



Why Renew Is Better Than New For You

By Timothy Pricket Morgan
IT Industry Analyst, Editor and Journalist.

There are always budgetary pressures in the IT business, and customers who want certain kinds of equipment quickly often can't get the servers, storage, and switching that they need when they need it. Those shopping for gear made by Hewlett Packard Enterprise may not know it, but they can work with their HPE resellers and an upstream distributor called Synergy Associates to get equipment fast – and at a good price, too.

Gary Dean, who is president at Synergy, and Rodger Swanson, the company's executive vice president, started the company back in 1998 after spending many years at GE Capital IT Solutions. The dot-com boom was just getting going back then, and Compaq was the dominant supplier of X86 servers, followed by IBM, so Synergy initially started out as a traditional reseller offering products to end user customers with these two product lines. All server makers have products that comes off the factory line that end up being used for development and testing internally as well as for proofs of concept among customers and for trade

show demonstrations among partners. There is another pool of machinery that comes back because deals change after machines are manufactured and shipped, and excess inventory comes back from the field untouched sometimes, too.

Rather than inserting the products into the secondary market, where its full value – both technically and economically – could not be realized, Compaq cleverly started an in-factory remanufacturing program. They took the gear back, disassembled it down to the components, and reassembled them in more generic configurations and put the gear through the same manufacturing and test procedures as new equipment; factories, people, and processes. Hence, the name Renew. While this was a smart approach to getting the most value of out this gear, the company struggled to find the best route to market with their new Renew program. It took a while, but after Hewlett Packard bought Compaq in 2001 and the economy went through two more recessions, Hewlett Packard Enterprise, as it is called now, got it right.

"Initially, the program went only to the major distributors," recalls Swanson. "While intuitively sound, the problem with this approach was adding to their already vast product offerings. Renew products never received the mind-share required and as a result, the product languished on their shelves. So, this became a problem not solved."

"Compaq was all over the map with Renew, trying to sell to end users, trying to sell to partners," Dean chimes in. "Over time, they decided to streamline their distribution model to emulate their new product offerings. With Synergy's successes with their customer base, and in the channel, Compaq offered us the

opportunity to evolve into a distributorship. We grabbed it and ran with it."

Synergy saw a big opening here to carve out its own niche, so it transitioned in 2008 from a VAR selling new HPE and IBM gear to selling Renew to HPE VARs (partners). This direction placed Synergy on top of the distribution channel as a Tier One distributor of HPE Renew with its own unique supply chain of machines. The 2008 recession put pressure on technology budgets bigtime back when Synergy was

making this transition, so resellers had to get clever about doing deals that saved customers money. Gradually, they found Synergy's Renew inventory at substantially lower costs, which helped customers cut their budgets while at the same time giving Synergy and those downstream HPE reseller partners ways to conduct business in a downturned economy.

"The trick is getting people to understand what Renew is and how it is different from traditional refurbished equipment," says Wiese. "People get confused. For instance, in the United States, refurbished HPE equipment comes from HPE Financial Services, and they may even have ProLiant Gen9 equipment, but it is off failed lease or has been used and it does not have the remanufactured process standing behind it. There may be somebody else's warranty behind it or Support Services attached to it. It has been in production, whereas the Renew product hasn't been. This is not like a recertified car. Renew equipment is very lightly used, and it is rebuilt to be as good as new."

Based about 15 miles west of Minneapolis in the Minnesota town of Medina, Synergy has grown to 30 employees and has an asset inventory of products that range from \$5.5 million to \$7 million at any given time. Depending on the state of the economy and the volume of

gear that is pushed through proofs of concept, tradeshow, and test/dev environments and how much excess inventory comes in from deals that change, Andrew Wiese, senior enterprise account manager at Synergy, estimates that somewhere between \$100 million and \$150 million worth of servers, storage, and switches goes through the HPE Renew process each year.

Synergy is centrally located in the United States, which is convenient when it comes

to serving the 26,000 and growing authorized HPE partners in the United States. The products from Synergy that pass through the Renew program compete head-to-head with the new products from the major distributors – Arrow, Tech Data, Avnet, Synnex, and Ingram – who push billions of dollars in HPE products each year. To be sure, these companies have a lot of downstream partners. But they can't always move fast, and they don't always have the ability to configure exactly what customers want.

night. And we would ship later than that if the carriers didn't have a cutoff time."

That speed often matters more than anything else. Hurricane Harvey provides an example.

"We all know about the damage that Hurricane Harvey wreaked, and we are still feeling the effects," Swanson says. "We got calls from a number of resellers, one had a customer in Houston that had an entire datacenter underwater, and they, in turn, had hundreds of clients that were down as

HPE Renew Product Portfolio

Servers	Blades	Storage	Networking
HPE ProLiant DL & ML Commercial Servers HPE ProLiant Server options	HPE ProLiant BL Servers HPE Enclosures	HPE StoreVirtual Storage (P4000) HPE StoreFabric SAN Switches HPE StoreFabric Host Bus Adapters HPE StoreEasy Storage HPE StoreOnce Backup HPE StoreEver Tape Libraries HPE Storage Blades Modular Storage Arrays (MSAs)	HPE Networking Switches HPE Networking Wireless LAN HPE Networking Routers HPE Networking Accessories
HPE ProLiant DL980 Servers HPE Integrity Servers HPE 9000/PA-RISC Servers HPE Superdome 1 & 2 solutions and upgrades HPE Virtual Memory Arrays (VMA)	HPE Integrity Server Blades	HPE Storage (3Par)	 SYNERGY ASSOCIATES <small>An Authorized HPE Renew Distributor</small>

