



PREMISE vs. HOSTED vs. HYBRID-HOSTED



COMPARING IP BASED BUSINESS PHONE SOLUTIONS

For small and medium-sized businesses (SMBs) looking to not just survive but thrive during the downturn, an IP phone system may be just the answer. It will give them communication capabilities previously available to only the largest companies. It will let them work in ways that they would have found impossible before. It will help them accomplish more with fewer resources. And it can save them considerable money.

But even if a company is more than ready to move to IP, choosing the best system for its individual circumstances isn't easy. There are several contrasting approaches to IP telephony, each with its own benefits. The biggest differences among them are who owns, operates and maintains the equipment, and where it is physically located. These differences produce major variations in cost, convenience and ease of management.

This report analyzes the three leading options, which go by the names of premise, hosted and hybrid-hosted. It describes each approach, explaining how they work and the equipment and support they require. It also lists the advantages and disadvantages of each.

PREMISE

The traditional approach is for the SMB to buy and operate the equipment. It either installs the IP PBX itself, or has a dealer or VAR (value added reseller) do it. The equipment sits in the company's own premises, connects to its LAN, and distributes calls to IP phones also connected to the LAN. The company owns the equipment and software, and administers and maintains them. Calls can come to the IP PBX from the communication service provider over traditional PSTN lines or over the company's broadband Internet connection.

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The premise approach has several advantages. Although the upfront cost is higher than with hosted service, at the end of the day the company owns the system, rather than having to make payments forever. And with ownership comes increased control – companies can customize or extend the capabilities of their systems more than they could with hosted service. Another advantage is that it's not necessary to rely solely on the Internet to deliver calls. A premise based IP PBX gives you fallback capabilities should your Internet service be interrupted. Security is also higher because all messages and call data remain on the company's premises.

But when compared to hosted solutions, there can be a significant disadvantage depending on the needs and resources of your organization. The biggest is monitoring and maintenance. Someone has to be available virtually all the time to make sure the system is running right. Someone also has to maintain and upgrade the software on a regular basis. Premise systems typically require maintenance contracts that add significantly to the total cost of ownership. Accessing the system for administrative tasks such as moves, adds and changes also requires either having someone on site to do it, or establishing a special connection setup to allow remote access. The latter typically involves opening a special port through the corporate firewall, which can not only be a tricky process but may be against company security policies. Configuring remote users can also be complicated and thus expensive.

PROS

- Own the system with available financing options
- Can customize to suit needs
- Doesn't rely on Internet for quality, reliability
- Messages, prompts, records remain on company's own premises

CONS

- Significant costs for hardware and software maintenance contracts
- Requires on-site staff for monitoring and maintaining
- Administration requires on-site staff or special connection setup
- Configuring remote users can be tricky
- Hardware, software upgrades eventually necessary if user numbers grow

HOSTED

Hosted VoIP, also known as hosted IP PBX service, runs on equipment belonging to and located in the data center of a service provider. Calls travel to and from the SMB's offices via its broadband Internet connection. Hosted services can provide many of the features and capabilities that traditional phone systems offer. Users can make or transfer calls by dialing each other's extensions. They can also make conference calls, park and pick up calls, and answer calls forwarded to groups of extensions, known as ring groups. That's not to mention all the new capabilities that IP makes possible, such as listening to voice mail messages through e-mail or another online interface, or placing calls by simply clicking on names in onscreen address books.

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The biggest benefit of the hosted approach is its low upfront cost. The only equipment a company needs to buy to get started is IP phones for its employees. It then pays a monthly fee for each extension, which typically includes packages of minutes or unlimited domestic calling as well as cheap international rates. This approach lets the company increase the number of users it's paying for exactly as needed and eliminates some ongoing costs. There are no hardware or software maintenance contracts, for example, and no need for in-house IT staff to monitor equipment and fix problems. All service, maintenance, and updates are managed and provided by your service provider.

Hosted services can also have considerable drawbacks, though. While hosted services can provide many of the same features and capabilities of traditional phone systems, traditionally they do not compare to premise and hybrid-hosted solutions in available features. The monthly charges can add up, especially when they involve paying full rate for little-used but necessary extensions. And unlike with equipment purchases, the payments never end, and upon termination of service the business is left with no associated asset. Security is another concern, since voice mail messages and call records reside on the service provider's premises, not the company's. Call quality and service reliability can also be significant worries, since both are totally dependent on the company's Internet connection.

