ITAD: Going Global

How a global IT Asset Disposition program
reduces complexity and increases return

Overview

Many companies focus on two core elements when taking IT assets out of service: data security and environmental compliance.

Larger companies expand that list to include brand protection, regulatory compliance, tracking/reporting, and return on investment.

When it comes to multinational companies, two additional key factors become critical: reducing program complexity and ensuring consistency of service and reporting.

This paper discusses the full range of program elements companies should consider when developing, expanding, or consolidating an ITAD program, with a particular focus on global coverage.

What are your key concerns when removing IT assets from service? Data security? Environmental compliance?

Those are certainly important, but when designing a global program it's essential to also consider how to reduce program complexity while ensuring service and reporting consistency.

First, establish an ITAD program

At first glance, establishing an IT Asset Disposition (ITAD) program seems straightforward: identify assets that should be retired from service then use them as a trade-in on new equipment, donate them to charity, or find a local provider to recycle them.

For small businesses – particularly ones in lightly regulated industries who retire a modest number of assets each year – this approach may be sufficient. While you'll lose residual value on equipment used for trade-ins or receive less than full value when writing off a donation, these can be valid approaches for small volumes as long as you make sure to eradicate any company data before you relinquish the equipment.

For larger companies with higher volumes and more locations, complexity increases…as does risk and reward. As your ITAD program grows you'll most likely need to assign someone to manage it and the impact of program decisions will be proportionally larger.

At higher volumes it becomes critical to ensure that, once assets are removed from service, you take quick action to move them into an ITAD program. Like cars, IT assets lose value the moment you buy them and continue to lose remarketing value every month. Studies show that a refresh cycles longer than 3 years means reduced ROI due to the declining value of your equipment combined with higher maintenance costs.

But what do you do with those assets when you decommission them? For many organizations, the tendency is to hold onto assets in case you need to redeploy them. After all, isn't it more cost-effective to pull a used asset out of stock than buy a new one?

That's a fine strategy if you know you'll be using those assets within a standard refresh cycle. But what if you don't use them? Or you redeploy one, but then discover it doesn't work correctly? You could be losing potential remarketing value while the assets sit in storage and increase the risk of loss, cannibalization, or pilferage. You could also be causing a greater level of disruption for employees if the asset you just deployed wasn't tested and must be replaced. Of course you could test and track every asset while constantly refreshing your inventory…but very few companies have the internal resources, policies, or processes in place to handle the task effectively.

While all businesses need to be concerned with data security and legal compliance, managing an ITAD program across multiple divisions or business units on a global scale increases the challenge. Once you start managing multiple ITAD partners – with the inherent multiple contracts, reporting streams, and varying results – the investment of time and resource quickly outweighs any perceived advantage of having local programs using multiple partners.

ITAD program considerations

According to the Harvard Business Review[1], there are more than 550 laws in the U.S. alone that relate to IT asset disposition, including the Sarbanes-Oxley Act (SOX), the Health Insurance Portability and Accountability Act (HIPAA), and the Fair and Accurate Credit Transactions Act (FACTA). Many of these laws place strict requirements around data management for end-of-life assets and mandate that organizations implement "adequate safeguards" to ensure privacy protection for individuals.

Plus, if you have locations in the European Union – or you handle any personal data for EU citizens - the General Data Protection Regulation (GDPR) that went into effect in May 2018 requires that your end-of-life process be fully auditable, with a documented Chain-of-Custody and detailed serialized reporting on asset erasure/destruction to prove regulatory compliance.

To meet these requirements, large organizations are increasingly turning to third-party IT asset disposition services to ensure legal compliance through consistent data sanitization and detailed reporting to reduce risk and provide proof to their auditors.

However, if ITAD programs are implemented on a division, business unit, country, or even local basis, some parts of the business – or even a substantial portion of the business if there have been mergers or acquisitions – may be served by legacy recyclers that fail to meet present corporate standards.

This de facto fragmentation makes it more difficult to administer the overall ITAD initiative and harder to ensure consistent process and legal compliance. Plus, this lack of consistent structure makes it virtually impossible to accurately measure and roll up program results.

A case in point

To illustrate this situation, a company with whom we work attempted to document and measure their corporate end-of-life process with an eye to consolidating their ITAD program. They assigned a dedicated program manager to analyze existing programs and plan the consolidation.

The results were eye-opening: the company had over 35 ITAD partners across the globe. This meant 35 different contracts, 35 different partners to audit, different processes country-to-country, mismatched metrics, inconsistent reporting, and no clean way to understand program costs and benefits across the organization.

Even meeting with each vendor quarterly required a huge investment of time. After months of diligent effort, the company still hadn't been able to consolidate results and gain a complete picture of their current program.

The company quickly decided they needed to reduce program complexity and consolidate partners. But what, in addition to the core requirements for partner competence, consistency, and coverage, were the other considerations they needed to factor in when choosing an international ITAD partner?

