



WALDOM ELECTRONICS



WHITEPAPER

# Sustainable Solution to your Excess: Good for Business & the Environment





Excess inventory is expensive, but unavoidable — and so distributors need to consider scrapping inventory in a way that serves the business and aligns with corporate goals around Environmental, Social, and Governance (ESG). Too much is going into the landfill or being handled by unknown entities. Working with a trusted partner offers an opportunity to achieve corporate goals and minimize expense.

## Excess Happens

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The issue of e-waste, encompassing both end products and components, is significant and growing. In 2019, a record 53.6 million metric tons of electronic waste was generated globally, a figure that was up 21% in just five years, according to the [UN's Global E-Waste Monitor 2020](#). Unchecked, that figure will reach 74 metric tons of waste — doubling the problem — by 2030.

There are a number of reasons why waste and excess occur. Distributors are constantly trying to find the right balance between ensuring they have enough available stock without tipping over into overstocking. Especially in the electronics market, forecasting demand can be challenging, as end customer demand becomes increasingly volatile. Sometimes a component becomes obsolete, or an OEM ends a project early. The result is unused product sitting on the shelves. Further, many manufacturers are increasing minimum order quantities (MOQs) for distributors who do business directly with them.

At the end of the day, the delta between what's on hand and what customers want to buy can result in excess products that must be managed.

Additionally, storing excess inventory reduces available space for higher-demand items. Excess can pile up — and there are costs associated with storing unused materials. Floor space, as well as bins, pallets and containers, all cost money. Electronic components lose value quickly as newer devices enter the marketplace. The market for a part quickly shrinks once it is obsolete. In addition, space taken up by excess makes that space unavailable to other inventory or operational activities. Carrying unused products, for example, leaves less space for storing higher-demand components.

## Counting the Cost of Excess

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Excess inventory ties up cash flow for the organization, occupies valuable warehouse space, and increases both carrying costs and labor costs associated with managing the materials. Holding unsellable components complicates business calculations. Especially for organizations working with the inherently tight margins of the electronics industry, a bloated inventory count leads to less accuracy in calculating potential profit. Operational efficiency can also take a hit — because more items mean more

time searching for specific items. And of course, scrap negatively affects an organization's overall sustainability.

Sorting, storing, and disposing of large quantities of excess materials is time-consuming and complex. Meanwhile, the costs for scrapping shifts materials depending on the location, the type of components, the destruction method, and whether a certificate of destruction is required.

Excess also puts a serious burden on the environment. In a worst-case scenario, e-waste gets thrown into the landfill. When products are thrown away, rather than recycled or resold, the practice puts plastic, rubber, and metals into the landfill. Electronic components contain other toxic substances, which can cause pollution to air, soil, and water. As the number of products containing electronic components increases, the amount of potential excess also rises – underscoring the importance of waste mitigation plans.

Through proper processing, excess can be broken down into various materials and valuable or finite resources (such as silver, gold, copper, platinum, aluminum, and cobalt) to allow them to be reclaimed and reused rather than thrown away. Capturing and reselling these resources can translate into income for the business.

Recycling also allows for the harvesting of materials that are particularly hazardous to the environment, such as lead and mercury. By separating components into various materials, each can be handled appropriately.

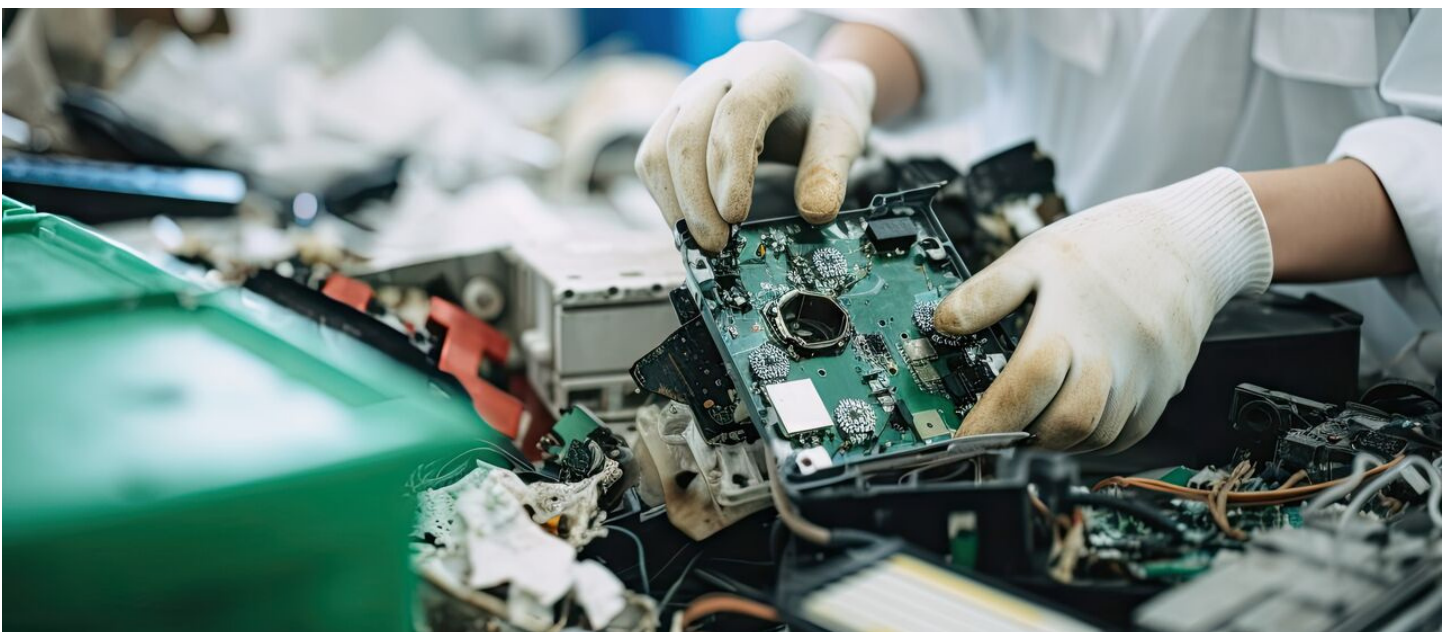
There are also less measurable impacts of excess. For example, if a component is thrown away rather than used, that doesn't necessarily mean there wasn't demand for that particular component. Manufacturers may have to manufacture a replacement for that product, a practice that increases the overall carbon footprint for component manufacturing.

