Vendor Profile

HPE: Infusing Circular Economy Principles into Secure IT Asset Disposition Products and Services

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IDC OPINION

Given the strong momentum behind sustainability, enterprises and governments are pushing agendas aligned with an eco-friendly world. Enterprises, for example, are naming sustainability officers (SOs) and chief security officers (CSOs) to make sure they comply with industry-specific rules and regulations. IDC sees the investment in sustainability leaders as a major trend that will continue well into the future:

- By following circular economy (CE) principles, governments and organizations can accelerate progress toward their sustainability goals, which typically include the concepts of rethink, reduce, repair/refurbish, reuse, and recycle. The centerpiece of CE is comprehensive asset life-cycle management defined by a repeatable, consistent framework for replacing and renewing IT assets.
- Secure IT asset disposition (SITAD) is a core element of comprehensive asset life-cycle management. When completed properly, SITAD can help organizations reduce risk, minimize cost, and maximize value recovery. Using preowned equipment can also be a solution to supply chain shortages and may reduce operational disruptions for IT staff.

IN THIS VENDOR PROFILE

This IDC Vendor Profile provides an overview of the IT asset life-cycle solutions of HPE Financial Services (HPEFS).

SITUATION OVERVIEW

Organizations are under public scrutiny and subject to financial penalties associated with a security breach or noncompliance. As a result, security, asset management, and asset disposition are in the spotlight. High-profile penalties underscore potential consequences. In 2020, for example, Morgan Stanley was fined $60 million for improper disposal of personal data during datacenter decommissions.

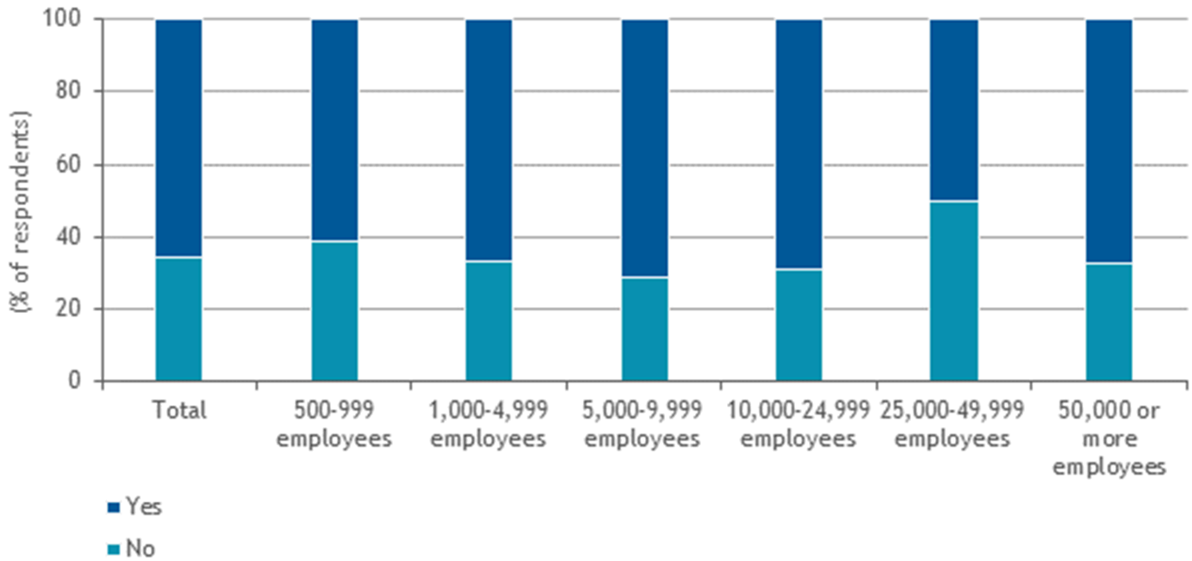
Although most companies believe that they have a plan to dispose of assets, IDC research data suggests that only 15% use an asset disposition company. Unfortunately, common end-of-life practices include storing assets in unsecure locations or following noncompliant disposal practices, thereby putting sensitive data at risk.

