

MARKET PERSPECTIVE

HPE Reduces eWaste with Circular Economy Initiative

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EXECUTIVE SNAPSHOT

FIGURE 1

Executive Snapshot: HPE Reduces eWaste with Circular Economy Initiative

This IDC Market Perspective looks at how Hewlett Packard Enterprise (HPE), through its Financial Services (HPEFS) division is concentrating on helping technology users provide second lives to or dispose of their existing equipment, as well as facilitate financing mechanisms for organizations looking to renew legacy equipment to help digitally transform their business — often a key limitation for end-user organizations to embark on a digital transformation (DX) journey.

Key Takeaways

- HPE aims to make its entire portfolio available as a service under the GreenLake brand by 2022 — a rather ambitious plan, but one that market incumbents such as HPE might well need to formulate to successfully compete with cloud disruptors such as AWS or Microsoft Azure.
- Accelerated migration — where HPEFS purchases a client's infrastructure to facilitate the transition to new technology — and asset upcycling services can be viewed as means for clients of "self-funding innovation."
- Encouraged by the concept of "Circular Economy," HPEFS has established two main upcycling facilities in Scotland (U.K.) and Massachusetts (U.S.) to help customers provide further lives to their IT assets.

Recommended Actions

- Technology suppliers should become more proactive in launching initiatives to help tackle climate change beyond simply reducing carbon dioxide emissions and becoming energy neutral.
- Incorporating aspects of the circular economy into the life cycle of IT equipment can be a cost-effective way for organizations to provide further lives to their existing legacy infrastructure, while also freeing up resources to enable much-needed innovation
- Technology providers need to form a clear strategy to demonstrate how they are conducting their business sustainably and how they can help customers achieve their own sustainability goals.

Source: IDC, 2019

NEW MARKET DEVELOPMENTS AND DYNAMICS

According to the latest UN figures, the world produces up to 50 million tonnes of electronic and electric waste (ewaste) a year, of which as little as 20% is recycled. There are two crucial aspects to consider when talking about ewaste:

- The environmental and health damage it causes to all around (be it plants, animals or humans) in terms of the chemical discharges the components of this equipment might release to the environment
- Sometimes easily forgotten, the economic value of this equipment, estimated to be worth over \$62 billion based on the latest report published by the Platform for Accelerating the Circular Economy (PACE) and the UN E-Waste Coalition

As a key provider of a great proportion of electrical goods, IDC believes that the ICT industry – equipment manufacturers, in particular – has a moral obligation to help reduce the negative impact of their IT infrastructure in today's world.

HPE, through its Financial Services division (HPEFS) is concentrating on doing exactly that. With over 1,500 employees worldwide, \$3.7 billion reported revenue in FY18, and an impressive \$13 billion net portfolio of assets, the division is helping technology users provide second lives to or dispose of their existing equipment, as well as facilitate financing mechanisms for organizations looking to renew legacy equipment to help digitally transform their business – often a key limitation for end-user organizations in embarking on a DX journey.

Often, legacy equipment, or integration to it, becomes a burden for organizations looking to invest in more innovative technologies, hindering their DX journeys. According to IDC's 2019 *Global IoT Decision-Maker Survey*, problems integrating with legacy equipment is among the top 5 reasons stopping European organizations from developing Internet-of-Things (IoT) pilots onto fully scalable projects, for example.

HPEFS' offering, centered around the concept of the "Circular Economy" and the ability to upcycle electronic waste, is not new to the IT vendor, which has been manufacturing and repairing its own equipment for decades. The company's efforts toward sustainability go beyond simply upcycling and remanufacturing IT infrastructure, with HPE CEO Antonio Neri announcing in May 2019 its intention to gradually offer all of its portfolio on a consumption/as-a-service (aaS) model through its GreenLake portfolio. In the words of Paul Miller, HPE's VP of portfolio marketing for hybrid IT, Antonio Neri brings a sense of responsibility to HPE, and the Circular Economy is a pivotal part of it.

