

Business VoIP

It's No Longer Just About Saving Money



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Saving Money – or Making More of It – With a VoIP Phone System

It's long been the conventional wisdom that you could save your company money – and make yourself look good – by suggesting a switch from a traditional business phone system to a VoIP system. The reality, though, is less clear-cut. If you have to buy a new system because you're expanding or moving, VoIP will be both cheaper and more capable than a traditional solution. But if you have a traditional system that is partly or fully paid for, there's no guarantee that the financial payoff from investing in a new VoIP solution, as opposed to keeping your existing system, will be as impressive as the conventional wisdom suggests.

But that doesn't mean switching to VoIP doesn't make sense. It just means it makes sense for more than financial reasons. Regardless of how much money moving to a new VoIP system does or doesn't save you, you will certainly end up with a lot more communication features and capabilities than you have now. That will give you a lot of opportunities to make your business more efficient, increase sales and improve customer satisfaction – that is, to boost your bottom line as a whole. And if you don't take advantage of those opportunities to make more money, you will be at a competitive disadvantage compared to companies that do.

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Traditional Phone System Costs

Traditional phone systems offer remarkable quality and reliability. But if you're in the market for a new system, purchasing a traditional one will have a number of disadvantages in terms of cost.

Equipment Investment & Installation

If you're starting from scratch, a traditional phone system will cost more to buy than a modern VoIP system. In addition, you can't install it yourself, so you will need to pay someone to come to your site and do it for you.

Professionally Installed Wiring

Traditional phone systems require dedicated telecom wiring to connect the phones and equipment. Thus any installation in a building that doesn't have such wiring makes it necessary to hire a telecom company to come in and run the wire for you. That requires a significant dollar payout as well.

Servicing the System

Administering traditional phone systems is difficult. In fact, it usually requires specialized

training. Depending on the size of your company, the time required to administer a traditional system could be significant. And your administrator may at some point still require assistance that involves bringing the provider back onsite to help out. If your company is large, the phone administrator position could well be a full-time job. This is one area where the ongoing expense of a traditional phone system, not just the purchase and installation cost, makes a strong case for switching to VoIP.

Telecom Costs

Telecommunications companies these days are typically competitive in terms of rates. Even so, with a traditional system, telecom costs can be expensive. With a local package as well as long distance, a small company can still pay thousands of dollars a month just for making regular business calls. Internal calls between the company's branches or locations can be particularly expensive because of their volume.

Bottom Line

The bottom line here is that, for cost reasons alone, deploying a traditional phone system is seldom an option any more. Besides the outlay for installation and configuration, there are ongoing costs for administration. If you wish to add features to the system over time, you'll need to call the provider back in to install those

for you. So you'll be paying for both the feature as well as the provider's work. It doesn't take a mathematician to see that your company's precious dollars might be better used on a different solution.

VoIP vs. Traditional Phone Systems

The big difference between your traditional phone system and a VoIP system is that VoIP runs using Internet Protocol (IP), and sends voice calls over IP networks. Traditional phone systems transmit all calls over dedicated wiring and the public switched telephone system (PSTN).

Some years ago, a lot of companies hesitated to move to VoIP because the product was not yet mature. Now there is widespread recognition that VoIP is not only mature, it is far superior to traditional business telephony technology. In fact, the superior features it offers have become at least as important as cost savings in determining whether switching from a traditional to a VoIP system makes sense.

Cost-Saving Benefits of VoIP Phone Systems

If you're in the market for a new phone system, the cost-saving benefits of buying a VoIP rather than a traditional system will be significant. The

VoIP system itself will be less expensive than a traditional system. And because VoIP runs over your company's IP data network, separate wiring for a phone system is no longer needed. If the building where you'll be installing the system doesn't already have telephony wiring, this represents significant cost savings. As long as your location is wired for network use, your VoIP system will function.

Another highlight of VoIP is that hosted options are available. While you can still choose to purchase VoIP equipment to keep at your site, you also can go with a hosted solution that will keep the system housed at a provider's location. Your company pays fees for the use of the equipment rather than laying out payment for a complete system.

Configuration of a VoIP system is much simpler than that of a traditional system. Once the system, either onsite or remote from a host, is live on your network, anyone with some IT knowledge can configure the system with relative ease. You won't need to bring out your provider to do the installation and configuration for you.

Administration of the VoIP system is also much easier than that of the traditional system. No wires need to be moved if a user goes from one office to another. As long as there is an IP network connection, the phone can be unplugged from one location and plugged into another with no additional work, wiring, or programming.

Once an IP phone has been configured, it can be plugged into your network at any location and work as expected. Your phone administrator or IT department will thank you for this.

Another cost-saving benefit of VoIP is that it doesn't send all calls, particularly inter-branch ones, over the public phone system. Rather, calls between locations that are connected via your corporate wide-area IP network (WAN) travel for free.

