



## **Hosted or On-Premise VoIP, Which is the Better Business Decision?**

While budgeting, retaining good employees, and sales strategy are areas that dominate the hearts and minds of many IT decision makers, procuring functional and affordable telecommunications service is a critical process. And when it comes to technological decisions, there is a desire among many to have the latest and greatest toys. When it comes to telecom, the latest and greatest is Voice over Internet Protocol (VoIP).

Lured by the promise of inexpensive phone calls, many IT decision makers start searching for VoIP solutions. They are bedazzled by VoIP equipment and find a telecom provider they can trust. Cheap phone calls are within their grasp, when they get the price tag; "\$30,000, my last phone system didn't cost that much." The hefty prices for a VoIP phone system would deter some immediately, but an undeterred group would press on for a solution that meets their desire to have VoIP and carries a lower price tag. For these people, it appears that a hosted VoIP solution may be perfect, but like most business decisions and pass interference calls in football, it requires further review.

### **Why Hosted VoIP is Hot but Not Necessarily Right**

Hosted VoIP services implement the functions of the Internet protocol private branch exchange (IP PBX) in the service provider's network at their location. The VoIP provider's IP PBX manages VoIP calls coming from and going to their customers' sites, connecting calls from the customer to the public switched telephone network (PSTN). The customer is equipped with VoIP phones that are connected to an on-site IP router with a firewall. This, in turn, is connected to the VoIP provider's location over a broadband Internet access line.

In layman's terms, the hosted VoIP provider maintains the system at their site, leaving the customer to purchase VoIP phones and pay for the service provided by the host company. The up-front cost of phones and service is much less than that of an on-premise VoIP system. Additional advantages provided by a hosted solution include faster system deployment because it is being done by the provider, and remote troubleshooting, which reduce service costs.

### **Buyer Beware- Hosted VoIP vs. On-Premise VoIP**

While a hosted VoIP solution has its positives there are several issues to consider. Hosted VoIP solutions come with a recurring fee and, typically, a long-term contract. System upgrades can be more difficult to execute because the VoIP hardware is not present at the customer site. Also, because the system is not on site, if a site-specific issue arises, resolution may not come as quick or be as specialized as needed.

On-premise VoIP solutions cost more initially, but the savvy business owner will quickly realize that a one-time investment almost always outweighs indefinitely paying for a solution. Similar to purchasing a house or car, the initial investment may be steep but once you have paid for it, it is yours forever. An on-premise VoIP solution allows the company to be the decision maker regarding system specifications so that every detail and configuration matches their needs. Also, because the phone system is on-site, adjusting it to accommodate a company's growth or

downsizing is easier. In short, an on-premise solution gives you greater control over your telecommunications investment.

It is also a matter of privacy. With hosted VoIP solutions, the provider is privy to a company's data. While this is more of a concern for companies in healthcare and government industries, it is worth noting.

### **Who needs VoIP anyway?**

When current or prospective customers call DiscountCall, a national telecommunications systems and service company, and request a VoIP system (a call they receive often), the first question asked is "What do you need VoIP for?" While VoIP phone systems are more technologically advanced many features including call forwarding, caller ID, and conference calling exist within a regular phone system. Also, carriers such as NuVox and Paetec often provide a large allowance of free long distance minutes to go with their local rates.

Companies should also consider what happens if their phone system goes down. When a VoIP system goes down there could be an issue with the system itself, the T-1 line, the router, or the phone. While a technician is troubleshooting, you can't make phone calls. With a regular phone system, issues can stem from the phone system, the phone line, or the phone. Less items to troubleshoot can mean less downtime.

So who needs VoIP anyway? VoIP solutions work best for companies with multiple locations that communicate between offices frequently, virtual companies with employees in different cities, and companies who want traveling or remote employees to be a part of the office phone system. If you fit one of these profiles, a cost savings and an overall increase in productivity can certainly be realized.

If your company doesn't fit one of those three profiles, VoIP may not be for you. While it may not be the latest and greatest technology, a regular phone system can fit your company's needs. Whether you choose a regular phone system, an on-premise VoIP system, or a hosted VoIP solution, short-term cost and need should be balanced with the long-term direction of your company. All three solutions are viable but careful thought and research will help companies discover what works best for them.