



End-of-life solution management for mobile devices reduces MNCs' security, compliance and sustainability risks

Five criteria for securing world-class end-of-lifecycle services

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What the oil industry learned years ago.

Until several years ago, most oil companies made sure to exchange title of crude oil only at the port of refinery. By so doing, they intended to transfer responsibility for any incident during shipment to the carrier. The reality, however, was that public perception did not allow these oil companies to avoid their accountability. As a result, the industry has installed a worldwide network of monitoring points that amongst other things ensures that tankers are properly emptied and cleaned after each transport.

Absence of proper end-of-life solutions for mobile devices is found to expose MNCs to significant security, compliance and sustainability risks

This year alone, an estimated 50 million company-issued mobile phones across the European Union will reach end of life (EoL). Less than 10% of these will be recycled, leaving the vast majority of devices to find their ways into drawers, dustbins and onto eBay. This exposes corporations and their management to substantial IT security risk and liabilities. Moreover, it creates a conflict with Corporate Social Responsibility objectives as it leads to environmental pollution and violation of privacy regulations.

An investigation conducted by SustainMobile shows that, while the vast majority of European Multi-National Corporations (MNCs) express they have adequate solutions in place for handling EoL mobile devices, in reality less than 5% of them actually do. These companies have typically transferred responsibility to their telecom services provider and consider themselves protected by the outsourcing contract.

Telecom outsourcing processes often lack appropriate criteria in the Request For Proposal (RFP) to govern EoL responsibility. Contracts tend to be signed without MNCs having the basic conditions in place for the operator to successfully carry out the task.

Most commonly found omissions are:

- End of lifecycle protocol describing how employees should act if their phone is EoL;
- Asset management tooling that tracks who has what device and when the device is EoL;
- Employee sustainability guidelines, for example describing responsibilities involved with handling company assets;
- Collection programs that make a structural effort to identify EoL devices and motivate employees –beyond the point of a simple drop-off box in the central entrance hall– to return their phones.



Upon further investigation, telecom service providers themselves demonstrated a glaring absence of proper solutions. All of them run IT security, Sustainability and Green Awareness programs, but these typically concentrate on minimizing the energy-use of their datacenters and base stations. If available at all, business-to-business end-of-life programs entail little more than auctioning off obsolete or returned stocks of devices to the highest bidding party.

Operators hardly keep track of the destination of these devices, which has led to illegal transport of E-waste, along with illegal dumping practices, hazardous child labor and classified company information ending up on public websites. These are all practices your company does not want to be associated with, yet is exposed to in the absence of an appropriate mobile device lifecycle solution.



The adoption of smartphones and tablet PCs is expected to increase such exposure even further. The average smartphone contains more than three thousand pages of data when reaching EoL. Moreover, these devices hold a substantially higher content of hazardous metals and carcinogenic compounds such as lead, mercury, and arsenic than traditional mobile phones. Under certain national environmental regulations in the EU, a company's senior management may be held personally liable if their business is found not to handle its end-of-life assets responsibly. This relates not only to the manufacturer of these products, but also to those companies that distribute devices in their networks. Liability encompasses various legal aspects, ranging from environmental to data protection and security of data processing. But even if not held liable, a business would have left untapped an attractive opportunity to enhance their Corporate Social Responsibility and information security profiles without a lifecycle solution in place.

The operator perspective.

There's too little incentive among operators to offer lifecycle management services as they require too much effort and dilute profits.

Throughout the credit crisis, wireless operators have continued to make healthy EBITDA margins on their corporate contracts. Profits, often substantially exceeding 40%, contrary to what operators would like their clients to believe, are independent from whether a contract is negotiated centrally or not.

In recent years, the source of profits is shifting gradually from 'minutes' to 'mobile services'. To maintain overall margins, these services are offered at EBITDA levels in excess of 50%. As lifecycle management services offer substantially lower margins and require new competencies, operators have too little incentive to pursue them.

By adding new criteria to their provider selection, telecom service buyers can substantially build their company's security and sustainability profiles

Most telecom service RFPs and negotiations concentrate on price, Total Cost of Ownership and Service Level Agreements encompassing items such as network performance, call quality and the operator's innovative capabilities. Focus on price often intensifies as soon as the MNC's procurement team gets involved. End-of-life requirements, if included at all, are often left to a single statement that casually shifts responsibility for EoL to the telecom service provider and assume the operator provides this service at no cost. Such statements typically lack associated performance criteria. It is no wonder that telecom service providers have not developed more comprehensive end-of-life programs than they have as the cost of operating such programs represents 10–15% of the original mobile device acquisition value. Why should they help their clients improve their data security and sustainability profile if so doing only eats out of their margin (see side panel)?

