

Thinking Small Powers Growth Strategy

Firm Begins Targeting Midsized Companies In Its Hunt for E-Waste

Monday, January 3, 2011

By Martin C. Daks

PlanITROI has carved out its niche by letting companies earn money while getting rid of broken or outdated computer equipment, but though the size of the IT asset disposal market has been estimated at \$2 billion a year and growing, the recession presented a challenge by encouraging companies to hold onto their equipment longer.



By moving to a larger facility in Florham Park, PlanITROI can expand and hire more employees, says Paul Baum, founder and CEO.

Denville-based PlanITROI helps customers like GlaxoSmithKline by carting away outdated copy machines, laptops and other equipment, refurbishing them, then selling the units to retailers like Amazon.com and Overstock.com, with part of the revenue going back to the corporate customer.

“Profits from the resale of the refurbished equipment typically exceed the minor costs of the refurbishing process,” said Paul Baum, founder and CEO of the 50-employee company, which draws its name from its business model: Plan to retire the IT equipment and get a return on the investment. “During a two-year period, we returned \$1.8 million to GlaxoSmithKline.”

Baum targets large companies that typically retire their computers after a few years, even if they’re still in working condition.

“It’s an interesting business model,” said Conrad Druker, managing principal of the Hamilton-based CPA firm Mercadien P.C., which is not associated with PlanITROI. “There can be a cost for companies to dispose of equipment like this, so it may be a good alternative. But with the cost of technology dropping on a steady basis, it may be more difficult to compete with new equipment at some point, although third-world countries might make a good market.”

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In fact, if a client company's unit is scratched or has other cosmetic blemishes that won't affect its performance, Baum's firm may ship the otherwise workable refurbished equipment to developing nations to be resold.

"The percentage of our sales price that's returned to the customer company will vary," he said. "Generally, we'll offer more if they give it to us on a consignment basis, so we don't have to front our own money."

Keeping outlays like that down, and turning over his inventory in a month or less, has let Baum's firm stay clear of debt, and even turn a profit, despite the weak economy. The company's annual revenue has been flat, at about \$20 million, for the past two years.

"When the recession hit, companies started to hang onto their equipment longer," he said. "Instead of a 3-year average life, they were using them for 5 years or so. It was like two-thirds of my supply chain suddenly vanished."

Baum responded by expanding his search for corporate suppliers to slightly smaller companies, going from a focus on 20,000-user firms to ones with as few as 5,000 users. But he continues to shy away from mom-and-pop operations, which tend to hang onto their equipment for a long time.

Baum is also boosting his sales efforts in South America and Europe; domestically, he's active in Southern California, Utah, Maryland and New Jersey, but plans to expand to the Midwest by early 2012. In the shorter term, PlanITROI is moving to new, larger digs in Florham Park in early 2011, where Baum said he plans to take on additional salespeople.