

Size Matters

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By Mike Sheldon, President and CEO, Network Hardware Resale

Size matters in the market for pre-owned networking equipment as typically only the largest sources of refurbished routers and switches can stock sufficient inventory to meet virtually any product request. Resource-constrained IT managers often find themselves struggling to keep pace with daily network demands despite waning budgets. Still others are accelerating equipment purchases to fuel new projects. Either way equipment availability is crucial to meeting planned and unforeseen expenditures.

In the secondary network equipment market, inventory is driven mostly by current demand. The largest providers will maintain extensive resources and contacts to secure inventory of the top 100-200 products. At the high end providers carry up to \$100 million or more in equipment, ensuring that the most popular as well as hard-to-find pre-owned networking devices are available and ready to ship within 24-48 hours.

As a result more and more companies are turning to this market when much-needed equipment cannot be procured easily or quickly from traditional channels. OEMs stock a small percentage of replacements for the gear covered by their maintenance contracts, while retaining volume inventories of only the most recently-released products. Therefore, locating second-generation or older switches and routers to replace existing equipment can be a time-consuming and sometimes futile process.

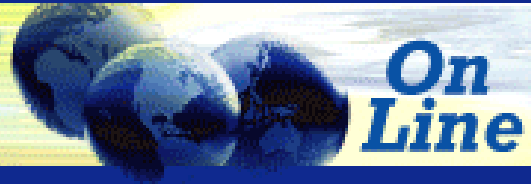
When uptime is of the essence, some companies opt for equipment replacement plans. However, guaranteeing expedited delivery of emergency replacement gear comes at a hefty price - OEMs and their authorized resellers charge 15 percent or more of a company's total annual networking equipment purchases for fast-response service. Another point to consider is that even with high-priced next-day replacement guarantees it often takes up to 72 hours before the gear can be delivered, unboxed, configured and installed. Unlike OEMs, many secondary providers can supply pre-configured network elements to expedite equipment implementations.

Exorbitant OEM premiums aside, it comes down to avoiding a single point-of-failure in equipment procurement. During the 2004 and 2005 hurricane



Mike Sheldon
*President and CEO,
Network Hardware Resale*

Telecom Reseller VoIP Networks™



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seasons, network managers learned firsthand the inherent problems of relying solely on one supplier. Top-selling routers and switches were in such high demand that OEM inventories reached an all-time low. Some equipment was redirected to top-tier customers, leaving others in the lurch. In seeking alternatives, many companies were introduced to the secondary market and found proven, viable providers of size and substance.

This reality is helping change the perception that only small to mid-sized organizations buy used equipment. In contrast, global 1000 organizations and many of the most well-known brands around the world purchase pre-owned equipment. After all, when an organization of any type or size has an immediate need for networking gear and every second counts, they are most likely to rely on the most reliable and responsive outlet for keeping their networks up-and-running.

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