

## Hosted VoIP vs. Premise based IP-PBX 5 Thoughts to Ponder

Both solutions have their advantages and disadvantages, each of which needs to be weighed within the context of the consumer's individual business circumstance. No one system is always right and even though there can be distinct advantages and areas of concern with one choice over the other when comparing the two, like initial cost, long term costs, maintenance and support issues, network stability and redundancy, and expansion and capacity; comparisons should be made in the context of looking at factoring both the immediate benefits and the longer term benefits.

Hosted solutions, for all their improvement in the last few years, are typically still being considered primarily for smaller organizations with less than 7 to 10 phones in any one location. The exceptions to this general rule would be a heavy calling organization whose savings from lower toll charges significantly tilts the scale towards the hosted VoIP solution. And a larger organization that has chosen a proven hosted provider who can guarantee certain levels of QoS (Quality of Service) and maintain those QoS levels throughout the whole network and who can deliver a complete solution on the customer's LAN so that voice will not be encumbered by poor on site cabling, limited switches/routers and/or large data traffic. Within these groups careful thought and planning would need to be done for a manageable WAN connection, lowering the possibility for network disruptions affecting call quality and business disruptions. Raising this general size limitation would depend on the provider's network peering partners capacity to offer reliable services across the entire network, back to the hosted switch and out to the PSTN in a consistent manner, something not all hosted providers are capable of. With that thought in mind our size limitation is partially the result of the preconceived notion that most hosted VoIP customers are driven primarily by cost savings and lack the commitment to invest in proper network infrastructure both on their LAN and at the gateway. (Exceptions to this generalization do exist.)

Let's look at these few points when comparing solutions.

- 1. Company size and how it will relate to hosted VoIP and an in-house IP-PBX solution.** Large organizations with 20 or more employees at any single location may see better services with an in-house IP-PBX where all the signaling takes place on premise and are not subject to network issues on the WAN. The cost of the premise switch when averaged out over larger numbers of employees quickly starts to lean towards the in-house solution especially when taken over time. Additionally, Asterisk based

solutions, because of the open source of the software and no license fees further reduces the initial cost significantly.

- 2. Expansion and adding services over time is easy with hosted VoIP.** Software as a service lends itself well to never paying for more than your using. Adding lines is easy with hosted VoIP and can be accomplished almost immediately. Charges are not imposed until the service is actually on, thus allowing for exact metering expenses. An in house IP-PBX usually comes as a server with installed software as a complete package.
- 3. Faxing, credit card machines and alarms.** All three of these connections might require a traditional copper line. Although advances in handling types of connections over IP have improved, if a company is dependant on them and need consistent reliable service, a copper line makes most sense. There are efax-type services available and credit card machines that work over Ethernet, but these extras will need to be a factor when a cost analysis is projected.
- 4. Commitment.** When looking at both an in house IP-PBX option and a hosted VoIP option, contracts, cost, and the level of commitment are important factors. If the business is new, and cost savings are important to conserve capitol, then a hosted VoIP solution is going to have an advantage. Contractual obligations and contract penalties should be considered. Buying an IP-PBX pretty much in most cases locks you in to ownership with payment up front. A hosted VoIP contract will lower the upfront costs, but some providers charge penalties to cancel their service, and these charges need to be looked at.
- 5. Maintenance, configuration and management.** An in house IP-PBX might better be able to be customized than a hosted VoIP solution, but the later comes with support and troubleshooting help as part of the service. Owning an IP-PBX requires either an on site technical person to maintain it and configure changes, or a service contract with the telecom company. These cost factors need to be part of the ongoing expense.

## Conclusion

These are a few points which must be considered when comparing solutions. There are distinct advantages for hosted VoIP in small scale organizations, or where there are several small locations. And for the cost conscious brand new small company who is looking to conserve the outlay of capitol. But, with larger companies who may be looking to replace an older PBX or key system, an in house IP-PBX may quickly show itself to be the economic choice, especially when averaging costs over a multi year horizon.