



Hosted vs On-Premise UC:

Which
is right for your
business?



Hosted vs On-Premises UC: Which is right for your business?

When considering your next phone system, there are lots of choices available today. You want to find the solution that best fits your business requirements and that helps get the most out of your IT dollars. In addition to evaluating costs and features, you will also want to decide between an on-premises phone system and a system that is hosted in the cloud.

You may be interested in a premises-based solution because you are budgeting for a capital expenditure; or you may choose a cloud service because it provides the flexibility of a month-to-month expense. This guide provides a quick overview of the key benefits and potential pitfalls of each platform to help you determine which solution is right for your business.

Let's start by reviewing some basics.

What is Unified Communications (UC)?

A modern phone system must do more than just make calls.

Phone systems with integrated features like instant messaging, voicemail-to-email and dynamic presence have a higher return on investment than “dial-tone only” systems because **they allow users to be more productive by taking advantage of advanced technology.** The ability to bring together and deliver these integrated features in one system is referred to as Unified Communications.

You can learn more about UC at digium.com

Did you know?

Businesses surveyed by Aberdeen found a 49% improvement in workforce productivity by enabling access to UC features.*





What is an On-premise Solution?

Technology solutions that are designated as “on-premises” are implementations that, not surprisingly, reside on the customer’s physical business location or premises.

In the case of a business phone system this is typically a server or hardware appliance that is installed on-site and managed by customer IT resources. If a business has multiple offices in different locations then each location usually has its own local server – but there are exceptions.

Depending on the solution, some phone systems can serve remote (or off-site) workers from hardware that is physically located at the main office. This configuration is still referred to as “on-premises” because the customer, rather than the vendor, houses the server and provides IT support.



What is a Hosted Solution?

A hosted solution is one in which the vendor physically houses the hardware and often provides the majority, if not all of the IT services.

In the not so distant past, on-premises communications solutions were the only option available. With the proliferation of Internet bandwidth that is both more abundant and less expensive, it is now possible to get a **full-featured UC solution hosted in the cloud.**

A hosted solution is one in which the vendor physically houses the hardware. The solution may or may not be virtualized in the vendor datacenter. In either case the customer receives access over their broadband Internet connection. With hosted solutions, vendors often provide the majority, if not all of the IT services.

What is a Hosted Solution?

Hosted solutions may also be referred to as Cloud solutions or Software as a Service (SaaS).

Referring to hosted solutions as “cloud-based” comes from the common practice of using a cloud symbol to denote the public Internet on a network diagram.

In the case of a Unified Communications phone system that is also a hosted solution, you may also hear it referred to as Unified Communications as a Service (UCaaS).



Did you know?

The SaaS market is rapidly growing today. It is expected to be a \$22.1 billion industry by 2015, according to research from Gartner.*

Even with this exciting growth, the on-premises UC solution remains the leader in terms of market share. This is due in part to the fact that new cloud technologies do not obsolete on-premises solutions, but rather complement them. Each type of solution; on-site, hosted and even hybrid offerings carry unique advantages and disadvantages. Understanding the factors involved will help you to choose the solution that best meets your individualized needs.



What is a Hybrid Solution?

A hybrid solution connects a portion of users to on-premises equipment while others are connected to the “cloud.”

Vendors who offer hybrid solutions allow customers to connect a portion of their users to on-premises equipment while other users or locations are connected to a cloud instance. This can be a powerful option for businesses with multiple locations or remote users. Often, premises-based equipment makes sense at a larger main office while the smaller branch offices can connect to the cloud.

What is a Hybrid Solution?

Note: Very few vendors offer a hybrid solution that allows the cloud and premises-based equipment to fully interoperate with each other.

What's the risk? Attempting to run a hybrid solution without interoperability can mean denied access to features, inconsistent user experience and increased IT overhead from effectively employing two different technologies, even if they come from the same company. Even fewer vendors offer feature parity between the cloud and on-premises solutions.

What is a Hybrid Solution?

If a hybrid solution is attractive, it makes sense to work with one of the vendors whose UC solution works the same in the cloud as it does on premises. From an end user perspective you want the experience to be uniform regardless of which technology they are connected to. This will simplify your business processes and end user training, leading to more effective use of time for all of your employees.

Ten Factors to Consider When Purchasing a Business Phone System

Each type of solution, whether it is offered on-premises, in the cloud or is a hybrid of both offerings carries unique advantages and disadvantages. The savvy business purchaser will seek to understand the factors involved and choose the solution that best meets their individualized needs.

Let's review the top 10 factors you should consider:

