

Companies maximizing value with trade-in opportunities on the secondary market

With the ever-increasing demand for improved network performance, companies are opting to leverage the value of their existing networks for trade-in value on the purchase of newer equipment. While some companies upgrade to new technology, others have found compelling value in the secondary market. Until recently, hardware manufacturers haven't offered trade-in incentives for older technology, which pushed away companies looking to salvage any residual value on older equipment.

In an effort to encourage both end-users and channel partners to upgrade to newer technologies, Cisco Systems launched their TAP (Trade-in Accelerator Promotion) and TMP (Technology Migration Program), after realizing the need for a compelling trade-in credit which can be applied to new purchases. While the move was seen as an effort to drive the adoption of newer network equipment, many companies had already sourced trade-in opportunities with secondary-market vendors, who not only had experience dealing in pre-owned technology but also could offer a higher trade-in value. This played significantly into the number of network administrators that started looking at used hardware vendors as a way to reduce their TCO (total cost of ownership) and maximize their existing equipment resale value.

Peter Gilberd, CEO of Townsend Assets Group (TAG) a leading Cisco reseller added, "For our customers, the decision comes down to value. As long as we're able to offer high-quality equipment at a fraction of the price of new, I see our business continuing to grow. Over the last year TAG has seen revenue increase by nearly 40%, which he attributes to an increased trust among used network resellers. While TAG's growth is probably both a function of demand as well as the company's personal merits, the increased awareness of the secondary market has catapulted a number of companies into the public eye and more importantly, the view of consumers.

While an initial surge of IT hardware reached the secondary market following the telco bust of 2000, smaller organizations are still hunting out deals on surplus technology recovered from Fortune 500 companies. One such organization facilitating the process, Investment Recovery Association (IRA), represents more than 200 companies with investment recovery departments providing education, training and networking opportunities to members. With companies such as General Motors, Sprint, MCI and AT&T employing entire departments dedicated to recovering the highest possible returns on their surplus equipment, it's understandable that both liquidation firms and price-sensitive small and medium businesses will flock to the secondary market.

This poses a problem for manufacturers like Cisco, who while working diligently to stifle secondary-market resellers, look the other way when large corporations such as AT&T have liquidated surplus hardware to the secondary-market. Historically, companies like Cisco have responded to the threat of secondary-market vendors by employing scare tactics in order to fuel consumer fears, and push them towards buying new. While such methods have steered away some, the lure of deep discounts and higher trade-in credit has kept the used market a strong, viable alternative to purchasing new. This is good news for companies like TAG, who continue to grow as more and more companies buy used.

Source: <http://www.articlecircle.com>

About the Author

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