



# Hosted Voice vs On-Premise Phone Systems



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VoIP (Voice over Internet Protocol) is a solution that allows users to make and receive calls using broadband Internet as opposed to the traditional analog method. Simply put, if you are using a VoIP phone system, you're using the Internet to make calls.

One of the primary drivers of growth in the VoIP market is the fact that it allows businesses to maintain flexible, on-the-go communication at a highly affordable rate. As opposed to traditional telephony, a VoIP phone system is more convenient, cost-effective, and flexible.

Many businesses are making the switch to VoIP. In fact, [IBISWorld](#)

[states](#) that the VoIP market is making a huge contribution to the economy – expected to increase at a rate of 15.3% each year until 2017. [A press release from Juniper Research](#) announced that the total number of mobile VoIP users alone is expected to reach 1 billion by 2017.

However, with the continued evolution of VoIP technologies, many businesses are left unsure of which solution best suits their needs. With the average company expecting to make use of their phone system for at least six years, organizations must be strategic when it comes to investing in a phone system for the long-run.

*“Mobile VoIP users alone is expected to reach 1 billion by 2017”*

*- Juniper Research*



We'll be going over the cost considerations for both a hosted and on-premise phone solution to aide you along the decision-making process.

## A Comparison of Upfront Costs

There are distinct differences between a hosted and on-premise phone system when it comes to upfront costs. An on-premise phone system is almost always paid for upfront – aka a capital expense (CapEx). Capital costs include: hardware, software, and any required licenses. This method is beneficial for companies that have the budget to own all the communications equipment they use and keep it updated on their own dime.

On the other hand, hosted phone systems allow businesses to leverage operational expenses (OpEx). This means users pay a flat monthly fee for their phone service. This payment model offers business owners tax advantages as well as lowered IT costs.

### Considering Cost of Deployment and Training

You must also consider the amount of time and effort that goes behind installing your phone system and having all your employees fully

trained on how to use it. While an on-premise system may be installed and provisioned by a third-party provider, these costs are typically added on to your service agreement as additional costs.

With a hosted phone system, you get a fully managed service – meaning all maintenance requirements and upgrades are included in your single monthly subscription fee.

### Upfront Cost

#### On-Premise

Upfront capital required  
(hardware/  
software)

Deployment/  
training cost

#### Hosted

Low monthly  
subscription

Training  
included

## A Comparison of Recurring Costs

In order to keep an on-premise phone system up-to-speed with the latest software updates, businesses must engage in maintenance contracts which



can add to the total cost of ownership (TCO). For major repairs or upgrades beyond standard maintenance agreements, users must place service orders with third parties and be charged on an hourly basis.

With a hosted phone system, maintenance contracts are not required. Because hosted phones are Cloud-based, software upgrades and system updates are completed by your service provider as part of your monthly service fee. Ongoing maintenance and regular upgrades are carried out by your hosted VoIP provider – allowing your internal IT staff to free up time to focus on issues more relevant to driving your business.

## Recurring Cost

On-Premise	Hosted
Maintenance contracts	No maintenance
Long-distance charges	No long-distance

## Why a Hosted Phone System Makes Better Business Sense

While we covered the cost benefits of a hosted solution, there are far more reasons why a Cloud-based phone system makes better sense for your business.

### Flexibility

Modern professionals expect their employers to support them in their remote and mobile working endeavors. Cloud-based phone system allows greater workplace flexibility by giving employees the option of connecting with colleagues, partners, and customers on-the-go.

If you need to add new locations or integrate any changes to your phone service, you can simply call your service provider, and they'll take care of it for you.

### Scalability

Being able to scale your phone system as your business expands is a huge benefit of hosted phone systems. Unlike an on-premise system, hosted systems allow businesses to easily add or remove users seamlessly – without additional capital investment.

## More Benefits

The cost-benefits of a hosted phone system far outweigh that of an on-premise solution. With a hosted phone system, you gain:

- Lower CapEx and ongoing maintenance costs
- Less staff and overhead required
- Built-in disaster recovery and security
- No more large, unpredictable upfront expenses
- Elimination of long-distance toll charges
- Free up time to focus on more strategic IT projects

## Partnering with Pro OnCall

Whether you're seeking a new phone system or upgrading the one you have, our experts work with you to recommend and design a solution and deployment strategy for your business and your budget.

As your single-source IT partner, we offer Voice, UC, and VoIP solutions from the industry's leading providers to help you achieve better performance, reliability and cost savings. To learn how we can help you enhance business communications with the right solution, [contact us](#) today for a free consultation!



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