HOSTED VOICE VS ON-PREMISE PHONE SYSTEMS

ABOUT PRO ONCALL

PRO OnCall has been providing quality service to our clients in the communications and IT industry for over a total of 70 years. We take pride in providing our clients the best IT solutions and communications systems for their business. We view ourselves as your partners, enabling us to better understand your company's IT and Communications problems and long term goals and leading to innovative and personalized solutions.

We stay focused on serving you – building on our record of personalized strategic planning, single-source IT and Voice solutions, and exceptional customer support. Are you ready to get started on your long term goals? We are.

HOSTED VOICE VS ON-PREMISE PHONE SYSTEMS:
A COMPARISON GUIDE

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.

According to a report by marketresearchstore.com, the global VoIP services market is poised to surge from $83 billion in 2015 to $140 billion by 2021. CDC also predicts that by the end of the 2018, only 6% of the U.S. population will still be using the traditional landline phone network.

6%
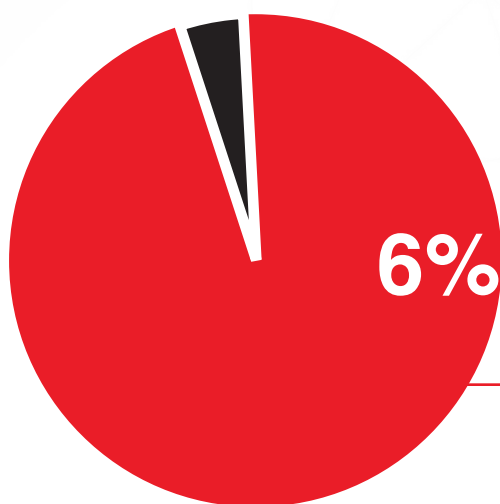
"...by the end of the 2018, only 6% of the U.S. population will still be using the traditional landline phone network."

A primary driver of growth in the VoIP market is that the technology has advanced to provide guarantees for quality of services as well as a number of management tools to keep business communications maintained in an efficient state.

Additionally, more and more businesses have access to broadband connection at affordable rates and higher speeds than ever before. These progressions have made VoIP phone systems an ideal solution over traditional telephony. Another key benefit to the VoIP trend is that it reduces the expenses associated with the technology itself. Whether you're a business with 10 or over 10,000 employees, VoIP allows you

to make a smaller investment without sacrificing efficiency. The cost benefits of VoIP are a major factor in persuading businesses to adopt the system.

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.

This eBook compares the upfront and recurring cost considerations of a hosted vs an on-premise phone system to aid you along the decision-making process. We'll also uncover the many benefits that a hosted phone solution offers, such as greater flexibility and scalability, easier maintenance, and built-in disaster recovery.

A Comparison of Costs

There are distinct differences between a hosted and on-premise phone system when it comes to upfront costs that includes both capital and deployment costs.

Capital vs Operational 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, having all your employees fully trained on how to use it, and assigning someone to troubleshoot the set-up. These factors all add up to the total cost of deployment. While an on-premise system may be installed and provisioned by a third-party provider, these costs are either paid upfront or added onto your long-term service agreement as additional costs. If there is no third party, then it's your IT team's full responsibility in managing the deployment, including all hardware and software programming.

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. The biggest advantage is its low upfront cost, making it an ideal choice of SMBs (small to midsize businesses). The only CapEx you might have to consider is purchasing IP phones for your

ON-PREMISE	HOSTED
UPFRONT COSTS	
Upfront capital required (hardware/software)	Low monthly subscription
Deployment/ training costs	Training included

"The only CapEx you might have to consider is purchasing IP phones for your employees, but you have the option of renting those as well."

employees, but you have the option of renting those as well.

A Comparison of Recurring Costs

When your company is in charge of supporting its phone systems on an ongoing basis, you are charged a recurring cost. Recurring costs are not as transparent as CapEx or deployment costs, and sometimes they are hidden altogether. When running off an on-premise phone system, keep

in mind the following:

Maintenance Contracts

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.

Software Assurance

In order for your maintenance contract to stay valid, an on-premise phone system may need additional software upgrades which can add up as incurred costs.

A hosted phone solution includes all maintenance requirements (including automatic software upgrades) as part of your single monthly subscription fee. 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.

Service Orders

Whenever premise-based phone equipment is managed by third parties and requires major repairs or upgrades, a Service Order is required. Service Orders are often not included in the standard maintenance agreements, and businesses can be billed hourly for the service.

