IAITAM ACE

May 7–9, 2024   The M Resort 🌴 Las Vegas, NV

**Decoding the Balance Sheet:
Cost Reduction Strategies for ITAD Programs**

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Finding your IAITAM Oasis

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- 13 years industry experience
- 11th IAITAM conference

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Agenda

- Audience poll
- 2023 cost trends
- ITAD cost center to expect and why
- 5 cost reduction strategies
- Market pricing guide (the competitive version)
- Q/A

Audience Poll

2023 Statistics

100% of RFP's weighted cost savings/profit improvement over all other criteria

2. Service quality
3. Automation and ease of use
4. ESG and sustainability reporting

VS

3-5% increase in overall internal expenses

- Inflation
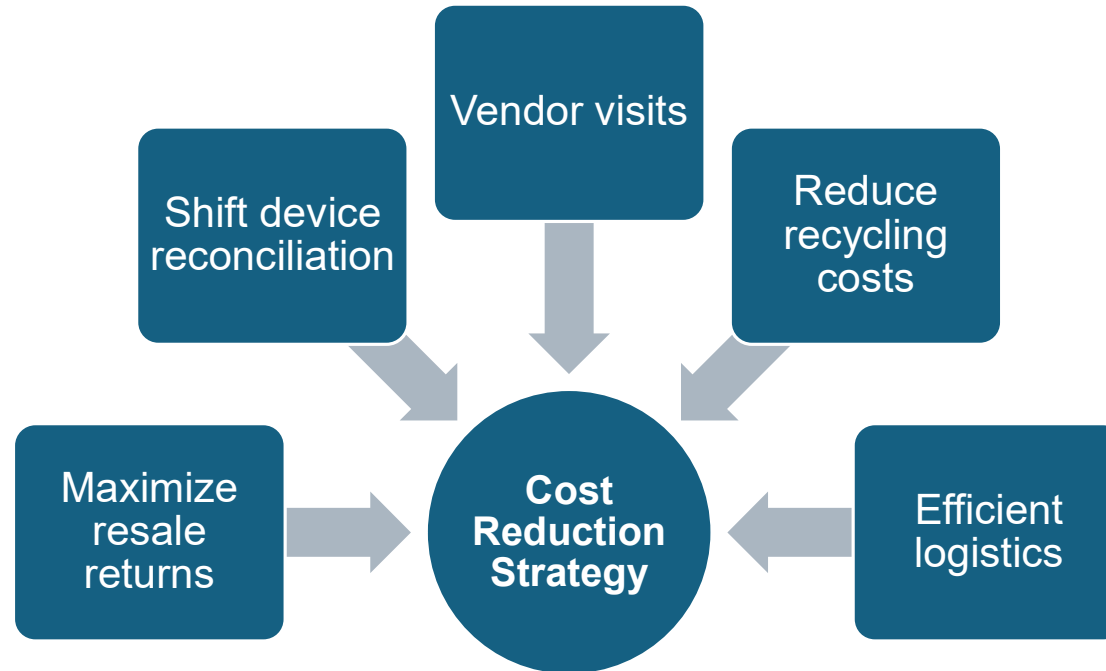- Increased Labor Costs
- Overall Expenses

ITAD Cost Centers to Expect

- Device processing and testing
- End of life recycling (some devices)
- Device tracking
- On-site services
- International locations

Logistics?

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Cost Reduction Strategy

Cost Reduction Index
$ - Minimal Savings
$$ - Moderate Savings
$$$ - Maximum Savings
$$$$ - Extreme Savings

Vendor visits

Shift device reconciliation

Reduce recycling costs

Maximize resale returns

Cost Reduction Strategy

Efficient logistics

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Cost Reduction Strategy #1:
Increased Return through Consignment

Step 1: Determine if your revenue share is based on Fair Market Value or Consignment.

- **Fair Market Value (FMV):** Provides <u>conservative</u> payment upon settlement per shipment, most times prior to the actual sale of equipment (quicker payment, lesser return)
- **Consignment:** Provides payment based on the actual sales price of the equipment when it sells (ongoing payment, maximized return)

Step 2: Leverage the consignment model, which pays you based on what the vendor is paid for assets they sell.