## Making Better Choices

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Sending excess to the landfill isn't the answer, and recycling can be costly and time-consuming. But where should the excess go? Clearly, it's just as important to choose the right partner to handle excess inventory as it is to pick the right partner when purchasing inventory in the first place. It's important to understand the parameters of the agreement.

The most common solution used by distributors is to utilize a scrap allowance or stock rotation provided by a manufacturer, in an effort to encourage distributors



to refresh their stock with new products. This can be accomplished in one of three ways:

1)The distributor returns the stock to the manufacturer, which then tries to resell it to other distributors. For the manufacturer, managing returned stock is costly and time consuming. The distributor, meanwhile, is issued a credit that represents only a small percentage of its value. Any product that can't be sold is destroyed.

2)The manufacturer issues a credit for the stock, but the distributor is allowed to continue to sell it. In practical terms, only about ten to fifteen percent of the excess gets sold. The rest is destroyed.

3)The manufacturer offers a credit for unsold products and the distributor destroys the stock and provides a certificate of destruction. In this scenario, the process is easy but none of the product is resold.

In the long run, these standard practices can be improved to benefit both the distributor and the manufacturer. Instead of wholesale scrapping of unused components, exploring options to sell or reuse them could lead to potential income for the distributor, which is a win-win situation.

There are also third parties that buy excess inventory. Some independent organizations pay five or ten cents on the dollar, which again translates into a substantial loss. Further, once put into the hands of a third party, there is no traceability in terms of where the products go. Especially for organizations trying to adhere to government mandates not to sell parts in sanctioned countries, the lack of transparency is problematic. Many distributors are committed to working only with partners that can trace where products go after a sale to ensure that it won't go astray.

## Excess Recovery: Enabling a Circular Economy

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The most profitable and traceable solution is to work with an authorized source to help you find a buyer for excess inventory. Finding a new buyer for unused electronic components uses less energy and effort than recycling parts and manufacturing new components



from the harvested materials. With its excess inventory program, Waldom works with its Manufacturers and Distributors to recover the most possible value from inventory. In general, Waldom recover approximately 87% of the value of excess product. To date, Waldom has diverted over 5 billion components from the landfill. Since 2010, Waldom's programs have resold over \$417 million worth of excess stock.

## WALDOM'S NUMBERS:

**87%**

RECOVERY RATE

**417 million**

WORTH OF EXCESS  
REPURPOSED

**5 billion**

COMPONENTS  
SAVED FROM LANDFILLS

Manufacturers can allow Waldom to sell their excess inventory through its global distribution channel. Once the product is sold, the proceeds are split 50/50 – which represents a higher return for the Manufacturer than if the product were scrapped. Uniquely, Waldom exclusively sells to distributors and not directly to OEMs (Original Equipment Manufacturers), a strategy that strengthens the Manufacturer's distribution network.

Once a product is reclaimed by Waldom, it goes through a rigorous quality inspection and then most products find a new home with a distributor who has a use for it. The Manufacturer receives a point-of-sale report that lets them know where the components have gone. It also helps companies make strides in fulfilling their ESG goals and acting as good corporate citizens. Distributors buying reclaimed products get a 24-month warranty. Everybody wins.

## Conclusion

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Scrapping unused inventory harms both business and environmental interests. A better alternative is partnering with an organization capable of rerouting and tracing excess parts to keep them in the supply chain. This strategy aligns with Circular Economy principles, enhancing ROI for manufacturers and distributors, and offering a sustainable environmental solution by reducing waste and promoting resource reuse.