Paul Sheeran, managing director for Europe, the Middle East, and Africa (EMEA) at HPEFS, outlined two main areas of Circular Economy principles in which the company supports its customers:

- **Investment strategies.** As businesses are moving toward consumption models, HPEFS acts as a facilitator in the "cash to cloud" journey. As-a-service consumption models marketed through the GreenLake portfolio help derisk investments, thus facilitating innovation.
- **Life-cycle extension for IT assets.** Upcycling enables extracting more value from the existing IT infrastructure while prolonging assets' life cycle.

When the cost of sustainability is seen by businesses as a barrier to greater adoption of environmentally friendly practices, a combination of the approaches outlined above can provide a viable solution, enabling companies to implement sustainability policies while reducing overall IT costs.

The Economics of IT Infrastructure: GreenLake

In the new edge-enabled, cloud-centric, and data-driven world often described by Neri – outlined in *HPE Discover Madrid: All About the Edge* (IDC #EMEA44541318, December 2018) – HPE's GreenLake portfolio focuses on bringing alternative pay-per-use financial mechanisms to customers looking at renewing their IT infrastructures.

HPE aims to make its entire portfolio available as a service under the GreenLake brand by 2022 – a rather ambitious plan, but one that market incumbents such as HPE might well need to formulate to successfully compete with cloud disruptors such as AWS or Microsoft Azure. The combination of the flexibility, scalability, and pay-as-you-go nature of public cloud and the ease of mind on-premise hardware can provide can be a differentiation worth pursuing in an increasingly crowded marketplace. Doing this with a multivendor approach that upscales existing assets and the financing capabilities of a major global player like HPEFS could prove to be a game changer.

IT as a service (ITaaS) and consumption-based IT for on-premise environments, however, are major transitions for end users and vendor organizations. For end users, the model ticks a number of boxes, such as improving performance and flexibility while reducing overall cost, yet the changing role of IT within the organization and the switch from capital investment to paying for metered capacity as operating cost require the rethinking of enterprise processes and substantial change management efforts.

At the same time, educating and incentivizing the vendor's own partner network and internal sales force to focus on a consumption model can also present major challenges. In HPE's case, these hurdles have so far been successfully crossed with sales teams boasting double-digit conversion ratios. As a result, GreenLake is currently HPE's fastest-growing business now available in over 50 countries.

Yet, in the words of HPEFS' COO Gerri Gold, the best technology won't necessarily sell unless customers can afford to buy it. And CIOs today find themselves stretching their budgets and capabilities more by having to manage central IT while responding to increasing demands from lines of business, new regulation and legislation, and so on. In this environment, finding a technology partner that can help organizations manage and dispose of their legacy equipment while finding new ways to fund innovation can be a key differentiator. Gold points out that there are three key factors for success in optimizing IT economics:

- **The ability to handle multivendor environments.** Customers rarely have a single-vendor supply.
- **Global support.** Even if customers do not have global presence themselves, they prefer to partner with vendors that can support their expansion plans whenever needed.
- **The ability to see the broader picture.** Customers are not focusing on a single solution but rather looking at the entire legacy platform to accelerate transformation.

Accelerated migration (where HPEFS purchases a client's infrastructure to facilitate the transition to new technology), and asset upcycling services can be viewed as a means for clients of "self-funding innovation." According to HPEFS' Innovation Budget Financial Model, these services enabled HPE customers to infuse \$330 million back into their budgets in 2018, with individual client accounts receiving between \$25,000 and \$94 million.

The Circular Economy: Upcycling IT Assets

According to the Ellen MacArthur Foundation, the Circular Economy is "a framework for an economy that is restorative and regenerative by design. It moves business and processes away from the 'take, make, and dispose' model and moves to a circular approach where we design out

waste and pollution, focus on regenerating natural systems, and keep products and materials in use longer."

Encouraged by the concept of the Circular Economy, HPEFS has established two main upcycling facilities in Scotland (in the U.K.) and Massachusetts (in the U.S.) to help customers provide further lives to their IT assets. How exactly does this work? HPE collects the legacy equipment from customers worldwide and – based on the original location of the customer equipment – ships it to one of its upcycling centers: Scotland mostly for EMEA-based equipment, and Massachusetts for other regions. The service is not limited to HPE/HP Inc. equipment – multivendor equipment is also accepted. And through its network of certified partners, HPEFS can also provide additional in-region and country-aligned support.

