

Eyeing used networking gear-market bonanza

Network Hardware Resale plans to ramp up Singapore HQ operations to fuel its pre-owned business in Asia, reports **ONG BOON KIAT**

THERE may be a stigma attached to buying second-hand gear, but it has not stopped pre-owned networking gear provider Network Hardware Resale (NHR) from striking deals in many parts of the world.

And it now plans to expand its 35 staff-strong Singapore operations – its headquarters in Asia – to fuel more regional growth, said company CEO and president Mike Sheldon.

The expansion will help it grow sales in Asia from an anticipated US\$20 million this year to over US\$50 million by 2012, he told Biz-IT during a recent visit.

“We plan on adding six more staff in Singapore by year-end. We expect that by 2012 and if we are doing US\$50 million, to have about 80 staff in Singapore,” he added.

He also expects the company’s warehousing floor space here to swell to 25,000 square feet by that time – more than double the current space.

NHR landed in Singapore in 2007 and today operates a 10,000-sq-ft warehouse at Changi Business Park. It has 280 staff worldwide.

Formed in 1986, the California-based vendor sells pre-owned, refurbished and new surplus networking equipment from Cisco Systems, Extreme Networks, Juniper Networks and others – at prices as low as 75 per cent off the list price of new gear. It also resells new equipment from Force10 Networks, a US-based high-end networking gear maker.

Equipment sold by NHR come with warranties, and the company also offers service and maintenance contracts similar to those by new equipment vendors.

Mr Sheldon said sales

have been healthy despite the financial crunch, with business in Asia-Pacific especially robust. He expects the company to rake in US\$200 million in worldwide sales this year, with US\$19-20 million from Asia. The bulk of sales in Asia should come from Singapore, Hong Kong and Malaysia.

“After almost doubling (sales in Asia) in 2008, we will grow about 50 per cent in 2009. Right now, our forecast for 2010 is to grow approximately 50 per cent to US\$27-28 million,” he said.

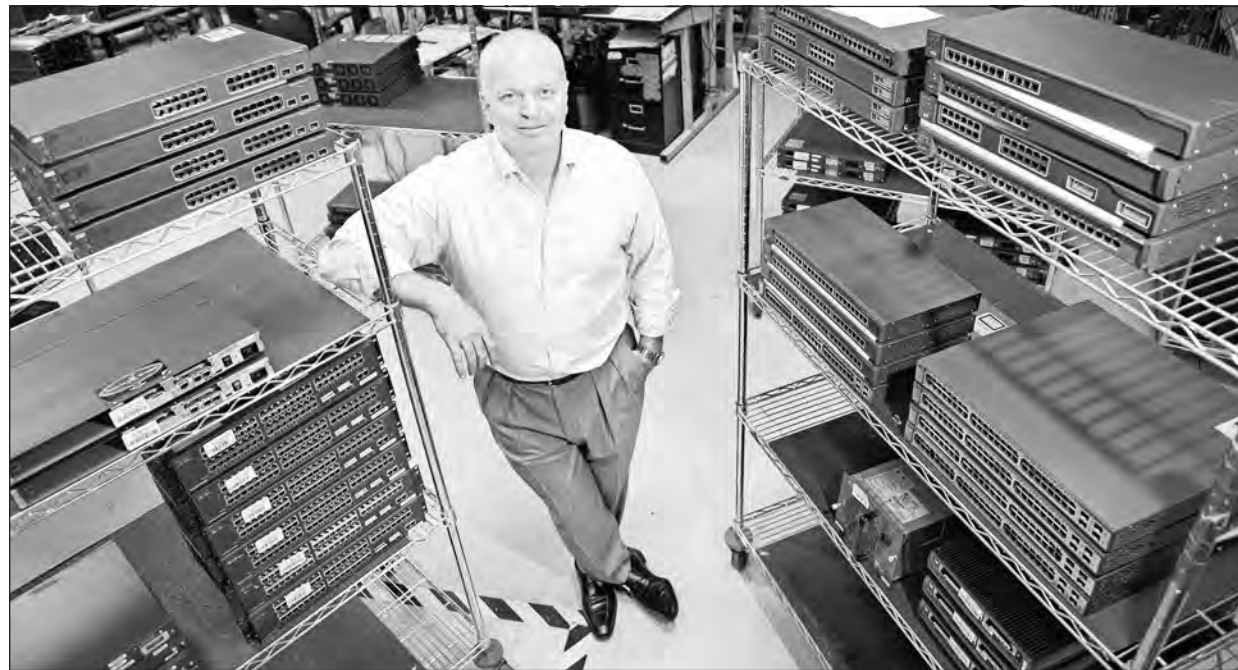
Singapore, as the company’s springboard into the region, will be a key prong for growth in Asia, he added.