Organizations that actively recycle or reuse used IT equipment do so for reasons, led by the 66% that prioritize ewaste reduction and improvement of useful life metrics (see Figures 1 and 2).

FIGURE 1

Recycle or Reuse Used IT Equipment by Size of Company

Q. Does your organization recycle or reuse your used IT equipment?



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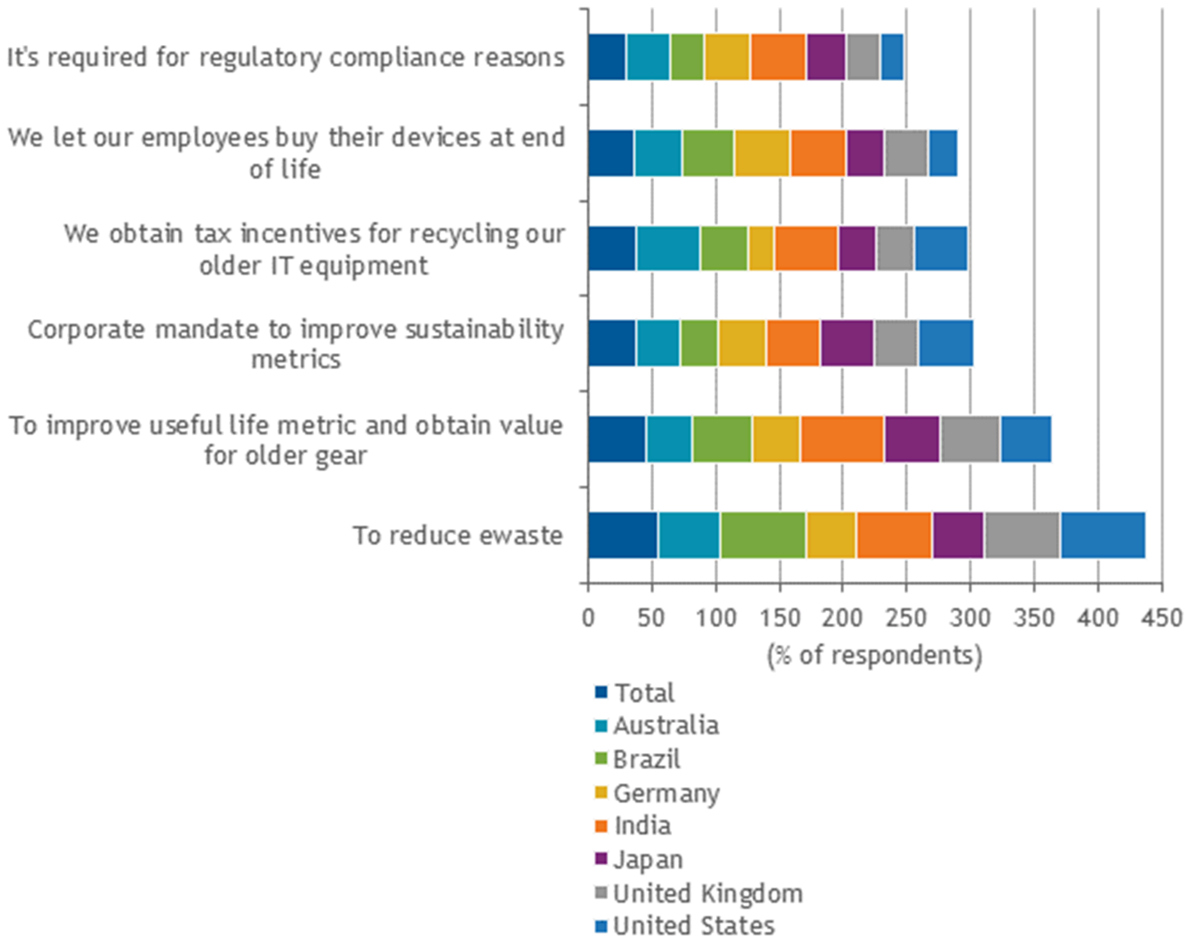
Source: IDC's *Used Equipment Market Survey*, October 2021

