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Business Day

The Cost of Overlooking Old Equipment

By BRENT BOWERS

Does the Panasonic phone that is gathering dust in your basement still work? Where did you store the Dell monitor your brother gave you after he acquired a wide-screen Samsung? Whatever happened to your original computer — the one you used to write the first draft of the Great American Novel?

If millions of Americans have trouble keeping track of the technology equipment they have accumulated over the years, companies large and small find the task so daunting that many do not even try.

But sloppy inventory control can cause major headaches for companies. In January, the credit card company GE Money USA reported that a computer tape that contained personal data about 650,000 customers had disappeared. In 2006, within the space of a few weeks, the Veterans Affairs Department lost both a laptop computer with information on millions of soldiers and veterans and a desktop computer that contained medical records of 38,000 patients.

Thomas Watson, president and co-founder of Asset Management International, a small Seattle company that tracks the flow of information technology equipment and other fixed assets into, around and out of corporate and government buildings, said the problems are far broader than the well-publicized data losses. Companies that fail to keep track of their technology assets face potential tax and legal consequences.

Mr. Watson has his own trove of anecdotes about missing equipment. He recalled a manager at an insurance company telling him that 300 computers bought three months earlier for \$600,000 could not be located and had to be written off the books.

And a story circulated at the annual CA World conference in Las Vegas last year, Mr. Watson said, about the chief financial officer and the chief information officer of a major company who were inspecting their warehouse. “One of them pointed to a dusty old box and asked the other, ‘What’s in the box?’” he said. “They found a \$2 million Sun Microsystems server that had been sitting there for over a year.”

Mr. Watson, 35, started AMI in 2003 with Ken Suzuki, a business colleague, to develop a method for continuous tracking of assets from the warehouse receiving dock to the trash bin.

“There is so much activity in I.T.,” he said. “Teams move, equipment gets shifted around. End users see a fancy new monitor on somebody else’s desk and just take it.”

After five months of tinkering — yes, in their basements, with only their savings to finance the project — the two partners came up with a product that uses a bar code scanner, software and a database.

AMI landed its first contract in April 2004. The \$30,000 deal was tiny, but the customer, Unisys, was a technology giant. AMI’s job was to help Unisys monitor the flow of technology assets throughout the Transportation Security Administration.

That contract helped AMI win a contract with CA Inc., formerly Computer Associates. Mr. Watson said he hoped that his company’s relationship with CA would lead to even more business. He aims to double his company’s revenue to \$1 million this year and to \$4 million by 2010 by the time-tested entrepreneurial expedients of pampering customers and sticking to his knitting.

Other companies promise to track ev-



Stuart Isett for The New York Times

Thomas Watson, president of Asset Management International, with an ‘Asset Track’ device, which tracks technology equipment, including computers and phones, for companies.

ery asset, including desks and light fixtures. AMI focuses on technology equipment. Mr. Watson said clients were attracted to the simplicity of his technology and the fact that AMI trains the client’s employees to use the technology after AMI has done the initial cataloging.

“We are offering a system that is both fool-proof and easy to use,” he said. “If a system isn’t easy to use, people will stop using it.”

One fan is Brian McIlrath, an asset management coordinator at Unisys who uses AMI’s AssetTrack software to track computer equipment at a consumer products company. “AMI’s bar code scanner is very, very reliable and fast, a huge advantage over manually copying and transferring the information by e-mail,” he said. “I can

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scan 20 assets in one room in two minutes, whereas if I did that by hand, it would take 10 minutes, and be more error-prone.”

Why is it so important for companies to keep a close eye on their technology assets? Aside from the obvious financial benefits of knowing where the assets are, up-to-date records reduce the risk of theft or loss of confidential information that could expose the companies to lawsuits and public ridicule.

But there are other reasons as well. Federal law requires publicly traded companies and government entities like school districts to keep accurate count of capital assets; depending on the circumstances, they could lose federal financing, face tax penalties and, in extreme cases, criminal charges for failing to do so.

Not only that, if assets are given away or otherwise disposed, but not taken off the books, companies must continue to pay property taxes on them to state and local governments. Mr. Watson cited the case of a company that paid millions of dollars in taxes on 20,000 computers it no longer possessed.

He said companies like his could help technology clients like Unisys assure the accuracy of the data they provide to their custom-

ers, thereby avoiding contractual penalties for falling short of standards they promised.

Mr. McIlrath of Unisys cited two other benefits of tracking technology assets. Since companies do not buy software, only entitlement rights to it, he said, they can waste a lot of money by unintentionally becoming “overlicensed” or face penalties and even legal action by providers if they are insufficiently licensed.

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Similarly, if an organization donates outdated leased equipment to a worthy cause, he said, it will have to buy out the lease at expiration — “a cost that probably isn’t covered in its budget.”

Mr. Watson said a report several years ago by Gartner, a technology researcher, found that only 30 percent of Fortune 500 companies had advanced systems to track computer equipment. “Obviously, the percentage would be much lower for smaller companies,” he said. “That presents an enormous opportunity for companies like ours.”

Or at least it should.

Mr. McIlrath said that in his eight years in the business, he continued to be surprised at how little attention corporate executives have paid to asset management. One reason, he said, might be that they do not see the payback on the cost. Christopher Gerhardt, the president of Denali Advanced Integration, a Seattle provider of information technology outsourcing services with

projected revenue of \$90 million, lamented that “almost no I.T. organizations get this right.” He added: “I know of one technology giant that basically throws out the assets when an employee leaves.

They don’t know what else to do with it — where to store it, how to redeploy it.”

Mr. Gerhardt, whose company has formed a partnership with AMI, tells the story of a local company that preordered \$5 million in equipment that managers figured they would need the following year. They stored it in a warehouse, he said, where it sat for two years, losing \$2 million of its value in depreciation because the company had no system in place to check its inventory. “It would be like buying a car and leaving it in a garage for several years without using it,” he said.

About AMI

Based in Seattle, Washington, AMI was founded in 2003 with the vision of bringing effective IT asset management tools to IT organizations.

AMI’s primary product, AssetTrack, is an asset tracking solution that allows customers to easily add barcoding, mobile devices, and other effective tracking capabilities to their existing processes. For smaller organizations, AssetTrack often serves as a first step into barcoding and fixed asset tracking. For larger organizations, AssetTrack extends the reach of helpdesk, autodiscovery, and accounting systems.

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