With a hosted PBX, no charges for Service Orders are required. You will often have a team of dedicated specialists assigned to your unique account for support.

Labor Associated with Ongoing

40-50%
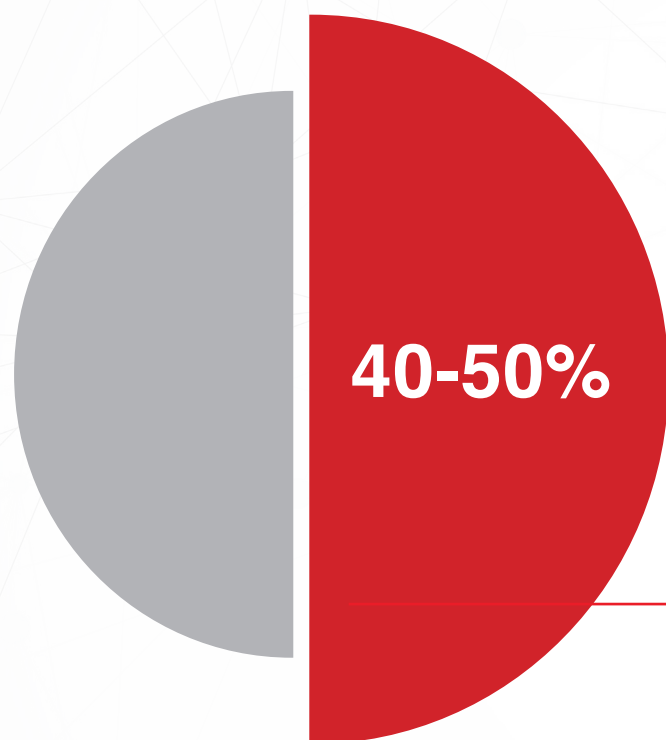
Did you know...

The Total Cost of Ownership (TCO) for hosted phone systems within a 3 to 5-year span is smaller than that of premise-based systems by as much as 40 to 50%.

System Management

On-premise phone systems typically come with labor costs, which are often overlooked. These systems require a specialist's 24/7 availability to ensure the system stays up-and-running. That means regularly maintaining and upgrading the software and reporting and managing any issues that arise. You must take into account the amount of time

and commitment required of an on-premise system – time that could be spent on other more strategic projects.

On the other hand, a hosted phone service is delivered by enterprise-grade equipment. That means that regardless of the size of your company, you'll be backed with the best quality of phone service.

Training & Certification Costs

Every on-premise system requires employees to be fully certified in handling and managing the software and hardware. This requires undergoing training for the initial rollout of the phone systems as well as for ongoing maintenance. Additionally, all system users must be caught up-to-speed and trained on how to use the systems as it correlates to their role within the organization.

Managing your own PBX can cost thousands of dollars and take

up countless hours of manpower every year. By outsourcing this responsibility with a hosted PBX, your employees and IT staff can focus on issues relevant to pushing your business forward.

Recurring Phone Circuit & Long-Distance Costs

To make inbound and outbound calls using on-premise phones, you need connectivity for voice and sometimes even data. This can cost your business in setup fees, monthly recurring fees, as well as charges based on phone usage.

With a hosted phone system, you can make nationwide calls using inter-office extensions as opposed to separate local lines, PRIs, or SIP Trunking – resulting in more flexible calling options without the incurring long-distance charges.

Electricity Costs

ON-PREMISE	HOSTED
RECURING COSTS	
Maintenance contracts	No maintenance
Long-distance charges	No Long-distance charges

Both on-premise and hosted systems require electricity, however on-

premise equipment requires far more computing power onsite – driving increased costs for cooling and electricity usage. Premise-based phone systems also need larger UPS's to run during the case of a power outage.

A hosted PBX keeps your power requirements at minimal levels as only your PoE switches and modems/routers need power.

The Case for a Hosted Phone System

The direct benefits of a hosted phone system can be significant as they allow business to:

- Reduce CapEx (capital costs) and ongoing maintenance expenses associated with a single, converged network infrastructure
- Eliminate increasingly costly service and support contracts on outdated legacy hardware
- Eliminate long-distance toll charges
- Enhance self-serve capabilities while significantly reducing costs associated with performing phone moves, add-ons, and changes

Measuring Cost of Ownership

Did you know that the Total Cost of Ownership (TCO) for hosted phone systems within a 3 to 5-year span is smaller than that of premise-based systems by as much as **40** to **50%**. On-premise systems have large upfront CapEx and installation expenses which can use up significant resources as opposed to the predictable and recurrent monthly expense obtained through hosted phone systems.

