

Network by eBay; The Inexpensive IT Solution

By Steve Mooar

Manhattan, NY, September 7, 2005 – I have told the story of building a company around information technology (IT) systems purchased at eBay to many startup and small business clients and always get a disbelieving response. But, the fact is I worked on a team that started a company in 2003 and all the information technology was purchased on eBay or similar auction sites as well as sites that handle refurbished equipment with the exception being a few desktop PC's and software. I purchased the desktop PC's new because it is so inexpensive to get new desktops with on site service and more horsepower than is needed in a business PC.

The company was a Consumer Electronics Startup that was selling products to national music store chains as well as big box electronics stores and mass merchants. So, in addition to having PC's on a network with Internet access, the information technology systems needed to support accounting, inventory control, manufacturing, and Electronic Data Interchange (EDI) transactions. I did have an advantage that made this approach possible in that I could build the system over a 4 week period, which gave me the time I needed for the auction sites.

The Budget

My Information Technology Budget was \$25,000 including software and hardware. To create this budget I made a list of the hardware and software that I needed and then went shopping at retail. When I refer to buying something at "retail", I am buying new items at retail price through a brick and mortar like CompUSA or a Internet Retailer like Amazon or Dell. The result was a comprehensive list of equipment including manufacturer, model, price, and retailer. The Internet has made it so easy to shop prices that when developing an IT budget there is no reason not to use actual prices.

As I mentioned earlier, I purchased desktops new. I purchased them with the operating system and Microsoft Office Professional. I purchased all additional software and the operating system for the server, Windows 2000 Server at retail. I also purchased 3 Uninterruptible Power Sources (UPS's) at CompUSA. I figured with the weight of the batteries, freight expense would be high and I wanted new batteries. The following is a list of the remaining equipment in my budget and how I went about purchasing and when you look at prices remember this was back in 2003 and computer equipment was a lot more expensive back then.:

- Server – Purchased an IBM Server to act as a file server and database server for the accounting and inventory applications. The server had 2 years left on the warranty, but came with no hard drives. Purchase was through Ubid.com
- Server Hard Drives – Purchased two hard drives for server one primary and one mirror. 60 GB drives were \$36 and \$28 through eBay.com.
- Router – signed up for a business DSL promotion with SBC that came with a free Netopia appliance that acted as a DSL modem, router, and 4 port hub.

- Switch – since we had more than 4 devices on the network, I purchased a 28 port 100 base T unmanaged switch through eBay.com.
- Copier – I was originally going to purchase a 30 page per minute copier and separate fax machine and network laser printer. But I found that I could get a refurbished copier with a lot more features for significantly less. I settled for a Ricoh Aficio 450 with the sorter, stapler and whole punch from Copier Discount Centers (copierdiscount.com). The Aficio also acted as a fax machine and network attached laser printer and could also be used as a scanner. I strongly recommend finding a local copier service provider and set up a service plan.
- Phone System – I purchased a used Bizfon system from another company located in the building that the startup was moving into. If you are moving into a new office, it pays to walk around the building and talk to other companies about their experience with local suppliers. It was in one of these conversations I found out about the Bizfon system not being used. I did some research on the Internet and found bizfon.com and decided to buy the system.
- Rack & Patch Panels – When we looked at the office space the current tenant was still there. For \$80 I got them to leave the rack and patch panels. The best part is I was able to get a copy of their wiring schematic and when we moved in I just plugged everything into the existing wiring.

How Did I Do?

Of the \$25,000 in my budget, \$7,800 was for software, PC's, and the UPS's that I purchased at retail. The following table shows how I did with the balance of the budget, \$17,200:

ITEM	SUPPLIER	BUDGET	ACTUAL	SAVINGS
Server w/ Drives	Ubid & eBay	\$2,000	\$664	\$1,336
Router	SBC	\$200	\$0	\$200
Switch	eBay	\$200	\$28	\$172
Copier	Copier Discount	\$5,000	\$3,995	\$1,005
Fax	NA	\$300	\$0	\$300
Laser Printer	NA	\$1,000	\$0	\$1,000
Phone System	NA	\$8,000	\$800	\$7,200
Rack & Patch Panels	NA	\$500	\$80	\$420
TOTAL		\$17,200	\$5,567	\$11,633 (68%)

If I did the math right I saved \$11,633 or 68% on the equipment purchased through non-retail suppliers. In terms of the complete \$25,000 budget this is a 47% saving.

Conclusion

If you are setting up IT systems for a startup or upgrading current systems and the installation is not tomorrow, spend some time researching and take a look at the non-retail sites to save money. Saving \$11,000 now results in \$11,000 available for other projects or is added to the bottom line.



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I think you will find that the people at PC World agree with this approach. Check out the article, *Use Auctions to Save Money on Tech Gear*, in the September 2005 issue (<http://www.pcworld.com/howto/article/0,aid,121768,00.asp>).

About the Author

Steve Mooar has over 10 years experience in Operations and Information Technology and has worked on numerous Startup and M&A projects. He is the president of Eagle Strategy Group, which provides Strategy Consulting Services to small and medium sized businesses. Eagle specializes in developing strategic solutions in Operations, Information Technology (IT), Startup, and Merger and Acquisitions (M&A), as well as provides interim management support. For more information go to www.eaglestrategygroup.com.