PROS

- Low upfront costs
- Increase capacity exactly as needed
- No need for maintenance contracts or staff

CONS

- Quality, reliability depend on Internet
- Pay full rate for little-used extensions
- No end to payments, no eventual ownership of equipment
- Messages, prompts and call records reside in service provider's data center

HYBRID-HOSTED

The hybrid-hosted approach combines the key elements of hosted and premise systems. The customer buys and owns the IP PBX equipment, which resides on its own premises. But the vendor monitors and helps manage the equipment from its data center. This arrangement offers most of the benefits of both hosted and premise solutions, while doing away with most of the disadvantages of both.

As with conventional premise solutions, hybrid-hosted systems let companies pay once to purchase the equipment rather than paying forever for extensions, some of which may see little use. There's also no dependence on the Internet for the quality and reliability of calls, though Internet transport is an option. And messages and call data remain within the company.

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And as with hosted solutions, hybrid-hosted systems significantly decrease the hassles and headaches of premise solutions. Part of it is ease of use. Administrators and managers can access their systems from anywhere via web browsers, rather than having to be on premises or to have configured special routes through their firewalls. Setting up remote users is simple too, and linking branch offices is a one-click process. Users can even configure their own extensions from wherever they are.

Perhaps most important, the hybrid-hosted approach alleviates monitoring and maintenance headaches. From its data center, the vendor proactively watches the customer's hardware and software, 24 hours a day and seven days a week, for impending failures, and takes action before they happen. It also transparently maintains the software, pushing out automatic updates without the need for someone on the company's premises to do anything. The vendor can also choose to back up call records and generate reports, taking a significant load off the premise equipment. And it also backs up the customer's configurations (though not its voice mail messages or prompts due to privacy concerns), allowing for easy recovery in case of disaster.

PROS

- Own the system with available financing options
- Can customize to suit needs
- Doesn't rely on Internet for quality, reliability
- Messages, prompts, records remain on company's own premises
- Vendor monitors for faults 24/7
- Vendor backup of customer configurations with easy disaster recovery
- Automatic software upgrades
- Easy remote administration through web browser
- Easy setup of remote users
- One-click linking of branch offices

CONS

- Upfront costs higher than with hosted solutions
- Hardware and software maintenance contracts recommended
- Hardware upgrade eventually necessary if user numbers grow

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WHICH ONE IS RIGHT FOR YOU?

To summarize the choices, companies using hosted systems have lower upfront costs and zero maintenance worries, but call quality and reliability are totally dependent on Internet connections, and all call data, including messages and prompts, resides with the provider. With the premise approach, companies buy and own the equipment and control the call data, but they also have to spend considerable money and staff time administering, monitoring and maintaining their systems. Users of hybrid-hosted systems own and control the equipment and software, as well as the call data, but can leave much of the monitoring and maintenance up to the vendor, while administration is simplified.

Ultimately, of course, the choices are all about cost. Poor voice quality or unreliable service can lose you significant business. Spending staff time taking care of equipment also means spending money. But the most important cost to keep in mind is the cost of doing nothing. Not moving to IP telephony means giving up the opportunity to make your business work better. It means missing the chance to save money through increased employee efficiency, or to increase revenue through making better use of employees' time and talent. In short, failing to take advantage of opportunities such as IP telephony can be most expensive option, even – or especially – during a downturn.

About Fonality

Fonality is a leader in business phone systems and contact center solutions for small and medium-sized businesses. Deployed over 44,000 times in 125 countries, Fonality's award winning IP-PBX VoIP phone systems have connected more than 750,000,000 mission critical phone calls. PBXtra is based on Fonality's patent-pending Anywhere Management®, Hybrid-Hosted™ architecture, plus an improved, modified version of the popular open source code base with 5,000,000 lines of code to add reliability, stability and enterprise-class features. PBXtra delivers the advanced capabilities of an enterprise-class phone system for 40 to 80 percent less than traditional offerings. Fonality headquarters are in Los Angeles, and the company has offices in Brazil and Australia. Company investors include Intel Capital, Draper Fisher Jurvetson, and Azure Capital partners.

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