



## **Leading the green revolution or cutting capex to the bone? Why you should know about a company called World Data Products**

### **A quiet change is happening in IT**

You don't have to be a polar bear to realise the planet is undergoing some severe life-threatening changes such as shrinking ice-caps and reversal of the Atlantic Ocean's currents. IT equipment is a major and growing contributor to such change, in terms of energy consumption when in usage and especially in manufacture. So it makes sense to apply serious efforts for recycling and re-use of IT, as it becomes increasingly central in everyday life. Considering current levels of landfill, pollution and climate change being what they are, who's around to help out corporates?

Perhaps leading some of the charge, but under the prudent banner of 40- 60% capex savings is (and in some ways the most aptly named) World Data Products Incorporated (WDPI). Their key deliverable is extending lifecycle for the low, mid- and hi-end server range by at least two years, from three to five years, bringing amortisation savings of some 40% minimum.

WDPI offers refurbished servers across the whole range, from twin Opteron to Superdome, and from Dell to IBM, and also Cisco routers, with quality guarantees and service contracts as good as (and some would say better than) the equipment's OEM. Interestingly this market is not new, or standing still. After some 19 years of being in this business, WDPI sees the world demand for refurbished equipment as growing fast and running currently at the multi-billion dollar level - indeed this commentary document was written on a refurbished IBM ThinkTank (- it *is* heavy -), one that has shown sterling services over several years - so I'm a believer. The only brake on WDPI development rates is the availability of suitable server equipment to refurbish.

The market segments for these kinds of savings stretch from the end-user market for all sizes of enterprise to the value added resellers (VARs) and independent software vendors (ISVs). WDPI has some 4000 customers for its offerings in refurbished equipment and maintenance contracts, with sales of some \$70million, largely US based. WDPI will buy any excess hardware, and that which is deemed to be at the end of its life, usually at 3 years, if suitable for refurbishment for resale.

### **What does this really mean for customers?**

As every CIO understands, IT vendors create technical and contractual conditions for ensuring that enterprise customers are well locked-in, using various devices around IT standards, usage conditions, configuration and support services. This is not new - it has occurred in many industries before computing. In his widely-read book analysing the growth of 'planned obsolescence', some forty years ago, Vance Packard accused the US consumer goods industry of creating demand, and waste, driving the appeal of the new by making the current unwanted

and apparently obsolete. However IT vendors are far better at this game. They make hardware and software that has to be replaced as vendors can dictate short life cycles, limiting duration of usage with compatibility problems. Generally vendors tend to increase maintenance service contracts and essential spare parts with time to force migration the new generation. They may refuse to support a particular configuration that includes certain systems not of their making. Some vendors refuse to support or service previous generations of software and hardware. For instance, what is perhaps the most stable of operating systems in the current Windows NT range, Professional 2000, is now becoming 'unsupported'. So might we ask here – is the IT industry deliberately creating waste? 'Upgrading' software also has knock-on effects in hardware, for CPUs and storage, which must constantly be faster and larger. No wonder certain French banks only change desktop software every five to six years.

Instead, what we will see is a novel ecosystem for the industry in which a modified value chain for IT arises, extended by a refurbishment sector, with a lengthened support phase. It will be led by a new range of suppliers such as WDPI with experience in heterogeneous configurations, willing to compete on service costs.

Moreover, the interesting point for all sizes of customer is that WDPI's ability to support what an OEM would like to label as obsolescence is also introducing competition into the hardware maintenance market – which, as WDPI point out, can reduce service contract costs with savings of up to 40% as competition bites. Competition from third party maintenance providers is going to be key in reducing future IT costs.

In an economy weakened by climbing out of a world recession while global competition strengthens, finding the capital to spend on large servers to build and test new software can be crippling. So why not turn to used equipment, perhaps even 'naked' without a maintenance contract at all or a very basic one. After all, these are temporary assets in some ways. In previous lives I have searched e-Bay for a naked Sun 10K to cut my development, test and diagnostics capex. WDC have just made that easier. And they will lease hardware just for proof of concept projects. Wish I'd known!

### **Legislation on waste is coming to IT markets**

Moreover, the OEM IT suppliers are no longer being left to set market conditions on recycling, with refurbishment as perhaps the most useful segment of that market. The regulators are now looking over the OEM's shoulders, especially in Europe, with the WEEE (Waste electrical and electronic equipment) directive and restrictions on hazardous substances (RoHS) directive now becoming law from 1st July. WEEE and RoHS Directives were an EU reaction to the increase in electronic waste. Each EU member state is implementing them in differing ways and at differing times, but they begin to bite this year. WEEE and RoHS have implications for product manufacturers, component manufacturers, importers, retailers, resellers (VARs) and companies of all sizes and a compliance policy will be required. We can expect the rest of the world to watch and learn. Countries such as China are observing WEEE and RoHS affects carefully.

### **The final word**

Alternatives to vendor lock-in can only be in the customers' interests. Open Source software has done this for some fundamental software platforms such as web servers, application servers and toolkits. WDPI takes this alternative choice further into support services and 'pre-owned' IT equipment with refurbished units for intelligent procurement at lower cost. Here we also can see market liquidity in equipment is being created with a secondary market in computing hardware, and, most importantly, supported by real service contracts.

PNA sees this as the first step in a big direction as governments become concerned from an environmental perspective, while users in both medium and large-scale enterprises are focusing on greater economies on both service contracts and OEM equipment – be it servers, IP networking or storage systems. The ideas behind what WDPI is doing can only get bigger.

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#### **About the Authors**

**Simon Forge** applies over 20 years experience in information industries to his current projects in telecommunications and computing, specifically exploring new wireless and computing technologies and potential futures, outcomes and strategies for markets, products, companies, countries and regions. Previously Simon was Director of IT Development for Consumer and Business Products for Hutchison 3G UK, managing creation of software applications for third generation mobile products, covering the whole range of multimedia products. He has also managed a wide range of teams and assignments – from acting as interim Director of IT development for the largest utility in the UK to developing one of the largest B2B e-commerce trading systems in Europe, to bringing nineteen disparate acquisitions together with unified business architecture, customer management system and billing system for a European telecommunications company. Forge has a PhD, in digital signal processing, as well as MSc and BSc in Control Engineering, all from the University of Sussex, UK. He is a Chartered Engineer and M.IEE and sits on the editorial board of the Journal *Info*.

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