What to look for in a global ITAD partner

Experience, credibility, financial stability

Is the prospective partner established in the ITAD industry? Do they have the financial resources to deliver contracted services?

Over the past decade there's been considerable consolidation within the ITAD industry. While the major OEMs who provide take-back and trade-in services haven't changed, most of the of the major independent industry leaders have been acquired by large, international conglomerates as part of their overall Lifecycle Services strategies. The founders of a number of the acquired companies have then turned around to launch new ITAD businesses to service niche markets or to extend ITAD services to previously underserved mid-sized companies...and to potentially grow to become future acquisition targets.

Industries naturally consolidate as they mature, moving through a predictable "consolidation life cycle" as outlined in the Harvard Business Review article "The Consolidation Curve."[2] The ITAD industry is currently coming out of Stage 2 – with the challenges of acquisition and integration – and moving into Stage 3 in which companies "focus on expanding their core business and continuing to outgrow the competition," a stage marked by "megadeals and large-scale consolidation."

This represents an advantage for the global ITAD customer, since the industry is maturing to the point where major ITAD companies are now able to provide the comprehensive global services that clients require.

International coverage and consistency

It stands to reason when you're seeking a partner to handle your global ITAD needs you're going to want a provider who offers services in the same countries where you have operations. What you need to understand, however, is that global ITAD coverage – for all providers – is a work in progress. While ITAD industry leaders are constantly expanding directly-owned locations to provide in-country service in more locations, it remains true that no single ITAD provider currently offers directly owned and managed ITAD services in every country, nor will they in the near-term future. This means you should select a partner who has proven international experience, multiple locations, AND established partnerships for countries where direct service is not yet available.

In point of fact, most major ITAD companies partner with the same handful of ITAD providers to extend their services coverage. This means that service for many countries is less dependent on in-country resources and more dependent on how your ITAD partner manages these third-party relationships to provide your business with a seamless experience, appropriate regional and local contacts, and comprehensive reporting.

Certifications

One of the key reasons to engage an ITAD partner is to take advantage of their regulatory expertise. Look for professional affiliations like NAID, CAER, and the EPA WasteWise program as well as their certifications for data sanitization/security and recycling compliance. At a minimum, in the U.S. the partner should hold e-Stewards® or R2 certification as well as ISO 9001, ISO 14001, ISO 27001, and ISO 45001. Companies with European operations must meet the WEEE Directive for each country.

In particular, for companies with European operations who must comply with GDPR, choose a partner with ISO 27001 certification. Unless or until new certifications emerge specific to GDPR, companies that hold this certification already follow a set of best-practices closely aligned with GDPR requirements.

Regardless of where service is provided, a professional ITAD partner will monitor and track all focus materials – components used in electronic devices that contain potentially high levels of environmental toxins – from collection through disposition in compliance with their environmental certification and all international, federal, state, and local laws. Your partner should have a zero-landfill policy for e-waste and must closely manage and monitor all downstream recycling partners with whom they do business.

Chain-of-Custody tracking

Chain-of-Custody controls not only ensure assets are handled properly but also provide the audit and tracking detail necessary to prove data sanitization and legislative / environmental compliance. Chain-of-Custody is a necessary baseline that supports transfer of liability and indemnification against risk.

To ensure Chain-of-Custody, you ITAD partner will employ both physical security – locked trucks, GPS, secured facilities, access controls, and location recording – but also intelligent asset tracking that includes details like manufacturer, model, serial number, asset tag number, parent/child relationships with hard drives, and physical location. Together, physical security and intelligent tracking support the Chain-of-Custody with reporting as the final step.

Understanding how your ITAD partner implements Chain-of-Custody should be a key part of your due diligence audits. Before looking to a partner, however, you must ensure your own company has implemented initial process controls that include separation of duties to prevent fraud and error, e.g., employees cannibalizing retired assets for spare parts or diverting assets for unregulated charitable use. These internal control measures are the basis of the checks and controls that make the handoff to your ITAD partner predictable and auditable.

> Ensure your company implements internal process control measures before - or in conjunction with - engaging an ITAD partner. Having these measures in place helps make the asset handoff predictable and auditable.

Regulatory compliance and reporting

Data security laws both in the U.S. and countries around the world mandate that organizations that handle any personal data – whether related to members of the public or to their own employees – implement adequate safeguards to ensure privacy protection.

Major ITAD providers closely monitor legal changes that impact the services they provide in every country where they provide service, and update data management and destruction procedures as required to ensure their clients remain in compliance and can prove that compliance in case of audit. To ensure a globally consistent process, this means experienced ITAD providers will broadly implement processes that meet the strictest of the legal requirements in the countries they service, ensuring that all processing is compliant.

The gold standard is a consistent worldwide process controlled by a single asset management system that provides global reporting.

Focus on reuse

A full-service ITAD provider will have multiple options available to extend the life of IT assets and divert them from recycling. Look for a partner who offers established programs to evaluate and test your assets then handle redeployment, sale to employees, and remarketing programs. If your company has a specific charitable organization to whom you wish to donate, look for a partner that also offers donation as an option.