FIGURE 2

Reasons for Recycling or Reusing Assets by Region

Q. What are the main reasons/objectives that your organization recycles or reuses its used IT equipment?



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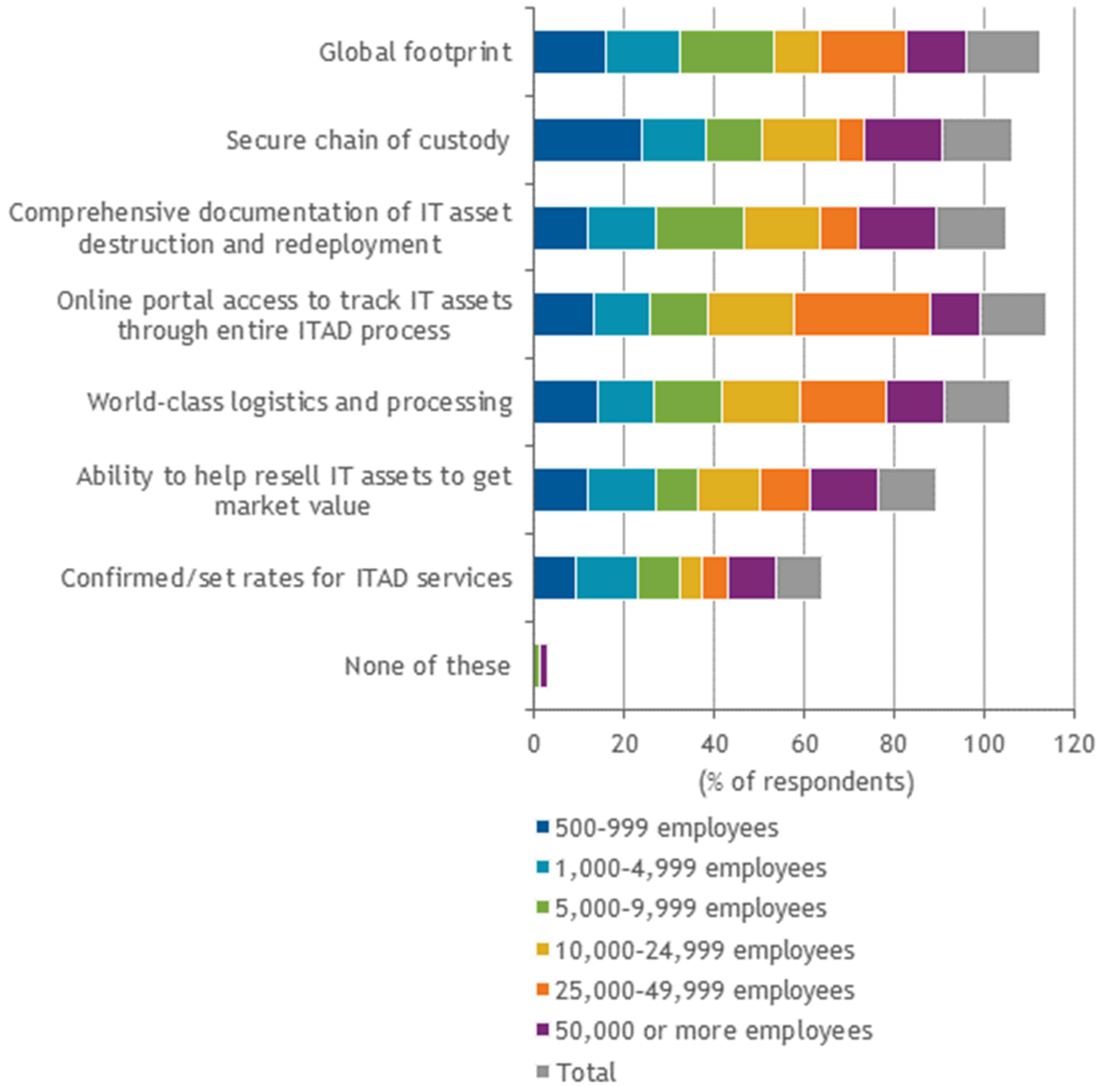
Source: IDC's *Used Equipment Market Survey,* October 2021

It's vitally important for CSOs and SOs to spearhead secure IT asset disposition practices in their organizations. Lack of adherence to proper disposal procedure can lead to the exposure of personal and corporate data, regulatory penalties, and brand damage. When organizations consider working with secure ITAD partners, the most important attributes are global footprint and secure chain of custody (see Figure 3).

