

# Computer brokering is a tricky balancing act

By Mary A. C. Fallon  
Knight-Ridder News Service

SAN JOSE, Calif. — The job requirements might read: must have a cast-iron stomach, steel nerves, the ability to figure out when a computer will be obsolete and the talent to juggle 150 balls at one time.

The impression is reinforced by listening to Russell Schneider shout questions across the hall to his operations manager while answering back-to-back emergency telephone calls from customers.

Schneider, founder, president and sole owner of Marketex Computer Corp. of Santa Clara, is a member of the \$8.5 billion sleeper industry of computer brokers.

Brokers swap, buy and sell new and used mainframe computers, along with peripherals such as disk drives and printers. They concentrate on selling large computers, most of them made by the market leader, International Business Machines Corp.

There are at least 222 computer

brokers in the United States, and most of them belong to a computer network that lets them find equipment all over the country.

That ability to quickly locate, refurbish and deliver computer equipment gives brokers an edge over computer manufacturers. Customers often turn to brokers when they need equipment faster than a manufacturer can deliver it. Customarily, brokers offer more flexible financing and leasing arrangements than computer manufacturers, brokers say.

Milt Wolf recalls when Sunkist Growers Inc. of Sherman Oaks, Calif., turned to brokers eight years ago, when it took 12 to 18 months for IBM to deliver a computer.

"A third party had it in stock when IBM didn't," said Wolf, Sunkist's manager of technical support. Besides, "when you're dealing with brokers, you get the same product, but at a reduced price," he said.

Brokers' prices can be lower in part because they buy in bulk from IBM. This puts them in competition

---

'Collectively they (brokers) are one of the largest purchasers of new IBM products and provide an alternative source of financing and leasing for customers.'

— Andy Russell,  
an IBM spokesman

---

with IBM's own leasing subsidiary. In fact, outmaneuvering IBM while maintaining friendly relations with the giant is the essence of brokering large computers.

Often the broker can offer better lease rates than IBM, but "sometimes we can't because IBM will get very competitive on a particular product," Benton said.

Brokers view IBM as needing them because they buy computers for cash and also create a secondary market for used equipment. Companies can easily sell off older IBM mainframes to brokers to make room for new models because of the net-

work. If the market didn't exist, IBM might not be able to sell new mainframes as fast as it does now, Benton said.

"Collectively they (brokers) are one of the largest purchasers of new IBM products and provide an alternative source of financing and leasing for customers," said Andy Russell, an IBM spokesman. Brokers also are a benefit because "they represent a ready market for used IBM equipment allowing customers to dispose of the equipment at value," he said.

With technology in constant turmoil, brokering is a tricky balancing

act. Brokers have to be able to forecast the lifespan of a computer by judging the speed at which technology is changing and how fast IBM is introducing new products.

"Electronics is a ticking time bomb," Schneider said.

Because brokers own the equipment they lease, the risks they take are far steeper than those of real estate sellers or stockbrokers. Partially offsetting the risks are the tax write-offs brokers can take advantage of by owning the equipment.

Brokers can charge less for equipment than manufacturers because these tax write-offs reduce their costs, Schneider said.

For those who play long enough and smart enough, brokering is lucrative.

Schneider worked as an IBM systems engineer and later as a market representative and manager for Memorex Corp. of Santa Clara, Calif., before launching his computer brokerage eight years ago. Marketex, with its staff of only nine, made a

profit of \$661,114 on revenues of \$5.1 million for the year ended May 31, Schneider said. Schneider, who is 40 and lives in Saratoga, pays himself \$200,000 a year in salary.

He expects to sell Marketex stock to the public soon, a step considered unusual for computer brokers.

In addition to brokering, Schneider decided to open a computer retail store but found out it just wasn't worth his time. Dissatisfied that it took 18 months and a lot of labor for his PC Center in Sunnyvale to become profitable, Schneider recently shut it down.

"I proved to myself that I didn't know much about retailing or the micro market," Schneider said. "My guiding rule is that if you have to put a super effort into a business just to make it break even, then something is fundamentally wrong."

But Schneider seems to relish the intricacies surrounding leasing and selling computer equipment, which he maintains takes two to three years to master.