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I.T. Xchange offers new lease on life

Secondary market specialists source hidden high-technology gems to extend legacy environments for both resellers and distributors

By Shane Schick

He was 19 years old, conducting million dollar deals, but his customers never knew it from his voice. Jeff McFarlane has learned to use long-term strategic planning and electronic commerce to build a business, but when he was starting out about nine years ago his real secret weapon was the phone. "They'd be surprised later on when we met face to face," he says, "and they realized how young the guy was that they entrusted these orders to."

The computer industry is full of success stories about young people who hit the high-tech jackpot, but those stories usually feature developers, programmers, the nuts-and-bolts wizards that create the finished product that winds up in customers' hands.

Jeff McFarlane, president of I.T. Xchange, has chosen the secondary PC market as his niche. It's not a place for gamblers, though he's a prospector of sorts. Taking a walk through his company's Oakville, Ont.-based warehouse shows how he's developed an eye for the forgotten.

McFarlane, now 28, has worked at the other, more difficult distribution end of the industry, where youth is not as



highly prized as business acumen.

And even in distribution, he's chosen the secondary PC market as his niche. It's not a place for gamblers, though McFarlane, president of I.T. Xchange, is a prospector of sorts.

Just taking a walk with him through his company's Oakville, Ont.-based warehouse shows exactly how much he's learned about developing an eye for the overlooked, **the forgotten but necessary**. A pile of PS/2s lies in a heap along one aisle, seemingly destined for the trash heap.

"These came in this morning," he says, squatting next to the pile and pointing to the innards of one machine. "There's an ethernet card in here you probably can't get anywhere else today, and there's a huge demand for them. The rest of the machine might not be good for anything, but they're worth it just to get those cards."

Founded three years ago, I.T. Xchange has grown quickly, specializing in end-of-life products for both distributors and resellers. In March, the company passed the \$3 million sales mark, and at press time McFarlane was preparing to launch an improved Web site (www.itxchange.com) which would include complete electronic ordering and a list of inventory. Over the next year, I.T. Xchange plans to expand its product line beyond its strength in secondary IBM products to more Compaq products (currently about five per cent of its business) and hire two to five salespeople each year for the next five years.

McFarlane's **strategy is centred around two concepts: platform maintenance** (of discontinued or constrained in ordinary channels) **and appropriate technology**. "There are a lot of people out there who are really frustrated by the shortening of product life cycles," he says, acknowledging the trend has been a bonus for his business.

"They don't necessarily need the latest and greatest technology to do what they need to do . . . I think we're going to be a sort of clearing house for the main market, both for companies that are mired in inventory on one side and customers that have restrictions on restocking on the other."

McFarlane doesn't see many competitors that match I.T. Xchange's breadth of service, which means the challenge comes in managing expectations. In addition to its product testing facility, for example, the company has invested in a separate monitor testing area.

"When you buy a used computer, the monitor is the first thing you see," he points out. "If the picture quality on the monitor is bad, they start to doubt the rest of the system."

I.T. Xchange has also launched its own partner program for manufacturers, systems integrators leasing companies, corporations and public sector institutions sourcing

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overstock and off lease assets, managing inventory and participating in revenue or profit-sharing deals.



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