Along with a lower TCO, hosted phone systems also offer advanced, feature-rich and application-friendly solutions.

Indirect Benefits of a Cloud-Based Phone System

An all-inclusive TCO calculation should include both the clear 'direct' costs as well as the 'indirect' benefits. Below you'll see why a Cloud-based phone system offers far more flexibility and scalability while keeping your system current.

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.

More Benefits

FLEXIBILITY	
ON-PREMISE	**HOSTED**
Making changes can be a complex challenge as it requires project planning for proper deployment. You may also face additional charges by your telephony service provider for adding new locations or integrating new phone systems.	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 quickly and easily.

SCALABILITY

ON-PREMISE	HOSTED
On-premise phone systems are usually designed for an established number of users – typically in increments of 8, 24, or 100 seats. Before integrating an on-premise phone system, businesses must be able to predict their size over the next 10+ years to ensure they have excess capacity – requiring more capital expenses. If you reach growth beyond what you expected, you'll need to opt for an entirely new phone system which could cost up to 100s of thousands of dollars.	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. Scaling up or down is a seamless and cost-effective process as you only pay for the services you use and eliminate the unnecessary expenses of unused lines.

TELEPHONY CIRCUITS

ON-PREMISE	HOSTED
The business is responsible for making sure the right types of circuits are installed in the right spots to support all necessary connectivity and functions.	Your service provider is in charge of making sure you're equipped with the right circuits and will manage the installation/configuration process on your behalf.

SPARE PARTS MANAGEMENT

ON-PREMISE	HOSTED
With an on-premise phone system, you must manage an inventory of spare parts to support continuous maintenance requirements. It also requires you to have an active agreement in place with a break-fix service to handle necessary parts sparing.	All hardware and software maintenance, which includes the management of spare parts, is handled by your hosted provider. That means no involvement is needed on your end.

TRAINING/CERTIFICATION

ON-PREMISE	HOSTED
A business with an on-premise system must pay a third-party reseller firm that is certified by the system vendors to install, manage, monitor, and continuously maintain its systems. The business must also ensure ongoing training to maintain necessary vendor certifications.	Certifications are 100% handled by your service provider so this cost is completely eliminated from your business expenses.

PROPER FACILITIES

ON-PREMISE	HOSTED
A business with its own PBX must make sure that their facility is equipped with the appropriate space, power, reliability, and security to ensure a proper operation. This requirement grows as the phone system becomes an increasingly critical part of business operations. However, building and maintaining this type of environment may extend beyond the budget or expertise of many businesses.	A hosted PBX is housed in a remote, offsite environment – eliminating the need for businesses to manage and maintain space and facilities.

TELEPHONY CIRCUITS

ON-PREMISE	HOSTED
Internal IT staff dealing with an on-premise system must stay informed of the latest tech advancements and trends. This includes: the latest security risks, software releases, upgrades and patches required to stay current and keep performance consistent. These types of upgrades may also require IT staff to handle corresponding hardware upgrades as well as respond when products reach the end-of-life cycle by seeking new replacements.	With a hosted system, your service provider will ensure continuous upgrades to your infrastructure to optimize efficiency, performance, and reliability.

BUILT-IN DISASTER RECOVERY

ON-PREMISE	HOSTED

When it comes to maintaining uptime in the event of an occasional phone system failure, there are significant advantages of a hosted PBX system. During a system failure with an on-premise PBX, the inbound caller will either get a busy signal or, worst case scenario, no answer at all. This not only makes your company look bad and unprofessional, it may also indicate to the customer that you've gone out of business altogether.

With a hosted telephony system, the risk of a ring-no answer situation is dramatically reduced. An infrastructure failure is much less likely to impact the caller's telephone experience with a hosted solution. As a result, your company will still appear to be up-and-running and "active" despite infrastructure mishaps and disasters.

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!

CONTACT US

Business Strategy
Innovation
Branding
Solution
Marketing
Analysis
Ideas
Success
Management

23:35:6
Business
Innovation
Branding
Solution
Marketing
Analysis
Ideas
Success
Management

Corporate Headquarters

12125 Ellington Court

Cincinnati, OH 45249

Phone: (513) 489-7660

Toll Free: (800) 362-6300

Fax: (513) 489-0520

Sales@ProOnCall.com

www.ProOnCall.com