FIGURE 3

Most Important Attributes of Secure ITAD Partners by Size of Company

Q. When thinking about a secure ITAD partner, how important are the following attributes?



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Source: IDC's *Used Equipment Market Survey,* October 2021

Enterprises and governments need to address the equally important goals of sustainability and data security. HPE's solutions can assist organizations with managing retired technology securely, supporting sustainability with circular economy principles, and measuring sustainability contributions.

Company Overview

HPE Financial Services helps technology users provide second lives for IT equipment or dispose of equipment responsibly. HPEFS also facilitates financing mechanisms for organizations that want to renew legacy equipment. More than 1,500 employees worldwide support offerings grounded in circular economy principles.

Technology renewal centers in Andover, Massachusetts, and Erskine, Scotland, provide IT asset removal services, data security, and asset upcycling services. Together, these centers make up the largest IT manufacturer refurbishing facility in the world. The centers have been operating for more than 20 years, providing secure asset refurbishment, remarketing, and retirement. Service contracts are available for one-time events or for ongoing relationships.

HPEFS collects multivendor workplace and datacenter equipment from customers in more than 50 countries. Collection and shipping can be self-managed or accomplished through HPEFS' logistics. Cost can be built into the initial contract or paid separately or paid by the value of the returned assets. Certified partners provide additional global support in more than 80 processing locations.

HPEFS takes in 3 million to 4 million assets a year. In FY21, the centers processed just over 3.02 million IT assets, consisting of 1.8 million datacenter assets and 1.2 million notebooks, desktop computers, tablets, and printers.

In 2021, more than a third of datacenter assets were not HPE branded, and approximately one in five workplace assets were not HPE branded.

In addition, more than 1EB of data was securely overwritten.

During the past three years, over 2.5 million PCs, 2.2 million servers/compute assets, and nearly 1 million storage devices were returned to active use.

Nearly 90% of assets are remarketed, and the remaining assets are recycled — value recovery practices that generate funds for future IT expenses.

HPEFS organizes its customized IT asset life-cycle solutions by customer objectives:

- Technology optimization management focuses on the business value of existing IT investments. HPEFS works with legacy hardware, assets at the end of their service life, and existing assets that can be repurposed.
- Technology transition management involves new technology investments to support digital transformation. HPEFS supports datacenter transitions, asset end of use, and short-term hardware use.

The aforementioned objectives are enabled by the following HPEFS products and services, which are designed to create a source of revenue or to lower spending for customers:

- HPE-certified preowned equipment is available for purchase, lease, or rental. This program extends the life of legacy systems that can be configured to meet an organization's requirements. All HPE-certified preowned equipment is tested to ensure functionality and authenticity.

- Accelerated Migration enables enterprises to convert existing, owned IT assets into cash while simultaneously moving the use of the assets to an as-a-service model via the HPE GreenLake platform. Organizations also can fund as-a-service migrations with value recovery funds.
- Asset Upcycling Services include secure data overwriting and environmentally responsible removal and recycling.
- Virtual centralized warehousing enables storage, updating, and redeployment of equipment.
- Support for datacenter consolidation or relocation is through the rental of preconfigured, customized systems.
- Proofs of concept are enabled by a pool of IT assets.

Company Strategy

In 2018, HPEFS launched its circular economy principles to help minimize the IT industry's environmental footprint, contribute to the development of a low-carbon economy, and accelerate customers' digital transformation. The circular economy approach embodies the idea of keeping products and materials "in the circle" longer than current practices. The CE approach enables more effective use of energy and materials, and it empowers customers to better manage their IT assets in a secure, compliant, and environmentally responsible manner. For HPEFS, circular economy remains a differentiating offer that allows customer to quantify the impact and avoidance when IT equipment is recycled.

A partnership with HPEFS typically begins with the development of a proactive, comprehensive, and sustainable asset recovery strategy to help organizations make the most of IT asset retirement by considering physical, financial, and contractual aspects.