All in all, though, the cost savings of moving to a VoIP system will depend on a lot of factors, most notably whether you have a traditional system already in use.

The Financial Benefits of VoIP Features

By contrast, while it may be unclear how much switching to VoIP can save your company in terms of purchase, installation, maintenance and telecom costs, the benefits it can bring you in terms of features are very clear. Even inexpensive VoIP installations offer features that in the past were found only on expensive enterprise-style traditional phone systems. Most of these features come at no additional cost. Call forwarding, call waiting, voice-mail, caller ID, three-way calling, simultaneous ringing across multiple phones, and more, are included with most VoIP systems. Such features increase

your company's efficiency and improve your relationships with your customers – in short, they help your company function better and make more money. Thus VoIP brings financial benefits far beyond the cost savings of the phone system itself.

From Savings to Features

As you can see from the chart below, a traditional phone system requires a large cash outlay to get going initially, and costs related to administration and maintenance moving forward are uncertain. You're also boxed into the features that the PBX

VoIP features - previously only available through expensive traditional systems - come at no additional cost.

offers out of the box, since adding further features requires either additional hardware or a complete upgrade of the system. With the traditional phone system, flexibility is non-existent.

A VoIP system is more cost-effective, flexible and capable. In particular, it costs less to buy and

maintain. Hosted VoIP has even lower up-front costs, and is even more easily expandable, in terms of both user numbers and features.

Most important, VoIP has far more powerful features than traditional systems. And as time goes on, the benefits this can bring will prove far more important to your company than the significant cost savings you get from moving to VoIP.

	Capital Expenditure and Total Cost of Ownership	Call Capacity	Scalability	Administrative Support
Traditional Premises PBX System	<p>There is a large initial investment in the equipment which can run upwards of \$75K.</p> <p>The cost of maintenance and support moving forward are uncertain.</p>	Limited to the number of lines you have set up through the phone company.	<p>The size and capacity of your PBX will limit how much you can scale it.</p> <p>If you need to go beyond what the PBX offers, you'll need to purchase additional hardware.</p>	<p>An administrator must perform all administrative functions on the system.</p> <p>Ongoing support and maintenance performed by internal resources or outsourced to third parties. Costs are unpredictable.</p>
Premises or Hosted VoIP PBX Systems	<p>Premises: Substantial initial investment, but less than with traditional systems.</p> <p>Hosted: Little to no capital expenditure as all equipment is located offsite; you pay for the use of it. You may have to buy phones. Monthly usage can be in the \$40-and-up range. No ongoing support or maintenance costs, as this is all handled on the provider's side.</p>	<p>Premises: Maximum call volume based on capacity of IP PBX, bandwidth, voice trunks purchased etc.</p> <p>Hosted: Call capacity limited by the amount of bandwidth available, by number of extensions purchased and/or other factors. During high traffic periods, Quality of Service (QoS) management in place to make sure there is no service degradation.</p>	<p>Premises: Expansion requires additional IP PBX capacity.</p> <p>Hosted: Virtually unlimited. You can buy as many lines as you need as often as you need.</p>	<p>Premises and Hosted: Administrators and users can access and modify various features through graphical interfaces or Web browsers.</p>

	Upgrading	Technology	Supports Mobile Workforce	Disaster Recovery
Traditional Premises PBX System	<p>Difficult and expensive to do.</p> <p>Equipment will need to be upgraded, requiring a large commitment of resources as well as outsourcing to third parties.</p> <p>If you need additional features, you'll most likely need to upgrade or replace your PBX.</p>	<p>Once you purchase a PBX from a vendor, you're locked into that vendor until you're ready to replace the whole system.</p>	<p>This system does not integrate with other phone systems.</p>	<p>The system located on premises is a single point of failure.</p> <p>If there is an outage, the phone system will be completely down.</p>
Premises or Hosted VoIP PBX Systems	<p>Premises: Advanced features are often built into an IP PBX and can be turned on for additional fees but without adding additional equipment. Adding additional phones typically plug-and-play.</p> <p>Hosted: Equipment can be added to the system relatively quickly. Features can be added and removed in a matter of minutes.</p>	<p>Premises and Hosted: Features and functions are in software, so can be upgraded easily. Little risk of obsolescence.</p>	<p>Premises and Hosted: Routing to mobile phones or remote office when employee is away from the office usually supported. Receptionist can transfer calls to user regardless of their location. Voice mail can be sent to e-mail account as a WAV file. Features including voice mail may be accessible via smart phone apps.</p>	<p>Premises: Use of disaster recovery tool makes it possible to transfer operations to alternate location from backup.</p> <p>Hosted: Easy rerouting of calls to an alternate site in case of an outage.</p>