If your assets have residual value you need an ITAD partner who understands the secondary market, has an established remarketing program, and utilizes multiple channels to resell equipment.

First, choose a partner who has an efficient program that assesses each asset at receiving to determine potential remarketing value to avoid investing time and money in equipment that cannot be profitably sold. Next, ensure the partner sanitizes drives to eradicate all data and runs diagnostic tests to ensure functionality.

Partners with secondary market knowledge will be able to accurately judge whether repair – or even upgrade – will sufficiently increase remarketing return to justify the cost of repair or upgrade.

Finally, look for a partner who is a Microsoft Authorized Refurbisher. While this program is focused on products that run Microsoft operating systems and programs, Authorized Refurbishers can remarket assets with genuine Microsoft software...and program participation is an indicator of overall remarketing approach and standing.

Independence

If you're like many large companies, your IT environment consists of equipment from multiple vendors. Even if you've consolidated around a limited subset of manufacturers, it's unlikely all your IT assets - from mobile phones to servers - are the same brand.

While it might seem to make sense to route your assets through OEMs, the vast majority of OEMs outsource ITAD to a handful of established ITAD providers. This means you can eliminate the middleman and work directly with an ITAD provider who is brand-agnostic, who works through a wide range of channels to place your equipment, and who has an established process to white label assets as necessary to avoid flooding the market.

> A brand-independent ITAD partner will generally have access a varied range of secondary market channels so they can sell used equipment with residual value for the best possible price.

Program simplicity and comprehensiveness

Once the basics of Chain-of-Custody, data security and sanitization, reuse, and reporting are covered – and you've performed due diligence and audited your potential partner – a significant attribute of a successful ITAD program is simplicity.

Simplicity doesn't imply a program that's lacking features, nor does it speak solely to how "easy" it is to work with a particular provider. Simplicity in this context is how much time and effort your staff needs to invest to manage the ITAD program.

- Is there a single Master Contract that covers the entire program, making it simple for you to bring on new locations and new countries?
- Is the program run under a single set of terms and conditions?
- Is there a way to initiate a job through an online client portal, regardless of location?
- Does the provider offer local or regional contacts for the countries in which you require service?
- Is the provider able to integrate their tracking system with your asset management system?

Finally, consider selecting an ITAD provider who offers an array of complementary Lifecycle Support Services like asset deployment; asset inventory and tracking; data center management; depot repair; onsite data sanitization and drive destruction; lease management and lease return; and redeployment and imaging. All of these services are a natural complement to an ITAD program, and with a Master Contract in place you can quickly roll out program enhancements whenever and wherever you need them.

Program intelligence

An experienced ITAD provider should be able to balance program cost vs. potential remarketing revenues on a global basis. An example of this would be calculating the cost-benefits between local processing for assets in Cypress vs. transboundary shipment to the Netherlands where improved remarketing returns would exceed the associated transportation costs. An experienced International ITAD partner will also know all of the relevant e- waste regulations and import/export laws, allowing them to develop the most appropriate solution for each location.

Also consider how the provider tracks assets from pickup through to disposition. Is there an online portal where you can search for specific assets? Can you track asset processing through a single global system over time by job, location, business entity, country, or region? What reports are available and what filters can you apply to get the reports you need?

For Business Reviews, the ITAD partner should provide a comprehensive report organized in a way that clearly explains program costs and benefits across your organization. It should include data-driven recommendations for program improvements.

And finally, ensure the partner provides options for either consolidated billing, if desired, or for separate invoices in the local currency if distributed billing as required.

Conclusion

A well-run Global ITAD Program provides Chain-of-Custody control, data destruction options, compliant recycling, detailed reporting, downstream audit control, and solid remarketing returns.

Better programs will offer additional core programs like onsite data destruction services, redeployment options, and lease return program management.

The best ITAD programs will cover the basics plus offer additional lifecycle services that enhance value, like asset inventory and management, deployment, depot repair, and data center management. They will also offer consistent worldwide process control using a single asset management system that provides both granular and global reporting.

Once you select a potential partner you'll still need to audit the program and monitor the results, but managing a single partner or a small handful of partners will improve the safety of your data, your control, your results, and the time you spend managing the program.

Source

1 The Most Overlooked Part of your Data Security. Harvard Business Review, June 2013

2 The Consolidation Curve. Harvard Business Review, December 2002

About Ingram Micro Lifecycle

Ingram Micro Lifecycle offers state-of-the-art solutions to address the return, refurbishment, repair, and remarketing of technology products. These services enable operators, retailers, insurers, enterprises, and OEMs to maximize the life of technology products through a suite of environmentally responsible solutions.

Ingram Micro Lifecycle will enable a circular and sustainable product lifecycle and include services such as configuration & fulfillment, returns management, repair & refurbishment, trade-in & buy back, asset management, IT asset disposition, and remarketing.

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