Each customer receives a Circular Economy Report, which provides summaries of:

- Returned items and their final status (refurbished and recycled)
- Savings achieved in categories of CO_2e, energy, and waste kept out of landfills
- Recycling (raw materials recovered from returned products)
- Plastic returned for recycling
- Waste kept from landfills

The report data can be used for the Sustainability and Environmental Reporting (SER) requirement and for disclosing Scope 3 greenhouse gas emissions to CDP.

FUTURE OUTLOOK

SITAD falls in line with IDC's view on sustainability and circular economy principles. Without security, ITAD is toothless when it comes to reducing risk, minimizing cost, and maximizing value recovery. The expected growth in IT devices and increasing commitments to sustainability are prompting organizations to turn to SITAD programs.

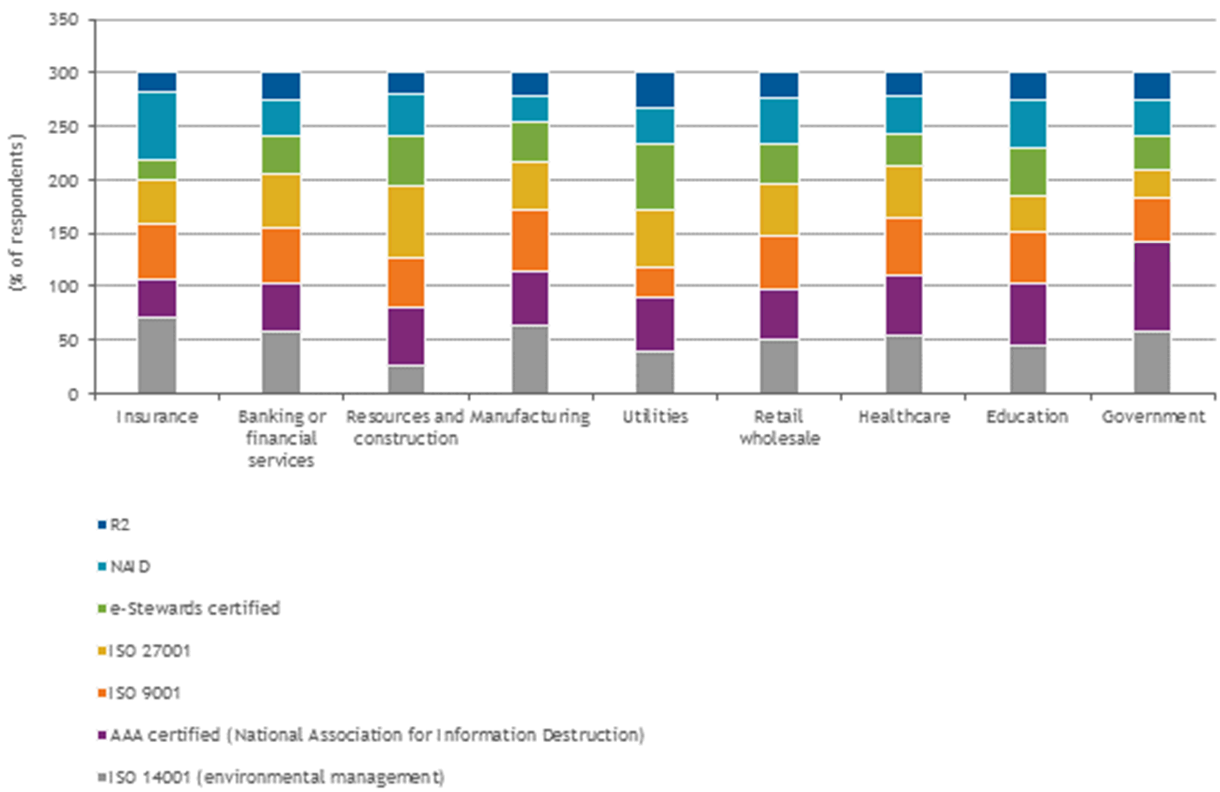
Organizations aligned with circular economy principles are rethinking and updating infrastructure asset life-cycle management policies and practices with an eye to extending the life of IT assets and reducing ewaste. Ideally, CE thinking spans IT equipment design, repurposing, decommission, disposal, and recycling. Organizations that want to adopt or enhance sustainable practices can take steps such as engaging IT equipment partners that incorporate circular design and manufacturing principles, reconsidering asset use, and identifying ways to cascade or reuse assets internally.