NHR’s largest customers are telecoms and technology firms, with the finance, education and healthcare sectors its key growth markets. Its customers in Singapore include DBS subsidiary AXS, communications solutions provider Hello Technology and “all the big telcos”.

Besides gunning for more growth, Mr Sheldon also aims to make inroads into Singapore’s government sector, which has so far yielded only sporadic maintenance and hardware deals. While conceding that mega public sector IT deals will be tough to grab, he believes that sales of US\$4-5 million in “government and quasi-government” segments are attainable by 2012.

“If the Singapore government were to open up their tenders to NHR, I think we could do millions and millions of dollars of business that would help (government agencies) save millions more.”

Despite the negative perceptions associated with buying and using second-hand equipment in the



Bucking the trend: NHR’s sales have been healthy despite the financial crunch, says Mr Sheldon, seen here at his company’s Singapore warehouse in Changi

corporate environment, Mr Sheldon expects more companies in Asia to warm to the idea. “The stigma is strongest in Japan but I don’t see that much of it in Singapore and Hong Kong – which is why we are so strong in these regions. People in Singapore are much more practical and if we have a chance to deliver the message and talk about value and quality, we can overcome those objections.”

He added: “When most people hear used equipment, the first thing they think about is repair, where the equipment is from, if it was broken and if it will work. Overcoming those objections just need conversations.”

“So what we are all about now is reaching out to CIOs and CTOs and having that conversation, because the value proposition of getting the same equipment at a much lower price with great support is very compelling – once you get through the fear.”

A love-hate relationship with Cisco

IF Network Hardware Resale (NHR) has been the bane of Cisco Systems, seeing how it undercuts the latter’s equipment prices, it has also been a boon in some areas, said NHR CEO Mike Sheldon.

“Cisco’s sales people view us very much as the ‘evil empire’. We are a very strong competitor, selling their own equipment cheaper to their own customers. So both companies’ sales departments are very competitive.”

He said, however, that Cisco’s “strategy people” have good reason to appreciate NHR’s existence.

For one thing, the secondary market stoked by

NHR has helped heighten the appeal of Cisco equipment.

“The secondary market for Cisco equipment is the strongest in the world for any IT product that I am aware of. Three years after it is released, a Cisco product is worth between 30-40 cents on the dollar, while Foundry or Extreme or Juniper would be worth zero.”

“So although Cisco equipment is hardly the cheapest when you look at the list and even the discounted price, the very fact that customers three years later can recover such a substantial amount makes it probably the cheapest equipment there is on a TCO (total cost of owner-

ship) basis. And that’s 100 per cent due to the secondary market,” he said.

Secondly, NHR’s push into the small and medium-sized business (SMB) segment has also been beneficial to Cisco there.

“In the US, for example, HP ProCurve, 3Com, Extreme and Linksys are very successful at the low end of the market. We come in and actually displace them or compete against them, selling Cisco equipment to a customer that otherwise would have never bought it in the first place,” he said.

“So on a strategic level, I am sure Cisco would much prefer a customer to use Cisco gear from me, than 3Com gear from 3Com.”