technicians
	An in-depth understanding of IT asset components, the ability to reclaim serviceable components, and compliance with local and national rules and regulations
	Remarketing network and a global partner network of resellers and end-users

ITAD Service Provider Needs Analysis

When choosing the right ITAD service provider, there are standard questions I&O professionals should be ready to answer. These questions lay the groundwork for meeting an organization's specific needs from the beginning of the disposition project to the end, and beyond if required.

At the time of the needs assessment meeting with the ITAD service provider, due diligence will have been conducted. The most important considerations undertaken should be the two ITAD risk categories: data security and proper environmental recycling. These categories should be a priority and the ITAD service provider should have the requisite credentials and experience.

A review of the ITAD provider's services is essential. Once the core disposition services meet due diligence conditions, then ancillary services are required to ensure a single ITAD service provider has the processes and characteristics to meet the organization's business environment needs.



ITAD Service Provider Needs Analysis	
Asset Disposition	What kind of asset disposition would you be interested in pursuing? Solutions include equipment retirement plans, asset refreshes, equipment reuse programs, inventory management programs, and end-of-lease returns.
	Do you need to calculate the depreciation on your IT hardware?
	Do you have any redeployment needs? If required, we can act as a distribution warehouse, storing your purchased assets in a secure environment.
Asset type	What type of equipment and what are the reasons for decommissioning? We deal with all types of equipment related to IT infrastructure.
	What are your expectations for different types of assets; for instance, is it a straight recycle or is it a type that can be monetized?
	Does the asset contain hazardous material?
Data security	What are your data destruction requirements?
	Do you have a data-wipe method that we must adhere to?
	Do you require your data to be wiped onsite, or can it be done offsite at our facility? We can do onsite data wipe or destruction at your facility.
Logistical flow of assets	Do you need the equipment picked up at one site, multiple US sites, or internationally?
	Do you need assistance removing the assets?
	Do you have any obligations when transporting equipment back to our facility such as insurance coverage or tracking capabilities?
	Do you pay for the freight portion, or do we?
	Do you have any shipping security needs?
Certificates and reports	Wipe / Destruction policy – Do you have a specific standard regarding wipe and destruction that we must adhere to?
	Inventory reporting – Are you in agreement with our “triage” policy? For instance, what assets do you deem valuable and what assets should we recycle?
	Revenue reporting – Are there any assets that have “minimums?” For example, with leasing opportunities some lessors like to hit a certain number when remarketing.
	Asset reporting – What requirements do you have for asset visibility through the portal? For example, turnaround times, component details, serial information.
Compensation strategy	What type of compensation: consignment splits, touch fees, repair fees, etc.?
	What is the frequency of compensation?
	Are there different business units that need compensation, and if so how are assets differentiated per business unit?
	Do you require a one-time service or an ongoing, regular service?

Conclusion

According to Forrester Research, ITAD was an unimportant part of the business, “While all organizations dispose of IT equipment in some way, IT asset disposition (ITAD) has long been an afterthought” (Forrester, 2009).

Many factors exist that have transformed the ITAD sector from being unimportant and an afterthought to being an important and vital part of the business for the following reasons:

- Increasing concerns about the growing number of aging and obsolete IT assets, the environmental impact of electronic waste, and the explosive growth of the Internet of Things (IoT).
- Trends such as virtualization, migration to the cloud, and the consolidation of data centers are adding to the growing number of obsolete IT equipment.
- Concerns about the environmental impact of electronic waste and the potential of environmental liability.
- Stringent regulatory standards for data security and the financial repercussions organizations face when sensitive data is leaked.
- Compliance with regulations that require businesses to undertake proper retirement and recycling of their electronic IT assets.

These reasons underscore the importance of selecting a properly qualified ITAD service provider, one that will fully meet their due diligence requirements.

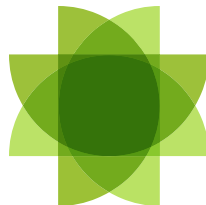
With the right ITAD service provider, organizations can:

- Offset costs through remarketing and recycling
- Transport and process waste material legally and in compliance with pertinent regulations
- Protect clients’ sensitive data and ease data security concerns
- Reduce costs by redeploying assets
- Protect and enhance brand reputation through corporate sustainability activities

Benefits like these transform the ITAD service provider into an indispensable, ongoing resource for I&O professionals and their organizations

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