Enterprises, however, may not be aware of ITAD companies and what they do, especially related to funding ITAD programs through remarketing devices and funding sustainability initiatives that help organizations avoid potentially costly compliance issues. Figure 4 lists the certifications that matter most to information technology decision makers when they evaluate potential SITAD partners.

FIGURE 4

Most Important SITAD Partner Certifications by Type of Industry

Q. When evaluating potential recycling/refurbishment partners, which of the following certifications are most important?



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Source: IDC's *Used Equipment Market Survey,* October 2021

A vetted, trusted partner can demonstrate that an organization has met all aspects of regulatory compliance within all regions that a company operates by providing a secure decommissioning process. IDC surveys indicate that many organizations return equipment to the vendor or recycle with an SITAD partner, but these practices are not widely adopted or uniform on a global basis. The unevenness of worldwide recycling resources is a significant pain point for organizations as they try to improve their sustainability metrics.

Working with a SITAD partner relieves an organization of the heavy lift of staffing a program and staying up to date on laws and regulations. While services of SITAD providers vary, important capabilities include:

- Consulting services to help organizations adopt a SITAD approach
- Destruction of sensitive data using secure, compliant methods
- eWaste reduction, including toxic materials, to minimize what ends up in landfills
- Refurbishment, recycling, and/or remarketing assets to generate residual financial value
- Maintaining chain of custody and audit trails to prove compliance
- Physical security at facilities
- A customer portal that enables transparency
- e-Stewards certification

Note: All numbers in this document may not be exact due to rounding.

ESSENTIAL GUIDANCE

Advice for HPE

As sustainability commitments grow, IDC believes there will be increased accountability through fines or compensation. Ideally, SOs and CSOs will lead the charge to encourage progress and discourage complacency. Incorporation of circular economy principles will boost SITAD adoption and earn recognition for leaders.

HPEFS has a well-documented, global track record in providing multivendor secure IT asset life-cycle solutions. HPE's transition to an as-a-service company reflects its sustainability priorities while at the same time, helps customers reduce IT inefficiencies and operate in a more sustainable way.

HPEFS promotes reuse over recycling because reuse is less costly and more energy efficient than recycling. The company's platform encompasses asset value recovery; custom product configuration, testing, and disassembly; product cataloging, staging, and redeployment; reverse logistics; data security and destruction; and recycling and environmental compliance. The Technology Renewal Centers have a strong security focus and rigorous processes that ensure close tracking of equipment and parts throughout the process.

HPEFS asset services are a critical component of the HPE GreenLake consumption offer, and IDC believes it will be important for HPE to highlight the circular economy messaging that HPEFS has enabled through its asset recovery centers. This will reenforce how HPE GreenLake with HPEFS expertise reduces regulatory and financial penalties because all decommissioning is handled in a secure and responsible manner. Furthermore, corporate views about sustainability are evolving rapidly, and organizations are incorporating these views into their business practices, including procurement and ESG reporting.

It will be important for the circular economy metrics from the HPEFS asset recovery team to be integrated into the HPE GreenLake cloud platform. This will enable organizations to have key metrics about their usage, reuse, recycling, and decommissioning efforts to include with their sustainability reporting. This will be an important differentiator in the consumption space and will demonstrate the prowess of HPE GreenLake and HPEFS.

LEARN MORE

Related Research

- *2021 Survey: Trends in Used IT Equipment* (IDC #US48593221, December 2021)
- *2021 IT Leasing and Financing Survey: Understanding Customers Key Drivers and Motivations* (IDC #US48363321, November 2021)
- *Market Analysis Perspective: Worldwide Flexible Consumption and Financing Strategies for IT Infrastructure, 2021* (IDC #US48181521, September 2021)
- *The Cost of Downtime in Datacenter Environments: The Cause and Effective Measures to Alleviate* (IDC #US46505517, June 2020)

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