The collection and shipping of retired technology can be self-managed or through HPEFS global logistics services, while the cost can be built into the initial contract, paid for separately or from the value of the returned assets.

During a guided tour of the Scottish facility, IDC had an opportunity to experience the entire upcycling process. Security, for example, is a key aspect of handling and keeping track of the equipment throughout the facility, with both the center itself and its staff having accreditation and clearance from the Ministry of Defense (MOD).

The center upcycles and manages all types of enterprise-related equipment, including laptops, PCs, monitors, servers, and printers with approximately around 2,000 assets getting cleared every three days, which shows the facility's great skills and capacity.

As part of a wider initiative, HPE has identified three routes to market for customers' legacy equipment:

- **Wholesale.** This includes all third-party equipment and has become its main channel to market.
- **Enterprise direct.** This route is for specific deals with particular customers that wish to reuse their own upcycled equipment.
- **Via partners.** This route uses a "Certified Preowned" stamp to ensure quality standards.

The Scottish facility certainly has some impressive results so far, with 2,000 assets cleared every three days, 94% of their assets remarketed in the short term, and a time to asset monetization (from HPE taking possession of the technology shipment to final reconciliation) of 60 days.

One of the most impressive aspects of the facility is its strong focus around security and the rigorous processes all staff follow to ensure the equipment and all its parts are safely manipulated, registered, managed, and traced throughout the entire process.

More significantly, beyond HPEFS facilitating innovative financing mechanisms for customers seeking to replace their legacy equipment, perhaps a fundamental sign of a shift in customer attitudes toward climate change comes from the initial conversations HPEFS has with them. During the early days of the facility offering its remanufacturing and upcycling capabilities, customers' initial concern was primarily focused around cost and how much extra budget would be necessary to use the service. Today, however, customers' initial request revolves around how HPE can help them achieve and improve their environmental goals while helping them transition in their transformation journeys.

ADVICE FOR THE TECHNOLOGY SUPPLIERS

Technology suppliers should consider the following:

- Technology suppliers should become more proactive in launching initiatives to help tackle climate change beyond simply reducing carbon dioxide emissions and becoming energy neutral. Through the technology they provide, but also by incorporating innovative business models and financing mechanisms (such as consumption and aaS models), technology providers can help their customers work toward a more sustainable future
- Incorporating aspects of the Circular Economy into the IT equipment life cycle can be a cost-effective way to provide further lives to existing legacy infrastructure many organizations have. It also frees up resources to enable much-needed innovation. Companies should aim to bring at least 75% of their IT assets into the Circular Economy.
- Forming a cohesive and committed ecosystem of partners that can support and guide the technology conversation, combined with sustainability talks and actions when approaching customers and potential clients, is crucial for the success of these initiatives.
- There is, undoubtedly, a growing momentum around climate change awareness. This increasing popularity and concern are driving customers' demand and expectations to the point that sustainability aspects are increasingly becoming a legitimate part of the bidding process. As such, technology providers need to form a clear strategy to demonstrate how they are conducting their business sustainably and how they can help customers achieve their own sustainability goals.

LEARN MORE

Related Research

- *HPE IoT Lab: At the Edge of Innovation* (IDC #EMEA44790919, January 2019)
- *HPE Discover Madrid: All About the Edge* (IDC #EMEA44541318, December 2018)

Synopsis

This IDC Market Perspective discusses HPE's equipment upcycling/recycling initiative to reduce ewaste through its Financial Services division, in view of its journey toward the Circular Economy. Technology suppliers should become more proactive in launching initiatives to help tackle climate change beyond simply reducing carbon dioxide emissions and becoming energy neutral. Through the technology they provide, and by incorporating innovative business models and financing mechanisms (such as consumption and as-a-service models), technology providers can help their customers work toward a more sustainable future.

"As a key provider of a great proportion of electrical goods, IDC believes that the ICT industry – equipment manufacturers, in particular – has a moral obligation to help reduce the negative impact their IT infrastructure has in today's world," said Marta Muñoz, senior director at IDC EMEA.

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