



STRATEGIC ASSET MANAGEMENT

Pushing Convenience Aside - New Strategies for Managing Excess Inventory to Maximum Financial Gain

Across the globe - today's telecom networks are undergoing a remarkable transformation as the number of mobile subscribers and data usage skyrockets to new heights. As the result of such massive network growth and expansion, the volume of network infrastructure material being unplugged and decommissioned has perhaps never been higher. This constant 'churn' of material poses multiple challenges for finance, supply chain and procurement professionals who are increasingly tasked with trying to tame this flood of material and extract revenue from assets which have yet to exhaust their full revenue potential or utilization. Among telecom executives, there is little appetite for retaining de-installed assets longer than is required - and justifiably so. Material sitting idle in warehouses consumes precious space and resources, not to mention depreciating in value with each passing day. For many, the fastest remedy for off-setting the logistical burden and rapid decline in value of excess equipment is to simply sell entire lots of equipment to the highest bidder. Rarely - if ever - does this approach yield market value in the form of resale revenues nor does it create the potential for reuse of select assets within the network. In an industry as dynamic and competitive as telecom, go-forward asset disposition and investment recovery strategies must aggressively push aside convenience in favor of approaches better suited to support long-term objectives for service delivery and cost reduction.

And the Winning Bid is...

Maximizing the full value of decommissioned assets requires a keen sense for supply and demand on the global secondary market and the ability to factor material back into your supply chain. But the secondary market isn't an easy place to navigate on a consistent basis. For starters, demand for equipment can be difficult to predict. Assets seemingly in demand today may be worth no more than their scrap value next week, and material without a buyer for months may suddenly become the hottest commodity within a few days' time. Such wild fluctuation in demand and ultimately value also creates an opaque marketplace where less savvy participants can never be certain that business is being conducted with the utmost transparency.

When it comes to reusing decommissioned material elsewhere within a network, few carriers can claim to possess consolidated visibility into asset inventories. Once an asset is unplugged, tracking the location and condition of a piece of equipment becomes the domain of Excel spreadsheets and critical lifecycle data slowly disappears over time. Given the rate with which networks are evolving, there's the very real possibility that some of those excess assets will be needed (urgently) in the near future within the network or that of another operating unit. But without visibility (or if the asset has already been scrapped), the only alternative is to re-purchase the equipment at market price – plus the cost of expedited freight.

Faced with those types of hurdles, it's no wonder off-loading material to the highest bidder has become a popular approach for carriers around the world. But the overarching objective of asset management should not be achieving the fastest payday. Between rising equipment costs, new service demands and pressure to reign in CapEx and OpEx across the service chain, the focal point should be optimizing asset reuse, resale and recycling decisions for maximum financial and environmental gain.

Factoring Material Back into the Supply Chain

A Reuse Markets strategy extends the lifecycle of excess and decommissioned material, thereby placing the greatest emphasis on reuse within the broader telecom ecosystem. With advanced tools and a clearly defined set of best-practices, reuse-enabled asset management initiatives can offer financial, operational and environmental benefits that far exceed common practices for handling excess material.

By emphasizing reuse and maximizing resale opportunities through the creation of a centralized approach to the reverse logistics process, organizations can gain maximum visibility and opportunity to reuse assets they already own. Why re-purchase an asset owned as recently as a few weeks ago when fulfilling material needs within the network can be accomplished by establishing greater visibility into decommissioned asset flows?

Having the ability to put de-installed assets back into service (or made available via internal transfers to other affiliates) can help to significantly reduce cash outlay and dependencies on lengthy repair loops, not to mention providing an additional source of material when replenishing stocks of critical network components. And let's not forget that each time an asset is touched or moved, it costs money in labor and freight. Making quick, informed decisions on whether material should be designated for reuse, resell or recycling – 'touch it once' – is a powerful way to further minimize costs, transportation events and carbon emissions.

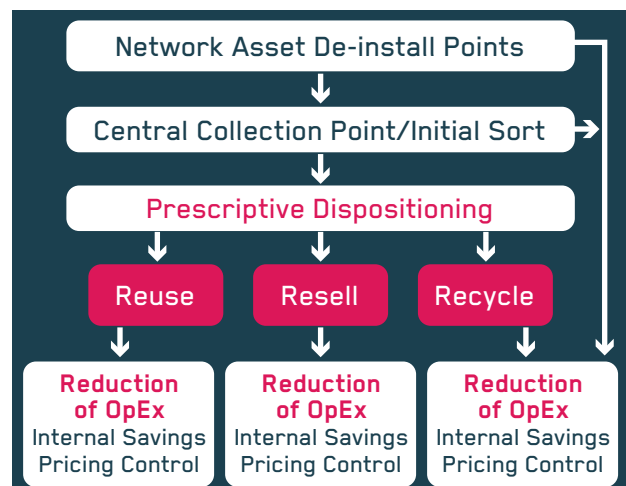


Figure 1 – By optimizing reuse, resell and recycle decisions, reuse strategies dramatically transform the financial gains associated with network upgrades.

Capitalize on Secondary Market Demand

Best-in-class frameworks for reuse recognize the revenue potential of material which has not yet reached the end of its useful. Rather than soliciting bids from vendors who are seeking to secure material at less than scrap value, carriers would be best served by pursuing revenue-share arrangements with a strategic consignment partner. By partnering with a vendor who understands the subtle ebbs and flows of the secondary market, and can capitalize on surges in demand, carriers can instantly transform their ability to generate sizable revenues from the resale of de-installed material.

While it's true that such an approach may not yield the instant payday of scrapping equipment or selling to the highest bidder, the long-term pay-off will be far more substantial. Figure 2 below, offers a side-by-side comparison of these two different models.



Figure 2 - Consignment agreements capable of tapping into global demand of 2G and 3G material yield higher revenues than more common approaches to handling excess material.

A Proven Model

For one of the industry's largest mobile operators, corporate responsibility and sustainability are central focal points of its business philosophy. Rather than allow surplus material from a wireless network upgrade in the Nordics to sit idle in warehouses or be sold off by weight, this carrier opted to leverage a sophisticated Reuse strategy to simultaneously mitigate environmental risk and transform service chain efficiency.

Through the combination of asset visibility, real-time market intelligence and prescriptive dispositioning, this carrier was able to quickly assess whether material could be resold to generate revenue and reduce warehousing requirements, recycled locally to recoup precious metal costs and limit transportation events, or optimally reused in one of the carrier's mobile networks. Since beginning the project, visibility into material flows has netted greater control over transportation events and long-term storage of items to reduce associated carbon emissions, and generated multi-million dollar increase in resale revenues and a multi-million dollar savings through equipment reuse to support expansion initiatives in other corporate-wide networks. The success of this program has been such that this carrier has since expanded the program in support of wireless network upgrades in other European countries.

Keep the Big Picture in Focus

Today, very few – if any – assets are valueless upon decommissioning. Networks are evolving too rapidly for carriers to dismiss the potential for reuse within their own network. As early adopters of reuse strategies have demonstrated, de-installed material can play a vital role in bolstering spares pools of critical equipment and support burgeoning bandwidth requirements in other networks. While many carriers may be pre-disposed to selling excess material to the highest bidder, these strategies have also shown that revenue-sharing arrangements between a carrier and reuse partner can generate significantly more resale value by taking advantage of demand on the open market. And in the process, drive the level of operational efficiency, and CapEx and OpEx reductions desperately desired by executives.

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