- Typically, 15-20% higher than the FMV price

Step 3: Ensure your vendor utilizes diversified e-commerce channels when selling consignment.

- Per unit sales via e-commerce are typically 25% higher on average vs wholesale

Step 4: Know what's in queue to be sold and how long it's been on that list.

- Ensure aging of your assets to be sold does not exceed 90 days (preferred average is around 60 days)

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Cost Reduction Strategy #2:
Shift Device Reconciliation to Receipt

30% of "customer provisioned" asset reconciliation reports indicated less assets than what were tracked on-site.

On-site device tracking services are typically 35-40% higher cost when compared to the vendor's internal asset tracking rates.

Step 1: Is Information Security open to alternative cost saving solutions that also provide enhanced data accuracy?

Step 2: How soon can your vendor expedite reconciliation upon shipment receipt and are there additional fees vs their standard tracking SLAs?

Step 3: Request cost benefit analysis from vendor and review with IS to evaluate risk vs savings.

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Cost Reduction Strategy #3:
Tour Your Vendor's Facilities

Cost Reduction Index Rating $-$$$$

Step 1: Verify what services the vendor performs in-house vs outsources.

- Fewer subcontractors lower your costs
- Less outsourcing = increased chain of custody and risk mitigation

Step 2: Understand the vendor's process from beginning to end.

- Are their operations organized and do they flow efficiently?
- Do their service capabilities described on paper match what you see in person?

Step 3: Tour your vendor's facilities prior to selection or during a periodic evaluation.

Cost Reduction Strategy #4:
Minimize Recycling Costs

Cost reduction focus #1: Charge reduction for positive value devices that are recycled

- Laptops
- Desktops
- Servers
- Mobile devices (smartphones and tablets)
- Networking equipment (switches, routers, AP)

Be aware: All devices listed above produce a net return to your vendor, especially if they disassemble them in house.

- Expect charge reduction to at least ZERO

5% rule: No charge recycling for device volumes that make up less than 5% of your total annual volume disposed.

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Cost Reduction Strategy #5:
Increased Return through Consignment

- Consolidate where possible and economical.
  - Distribution centers, configuration centers, administrative hubs

- Understand the most cost-effective minimum pickup quantities.
  - Across the market, 50 is known to be the standard

- Pre-package when/where possible.
  - 50-75% cheaper than white glove services

- Ship to vendor – leverage your shipping discounts or transportation vehicles to ship your product closer, or directly to your vendor's location.
  - Logistics is typically the highest cost bucket of most ITAD programs
  - Shipping to your vendor can provide serious leverage to discount other charges within your program

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Pricing Negotiation Guide

Baseline Client Profile

Annual Asset Disposed: 10,000

Asset Types Leased: None

Laptop Refresh Cycle: 2-4 years

Desktop Refresh Cycle: 3-5 years

Server Refresh Cycle: 4+ years

Mobile Device Inclusion: Yes or No

Resale % Mix: 15+% (1500 devices)

Baseline Market Pricing Profile

Revenue Share: 70%+

Vendor Facilities

Serial # Recordation:
Charge per unit

HDD Erasure:
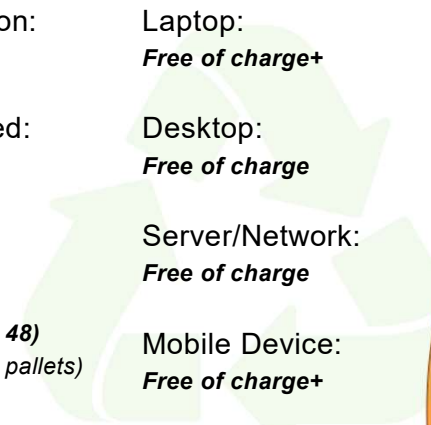*Free of charge*

HDD Shred:
Free of charge

Client Facilities

Serial # Recordation:
Charge per unit

HDD Erasure/Shred:
Charge

Logistics

Pre-Palletized:
Free of charge (lower 48)
(Min: 2 pallets | Max: 6 pallets)

White Glove:
Charge (globally)

Recycling

Laptop:
Free of charge+

Desktop:
Free of charge

Server/Network:
Free of charge

Mobile Device:
Free of charge+

Printer/Peripherals:
Charge per pound

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