



By Todd Adelman, Chief Executive Officer and Founder, Trade Wings

## Driving Business Model Innovation through Reuse Optimization

The economic reality of today's global business environment has had a dramatic impact on every aspect of the telecom market. But challenging business circumstances can be an exciting breeding ground for new ideas, new innovation and transformational approaches to fundamental business practices. In the face of fierce competition and a frenetic pace of change, go-forward strategies must be built around reducing operational expenses and injecting greater agility and flexibility into business models.

For many telecom OEMs and carriers, the notion of a proactive, strategic approach for optimizing the reuse of network assets simply doesn't exist. Because organizations in the telecom industry remain largely siloed, it's nearly impossible for any level of consolidated, internal and external visibility of asset flow to emerge. As a result, OEMs and carriers find themselves confronted by a myriad of challenges that range from an inability to manage the spares and repairs process and control spending on new technology (carrier challenges), to complex multi-vendor service contracts, excess inventories and increased scrutiny surrounding the environmental impact of asset disposition (OEM challenges).

### TRADITIONAL APPROACH TO REVERSE LOGISTICS COMES UP SHORT

The concept of reverse logistics can best be described as the process of moving goods away from their usual final destination for the purpose of capturing value or proper disposal. Unfortunately within the telecom industry, reality is proving this definition to be wildly inaccurate. Under the traditional model only a small amount of network assets are actually reused, a slightly larger number are resold and the vast majority sent to recyclers as scrap. In a business environment demanding cost reduction and innovative business models, this approach leaves critical questions unanswered for OEMs and carriers such as:

- How are unused network assets being managed?
- Are stranded assets being recovered?
- Are decommissioned assets yielding any return value?
- Are the proper procedures in place to protect intellectual property on the secondary market?

### FLIPPING THE PYRAMID UPSIDE DOWN

The idea that an organization – or industry – can manipulate reverse logistics to their advantage is akin to pushing a rock up a hill. But with the right mix of market intelligence and expertise, it's possible to convert long-standing cost centers into profit centers by extending the lifecycle and utilization of network assets across multi-vendor environments. In other words, it's time to flip the reverse logistics pyramid on its head.

By inverting the pyramid (see above graphic), the greatest point of emphasis is no longer placed on assets going to scrap; instead the majority of assets are reused with smaller amounts resold and ultimately recycled. This type of approach is the cornerstone of a reuse optimization strategy, which can (a) enable organizations to make more informed business decisions regarding disposition of existing, unused material within internal service organizations and the open market, (b) promote business model innovation and greater operational agility through reuse optimization and the creation of new revenue streams, and

(c) significantly reduce waste and carbon emissions through cradle-to-grave accountability of assets.

### THE REUSE OPTIMIZATION IMPACT

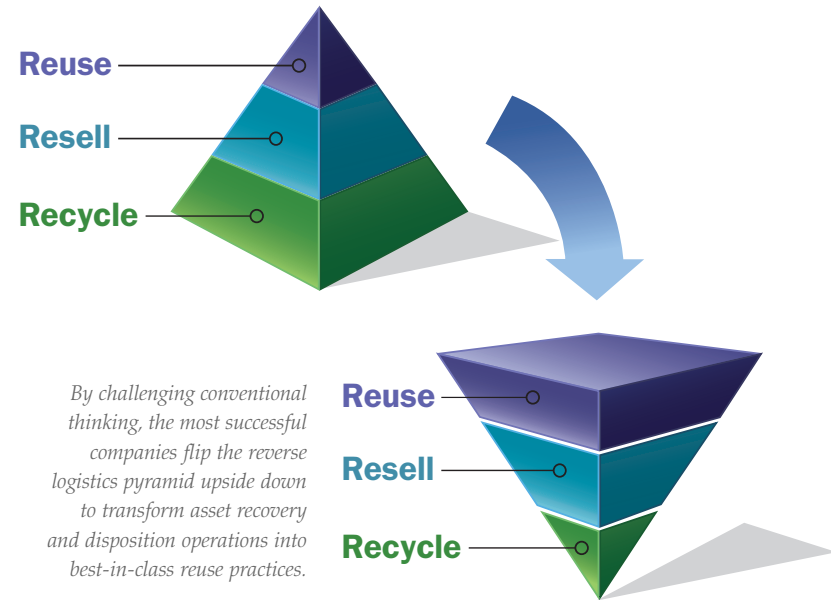
At the heart of any successful reuse optimization strategy is a normalized view into network assets across the telecommunications ecosystem. This includes visibility into existing inventory of live and decommissioned assets, the inventory needed from internal stocks and the global market, and invaluable data for determining assets that can be reused for replacement purposes. By providing an unprecedented level of collaborative, cross-ecosystem visibility, business users can gain access to the information required to drive more informed inventory, planning, procurement and reuse decisions.

For carriers, the development and implementation of a strategic reuse optimization program can translate into:

- A reduced need for 'expedites,' thereby enabling an organization to control the costs associated with spares and repairs management;
- The opportunity to recover value from decommissioned assets relative to network upgrades;
- The information necessary to improve management of excess inventories (such as those created through mergers and acquisitions) and access to the secondary market; and
- The opportunity to leverage just-in-time inventory management practices for reducing stranded assets and lowering network capital to revenue ratios.

Similarly, the benefits to OEMs can include:

- Greater control over all assets in the ecosystem;
- A more efficient approach to managing multi-vendor service contracts;
- The ability to reduce material leaks



and protect intellectual property on the secondary market; and

- The opportunity to increase compliance with existing and emerging regulations (i.e. WEEE) related to the environmental impact of material disposal.

Early adopters of reuse optimization strategies are already capitalizing on the financial and operational benefits of this innovative business approach. A leading telecom manufacturer, for example, saved approximately €6 million within the first year of implementing the beginnings of a sophisticated global reuse optimization strategy. Empowered by the newfound visibility into assets, this organization has reduced repair volumes by as much as 80% in some repair centers and saved more than 20% in equipment costs for multi-vendor service needs.

### EMBRACING BUSINESS MODEL INNOVATION

The convergence of a hyper-competitive industry and challenging economic conditions is placing more pressure than ever before on carriers and OEMs to identify new business models that provide agility and identify new sources of revenue. Long-standing organizational silos and outdated practices for reusing, reselling and recycling network assets are incapable of scaling to meet go-forward strategic objectives.

The results cited above are typical of what can be achieved when a reuse optimization strategy finds the right balance between technology innovation, market intelligence and industry expertise. In an industry defined in so many ways by constant change, devising a best practice framework for reuse optimization represents the type of new thinking that can energize business models and drive revenue growth.