

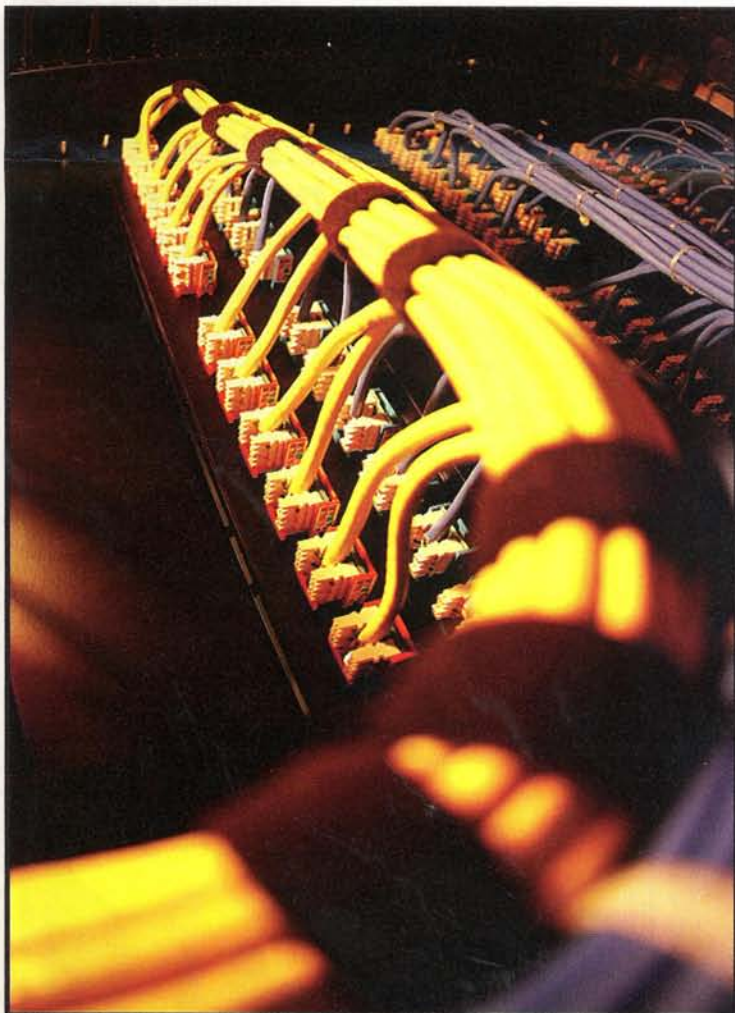
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# Saving in the Secondary Market

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For budget-conscious procurement officers, pre-owned, refurbished IT equipment is a cost-effective alternative.

By Joe Serra



**W**hen buying something used – be it sporting equipment, a car or electronics – most of us want the best products at the most affordable price tag.

It's no different for a government agency with its networking and telecom equipment. However, now there is a cost-effective alternative for budget-conscious procurement officers: pre-owned, refurbished networking and telecom equipment. If purchased from a reputable seller, such products can offer significant savings at a level of quality comparable to that of new equipment.

Gartner Group estimates that the secondary market for networking equipment and accessories has grown over the past several years from a handful of providers to more than 400 companies with an estimated collective revenue of \$2 billion to \$3 billion. As the secondary market continues to grow and budget pressures continue to increase, capitalizing on this market will become even more important to the development of a successful equipment replacement strategy.

## Challenges Similar to Those of Private Sector

**G**overnment agencies face many of the same challenges as the private sector, although there are unique issues facing state and local governments, whose budgets may be more limited than their colleagues in the federal government.

Keeping up with technology and ensuring the operational efficiency of legacy systems are common issues. In addition, agencies at all levels of government face challenges in upgrading support needs due to budget restrictions.

To combat these issues, agencies now are turning to the secondary market to buy up-to-date technology at a more favorable price. Depending on the equipment requirements (switches, routers, phone systems, etc.), spending less on

secondary market equipment reduces costs and increases the return on investment, because the same functions can be performed on either refurbished or totally new systems.

Procurement officers are charged with finding the best quality product at the lowest possible price, and the secondary market can facilitate that decision. After all, a router is still a router, whether it is brand new or refurbished. Unlike some software products, hardware such as routers and switches can have a shelf life of 10 to 15 years.

As manufacturers bring their latest products to the market each year, not all new features will be relevant to many businesses and agencies. If your agency will not benefit from the newest bells and whistles, purchasing new items may result in spending more than necessary. In fact, agencies that do not require latest-generation equipment can realize cost savings of 50 to 95 percent by buying in the secondary market. Pre-owned equipment may be not only a cost-effective alternative but also a viable part of most agencies' long-term networking technology roadmaps.

### Achieving Goals

Federal, state and local agencies are expected to achieve operational goals while controlling IT equipment costs. Among these goals:

- The equipment needs to be available quickly.
- It needs to come with a warranty, five-star certification and quality assurance.
- Companies should be on the approved vendor lists that give discounts to government agencies.
- The equipment should be priced consistently to what the private sector pays for comparable items.

### Finding the Best Equipment

Procurement officers unfamiliar with the secondary market typically are concerned about the quality of the refurbished equipment they purchase. They want authentic equipment that will function properly right out of the box and last as long as brand-new equipment.

So how can purchasers be sure that pre-owned or refurbished equipment is the right choice? While purchasing from the secondary market, keep the following suggestions in mind:

**Go with reputation.** Find an established vendor known for delivering on its promises and establishing partnerships with its customers, and then ask for references. Preferred vendors are those that thoroughly test all products; conduct necessary refurbishment; include – at a minimum – a one-year warranty; ensure the products come complete as new; and have a responsive technical support team. Often these companies also will offer service contracts or sell spare parts at a discounted rate. In addition, the best providers are large enough to maintain extensive inventory, rather than requiring the customer to work through a broker.

**Seek diversity.** Vendors that are not tied to a particular manufacturer tend to be more focused on customers' needs and have the flexibility to offer a number of cost-effective options. While Cisco constitutes between 55 and 60 percent of the new market and makes an excellent product, a less expensive alternative also may meet a



customer's needs with equal success. Ask your vendor, as you may not be familiar with brands such as Extreme Networks or Foundry that actually may be a better fit for your particular situation.

**Look for value.** Unlike the entity that sells on eBay, reputable vendors add value by refurbishing networking equipment to bring it up to certain standards. The certification process should include a comprehensive physical inspection, full product testing, refurbishment, warehousing and packaging. Ask any prospective suppliers about their quality assurance processes.

### Look to the Future

The secondary market is experiencing dramatic growth – at a rate of about 30 percent per year – that outpaces the primary market, which is estimated to be growing at only 10 to 12 percent annually. A recent survey revealed that 77 percent of buyers currently purchase secondary equipment, and 46 percent expect to increase their spending in that area next year by about 15 percent.

However, the primary market is by no means suffering as a result. Some agencies will continue purchasing new equipment due to specific needs and preferences. For other agencies on stricter budgets, procurement officers frequently will continue to turn to the secondary market for IT products that meet their needs.

Whether buying new or used networking equipment, the rules for achieving the highest rate of success are the same in the end. Know your technology requirements to avoid falling prey to a smooth sales pitch and paying for unnecessary upgrades. After examining budget restrictions, evaluate prospective vendors and select one that will provide quality equipment at an affordable price.



### About the Author

Joe Serra is executive vice president of Network Liquidators (<http://www.networkliquidators.com>), one of the nation's largest providers of refurbished networking and telecommunications equipment.