Some operators have pointed to the efforts they have made to install recycling practices. Unfortunately, such practices are missing the bigger picture: world-class lifecycle programs should not only offer recycling services but should optimize sustainability impact by facilitating device refurbishment and reuse. Experience teaches that more than 60% of phones can be refurbished and brought back into service.

"Small minds are concerned
with the extraordinary, great
minds with the ordinary."

Blaise Pascal

First-rate lifecycle management programs also acknowledge that the success of any program depends on the compliance of their participants. In other words, if there's no attention to motivating employees to return their old phones, a program will fail to make a meaningful mark.

Corporate buyers of telecom services should add five requirements to their telecom RFPs:

1. Collection program: Telecom service providers are to offer a program that optimizes the collection rate of used mobile phones. Such a program should go beyond a simple drop-off box in the central entrance hall. Employees should be engaged and motivated to participate, with sustainability benefits strongly promoted. No end-of-life device is to be allowed to end up in drawers, dustbins or on eBay.
2. Refurbishing as well as recycling: Service providers should optimize the reuse of EoL phones rather than simply push them into recycling value chains.
3. Program Cost: MNC's should accept EoL cost. Operators may add these costs to the device acquisition price or request a service charge per processed unit (standard within IT services). Funding through residual value of a refurbished device in the after-market (shared risk/reward) could also be an option.
4. Performance reporting: Telecom service providers should provide audited reporting on program impact, encompassing both security and sustainability performance.
5. Compliance evidence: Any existing provider of end-of-life services should be asked for evidence of compliance to environmental regulations, most notably the Basel Convention, and for their contribution to data protection regulation such as the European Union Data Protection Directive 95/46/EC.

MNCs should no longer accept unnecessary exposure to security and sustainability risk and are encouraged to incorporate these requirements in the first renewal round of their telecom services contract. Alternatively, and likely more efficiently, your company could engage with a provider of lifecycle solutions directly. Often such vendors can easily work with existing telecom policies and infrastructure to deliver impactful solutions in a matter of weeks.

SustainMobile allows MNCs to enhance their security and Corporate Social Responsibility profile through a uniquely effective approach to lifecycle management for mobile devices

SustainMobile, the European leader in lifecycle management for mobile devices, has been founded on the insight that while many MNCs are aware of the importance of a proper program to handle end-of-life ICT assets, most of them have struggled to find a professional solution. This is not only a result of MNCs not knowing what criteria to apply upon selecting a vendor. It is also a consequence of the vendors themselves, often traditional recycling companies, lacking an understanding of the telecom domain or the culture that comes with providing professional services to corporate clients.

SustainMobile's programs for handling end-of-life mobile devices have been optimized to deliver fast results in enhancing their clients' security and sustainability profile. The company has developed a unique approach to creating engagement among participating employees as a means to driving collection

Programs are easy to implement and minimize a client’s administrative burden. As illustrated in Figure 1 below, upon client identification of a device that is EoL, SustainMobile offers seamless reversed logistics and a fully traceable recall. Devices are graded and data-wiped according to the highest available specifications at one of SustainMobile’s highly secured facilities. As a final step, phones are recycled or redeployed in full compliance with WEEE regulations¹. Redeployment can occur with the same client or in the after-market. The process is fully secure, audited and through SustainMobile’s central orchestration, provides performance reporting to the client at each stage.