"We are at the top as a tier one distributor for HPE Renew, but we are considerably smaller compared to the major distributors – which means we have to be versatile and fleet-of-foot," says Swanson. "We like to send resellers their quotes in less than an hour, and it is usually less than that. If we get an order before 4:30 PM, we ship that

a result. The reseller was a long-term customer of ours, and they were hoping that we could pull a rabbit out of a hat to replace the datacenter, which had dozens and dozens of fully configured servers. And, they wanted to know the chances of getting the machines the next day or the day after. By the second day after that call, they had the machines, fully configured, and were

installing them, and we followed up with a second shipment that they needed for redundancy. All of this happened within a five-day period, during this same time period the ecstatic Reseller commented to us that they were just starting to receive quotes back from the major distributors they reached out to as well."

This fast response means that HPE resellers can depend on Synergy in a pinch. "Not everybody is getting the same attention in the channel," says Dean, "and we try to offer our customers opportunities to win deals in a competitive market. It is really a niche business with a tremendous value prop. Our challenge is when people haven't heard of this 20 plus year old program."

While it has been around for two decades, the Renew program is something that a lot of HPE customers – and their resellers, too – have not heard of. Once HPE ships out boxes for test/dev, proofs of concept, or trade show use, or gets some machinery back from customers who have changed their orders or from resellers who want to change their stock, it cannot distribute them as new anymore. By breaking down the machinery to its component parts and putting it through the same 23-step manufacturing and testing processes as are used for new equipment, it can be badged as Renew – not really used, and not quite new but very close. And because the Renew remanufacturing process is run by HPE itself, and the resulting machinery is given reassigned a new serial number and is eligible for the same HPE Support Services, or what used to be Care Packs, it can be consumed like it was new even though it costs nowhere near as much as new gear.

Equally importantly, resellers do not have to go through the deal registration process with HPE. They can just kick out a quote that is ready for a purchase order and push the inventory.

While time is money when it comes to getting infrastructure, money is also money, which is why HPE shops should insist that their reseller partner look upstream to the Renew program instead of just relying on new equipment that comes down from on high from the major distributors.

Here is an example. "One of our partners had a large end user out in California, and they were really tight on budget and they wanted to save 10 percent off of a \$400,000 c-Class blade server deal," Wiese recalls of a recent deal. "We got the price down to \$356,000, and HPE new could not really do it."

The c-Class blades are still popular with HPE customers because they are not yet sure if they are ready for the Synergy environment. (Meaning the HPE Synergy composable infrastructure line, not Synergy the company fronting the HPE Renew program.) With the c-Class, which illustrates how this works, there is substantial savings, according to Wiese. "With the interconnect on the back-end of the C-Class machines, our pricing is 65 percent lower than list. With this example, we can offer significant savings at the channel level. Dealers going to HPE and doing deal registration can on occasion see better prices from Synergy depending on the configuration. HPE customers then benefit from the VAR savings and with full HPE warranty, everybody wins."

The wonder is why everyone hasn't figured out this Renew gear exists and why Synergy is not out of stock all the time. (The more people know about Synergy and the HPE Renew program, the closer that day will come.)

The HPE Renew products are not used, and it is not old inventory, either, explains Wiese. "With HPE Renew – and this is why it can compete against new equipment – it is all new generation equipment. It follows behind HPE's new equipment by about three to six months. We currently carry the latest Gen10 and Gen9 products and are no longer stocking anything older. We are able to provide supplies of equipment for about a year and a half after the end of life of a previous generation, but after that, it is whenever HPE runs out of that stock, we can't sell it any longer because they are our source."

About 90 percent of the business done by Synergy is for servers and their support contracts and, thanks to a deal with another distributor, Microsoft systems software licenses; the remainder is split across storage and networking including Aruba. The ProLiant DL360 and DL380 servers, which are the workhorse of the modern datacenter, are common in deals, but for every ten of these rack-mounted machines, Synergy sells a ProLiant tower server of some fashion to an SMB shop or large enterprises looking for remote office gear. With an average deal at Synergy of one, two, or three servers the savings can be as high as 20 percent to 40 percent for end users – with margin still left over for the reseller.

Synergy sells a lot of MSA 1040 and MSA 2040 arrays, and resells the full line of HPE Ethernet switches and is starting to get into Aruba edge networking, too. The company can also sell components parts, from memory sticks to disk and flash drives, to network interface cards to power supplies and cables.

"The trick is getting people to understand what Renew is and how it is different from traditional refurbished equipment," says Wiese. "People get confused. For instance, in the United States, refurbished HPE equipment comes from HPE Financial Services, and they may even have ProLiant Gen9 equipment, but it is off failed lease or has been used and it does not have the remanufactured process standing behind it. There may be somebody else's warranty behind it or Support Services attached to it. It has been in production, whereas the Renew product hasn't been. This is not like a recertified car. Renew equipment is very lightly used, and it is rebuilt to be as good as new."

Given all this, it is worth telling your HPE partner to give Synergy a call the next time you need hardware. The worst thing that can happen is you get the equipment you want quicker and for less money.

Smarter Buy

Get high quality solutions and save 15% or more with the HPE Renew program offering the same reliability, functionality and warranty as new products from Hewlett Packard Enterprise.

HPE Renew delivers high performance and low cost when price and quality matter most.

PLEASE CONTACT YOUR HPE PARTNER RESELLER to check inventory or to learn more about the HPE Renew program.