

# Buying Used Equipment The Smart Way

by Drew Robb

**WITH IT BUDGETS REMAINING TIGHT**, it's no surprise that more companies are looking to buy second-hand as a way to cut costs. Here are some tips on how to go about buying used gear.

## Great Deals Available

According to the U.S. Environmental Protection Agency, about 130,000 computers a day are discarded in the United States. Gartner Group estimates that more than 46 million servers will be sold between 2006 and 2010. Probably a lot more will be discarded due to ongoing consolidation and virtualization initiatives in data centers. In some cases, companies can move work off 20 boxes onto one machine.

With such an abundance of gear, a number of enterprising companies now make a living taking unwanted hardware off our hands. And the deals available are attractive.

"Buying used can save 60% vs. buying new," says Mike Cunnien, director of sales at WDPI (World Data Products Inc.; www.wdpi.com), a company that specializes in the reselling and leasing of refurbished, used, and new server, storage, and network equipment.

## Choose Your Vendor Carefully

While buying used may not make sense if you need full mission-critical support, it can be a good move for routine or low-priority

tasks. Companies such as WDPI, C-tech Development (www.ctech.com), and Network Liquidators (www.networkliquidators.com) offer a wide range of second-hand goods.

"Make sure you're dealing with a reputable company, as there is a lot of counterfeit gear out there, particularly with regard to networking equipment," says Cunnien. "Make sure your vendor has a complete testing and refurbishing process that's documented."

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-Gartner Group's Francis O'Brien

Like all the better second-hand specialists, WDPI gets most of its inventory from enterprises that want to offload gear to bring in new boxes or standardize on a specific server platform. When choosing a vendor, it's advisable to check out the processes being used to reclaim old servers.



Dependable companies also offer a 90-day return policy, which is all you really need, as a lemon will be apparent immediately.

"We might buy one to 100 racks of equipment, take those back to our facility, and determine which equipment we are going to refurbish and resell and what equipment will be recycled," says Barry Shevlin, CEO of Network Liquidators, a company that started out with Cisco (www.cisco.com) switches and routers but now sells networking equipment from other vendors, including telecom equipment.

### Second-Hand Support

The big hardware OEMs have carved out a large slice of the market, based as much upon the support they offer as the price. In order to compete, used-equipment vendors have followed two paths: offering decent support or offering little or nothing in that department.

It is important to understand what you can expect (or not expect) in the support realm before committing to a deal. There are some second-hand equipment dealers that have stepped up to the plate and now offer reasonable support. They are willing to stand behind their machines, at least for a few months. You will typically pay a little more for that peace of mind.

With no real support, the risk is obviously greater. That has to be married up with the price advantages before a decision is made. And in that situation, vendor reputation can be ascertained on other channels. Ideally, go see the equipment and see it in action before you buy. Only

purchase online under such circumstances if some kind of return policy is in place. If equipment is going to break, it generally does so in the first few days. So don't buy it and let it sit for a month or two before bringing it online.

"There are more worries over support and licensing on second-hand kits," says Clive Longbottom, an analyst at Quocirca (www.quocirca.com). "You have to take a good look at what the real savings or costs would be."

### Buy Used To Stay On Aging Platforms

People on older platforms may have no choice but to look at the second-hand market in order to keep their systems running. Users of aging VAX boxes, for instance, have no OEM to turn to. So they buy from a few vendors who make a living keeping them supplied with parts and refurbished systems.

Similarly, AlphaServers and other hardware have been phased out by their OEMs in recent years. Yet such systems typically engender a high degree of loyalty due to their level of reliability.

"Used equipment is particularly suitable for enterprises that have made investments in prior-generation technology and want to remain on that platform or software revision, or when there is uncertainty or delays surrounding the upgrade path for older technology," says Francis O'Brien, research vice president at Gartner Group. "Frequently, used equipment is also purchased for spare parts or replacement machines onsite and for enterprise disaster recovery initiatives."

Another side to spare parts is the need to

add newer parts to older servers. WDPI picks up old machines and upgrades their memory, processor, disks, and other parts. This makes the equipment more attractive and adds to its shelf life. It can also be a good way to pick up a decent server configuration at a lower price. A one-year-old server will still be pricey, but a three-year-old model with upgraded components will be inexpensive—and, in some cases, almost as good.



### Used networking gear is a great deal.

While OEM price-slashing makes buying used less attractive in some quarters, there are some areas where buying used makes sense—that holds true for networking equipment in particular.

"Certain types of second-hand network equipment can be obtained inexpensively, as there has been less of a price war going on there," says Clive Longbottom, an analyst at Quocirca (www.quocirca.com). "For example, older 100Mb equipment can be found at real bargain-basement prices. But I'd steer clear of storage—the platters and bearings may be on their last legs."

**Use caution with eBay.** One big location for the burgeoning refurbished server market is eBay, where thousands of people make a living selling hardware online. While many are honorable souls, there are scam artists, too.

"I'd recommend reviewing the seller's ratings on eBay," says Cunnien. "You want to ensure it's a quality product that will work. Look for warranties and guarantees (which aren't typical)."

## **BEST RETURN ON INVESTMENT:**

○ Like car dealerships, used equipment vendors sometimes offer a trade-in fee, which takes the old model off your hands, so you can buy new goods without having to spend as much.

“Look for trade-in opportunities of existing equipment,” says Mike Cunnien, director of

sales at WDPI ([www.wdpi.com](http://www.wdpi.com)). “Also look for companies that have service offerings or use third-party maintenance, which can extend the life cycle of the equipment even further. This can save another 50 to 60% over OEM maintenance costs.”

### **BEST TIP:**

○ Server disposal is becoming a big issue. The European Union, for instance, has the WEEE (Waste Electrical and Electronic Equipment)

directive and the RoHS (Restrictions on Hazardous Substances) law. These make OEMs responsible for equipment disposal, as well as sale. Such legislation will probably make its way to our shores in the near future. So factor disposal costs into the cost equation. While this is not a major factor in the United States at the moment, expect reputable used-equipment vendors to begin to offer disposal services in order to remain competitive with the big OEMs.