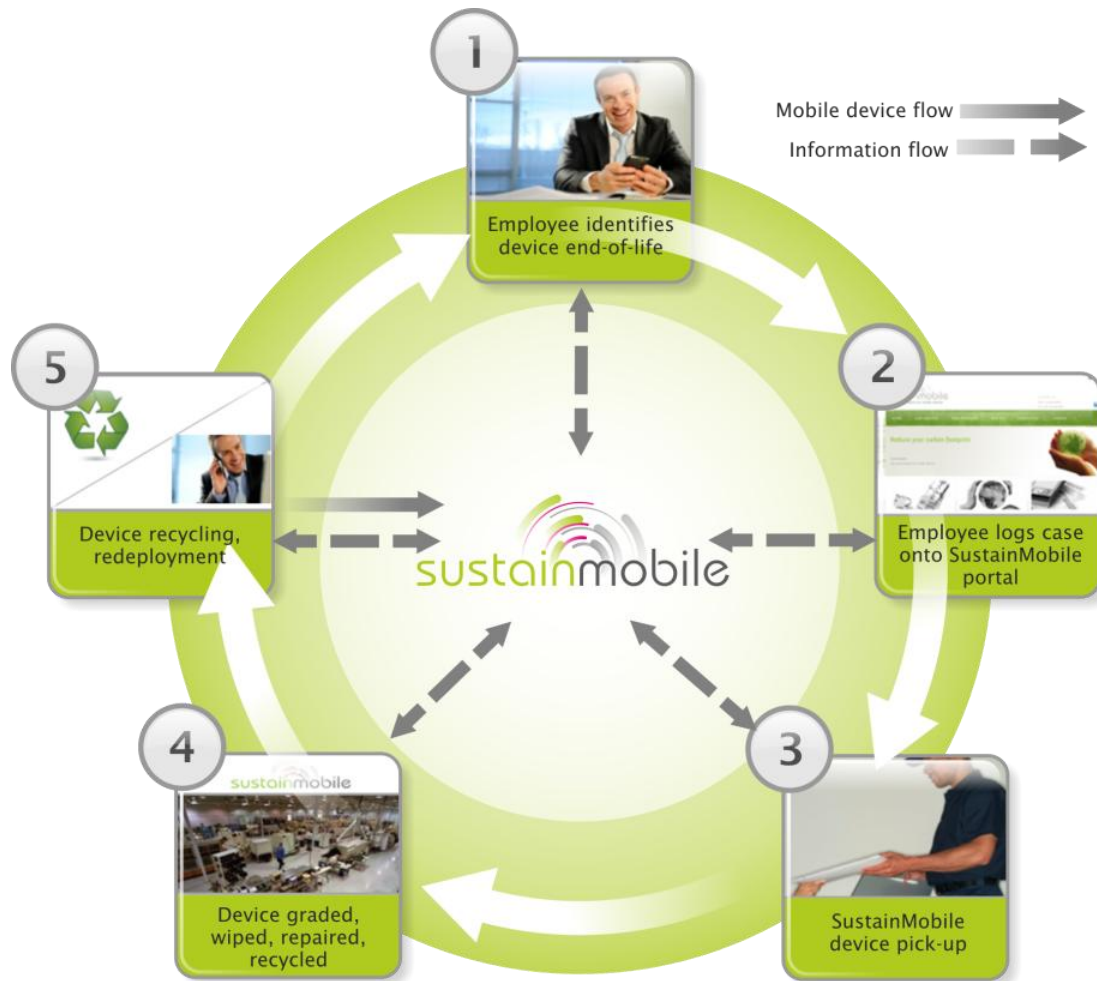


Figure 1: SustainMobile lifecycle management process

¹– The Waste Electrical and Electronic Equipment Directive (WEEE Directive) is the European Community directive 2002/96/EC on waste electrical and electronic equipment (WEEE) which, together with the RoHS Directive 2002/95/EC, became European Law in February 2003, setting collection, recycling and recovery targets for all types of electrical goods.

Mandatory e-waste collection targets.

In December 2008, the European Commission proposed to revise the directives on electrical and electronic equipment in order to tackle the fast-increasing waste stream of such products. The aim is to increase the amount of e-waste that is appropriately treated and to reduce the volume that goes to disposal. The proposals also aim to reduce administrative burden and ensure coherence with newer policies and legislation covering, for example, chemicals and the new legislative framework for the marketing of products in the European Union. The Commission proposes to set mandatory collection targets equal to 65% of the average weight of electrical and electronic equipment placed on the market over the two previous years in each Member State. The recycling and recovery targets of such equipment would cover the reuse of whole appliances and weight-base targets would increase by 5%. Targets are proposed also for the recovery of medical devices.

Throughout the program, participating employees receive engaging feedback on the environmental and social benefits from their individual actions as well as from the company as a whole. This unique approach leads to substantially higher compliance and collection rates, leading to program impact unmatched by any player in the industry. SustainMobile enables the client to demonstrate its commitment to Corporate Social Responsibility, driving overall employee engagement and brand equity.

Contact SustainMobile (www.sustainmobile.com) for a free assessment of your company's potential for enhancing its information security and sustainability performance.

About SustainMobile

SustainMobile (www.sustainmobile.com) is Europe's leading provider of lifecycle management solutions for mobile devices. The company helps clients achieve unrivalled levels of information security, compliance and sustainability performance through programs that uniquely ensure ICT assets such as smart phones and tablet PCs are properly collected and processed when reaching EoL. SustainMobile's 'New Fleet Solutions' allow clients to achieve ICT asset efficiencies by offering harmonized though client-specific fleets across their European footprint. SustainMobile operates at the exciting intersection of the Cleantech and Mobile/Telecom industries. It is a privately held company holding offices in London, Amsterdam, and Prague.

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