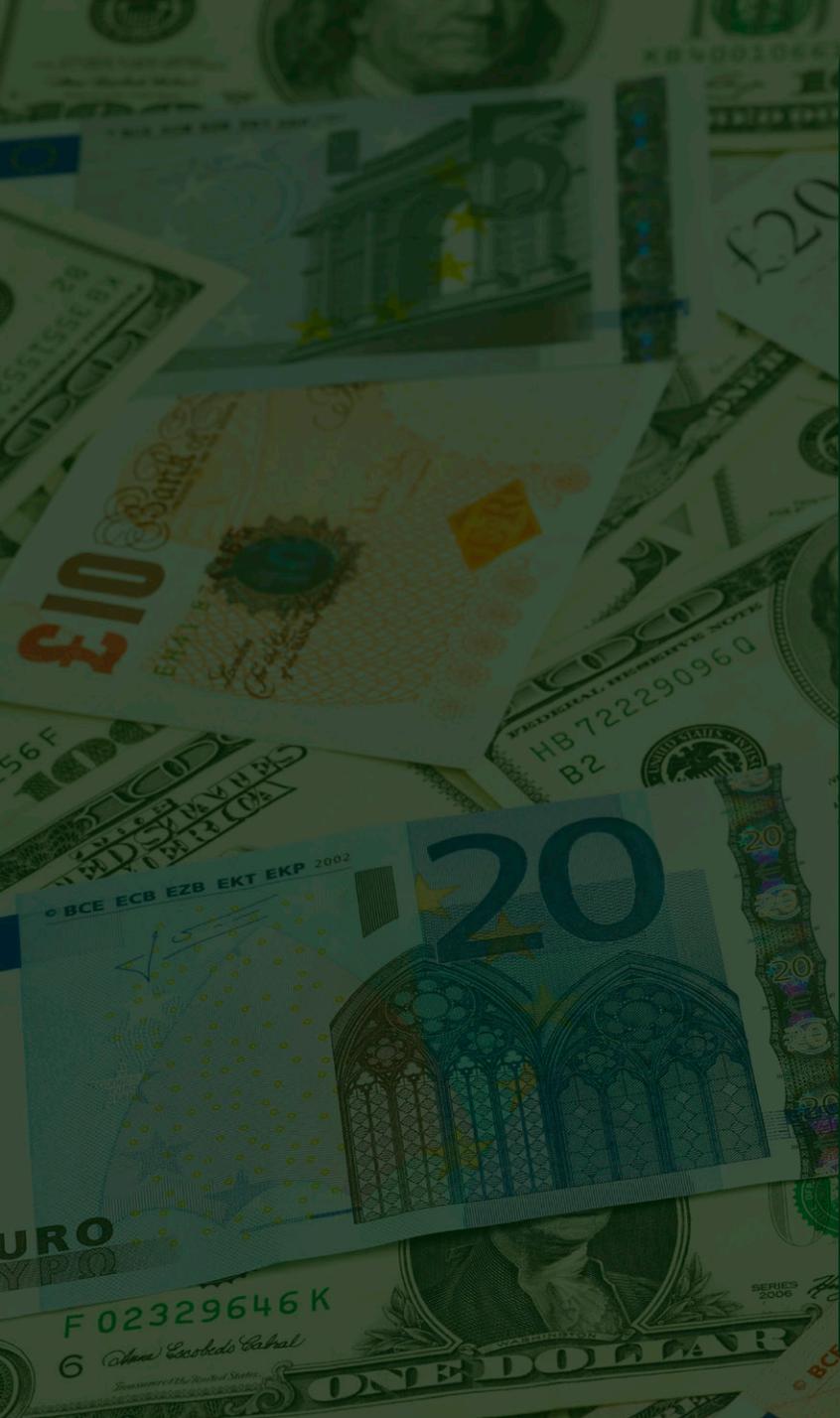
1 Feature Costs

The first and most important factor to consider when comparing solutions is which features are offered in each hosted and on-premises product.

Most hosted providers don't offer the same features in their hosted product as are available in their premises-based solution. If critical business communications features like queues, IVRs and conferencing are missing (or cost extra) then it's difficult to make an apples-to-apples comparison.

Instead, look for vendors with solutions that offer "all features included" in both their hosted and on-premises phone system solutions. Using this all-inclusive model provides a simplified pricing model to compare systems when shopping. If a vendor uses an add-on pricing model for more than only the basic features, be sure to include the cost of adding those "extra" features you need when comparing offerings. What initially looks like a great deal could eventually end-up costing you more!





1 Feature Costs

Although premises-based products are often able to provide more features than their cloud counterparts, **there are solutions available that provide the same features for both the cloud and on-premises versions.** This is especially important if you are running a hybrid implementation or if you would like the freedom to migrate between a hosted and on-site solution. Keeping feature parity between both versions of a product will allow a faster and simpler migration path.

2 Upfront Costs

Hosted UC solutions have a low upfront cost and are typically charged as a monthly per user fee. Using UC with an on-site server has a higher cost upfront, but then no recurring monthly fee. Above a certain threshold it becomes more cost effective to purchase your own equipment than to pay a monthly fee. Hosted tends to be the most attractive for businesses with 5 to 15 employees. However, many large businesses with 100 or more users often choose a hosted phone system due to other advantages.



3 Total Cost of Ownership

A hosted UC solution can often have a **very low total cost of ownership due to the savings in IT personnel**. This is because your hosted provider takes care of server configuration and ongoing maintenance. Depending on the size and structure of your business this can be an advantage of hosted UC over premises-based UC.



4 Existing Infrastructure

Consider your current technology infrastructure. Are you using a legacy system to connect your phones to the Public Switched Telephone Network (PSTN)? Legacy connections like **Time Division Multiplexing (TDM) can be expensive.** You could see a cost savings in switching to a VoIP trunk or by using a hosted UC provider. To help you determine what these savings might look like and whether or not it's worth the switch, use this online VoIP cost calculator to determine your Return On Investment (ROI). On the other hand, if you want to keep your existing TDM or POTS lines, then a premises-based solution with telephony interface cards is the best way to go.



Online VoIP Cost/ROI calculator:

www.digium.com/en/solutions/ip-phone-system/roi-calculator

5 Scalability

It is important to consider how your business is growing. If there is potential for rapid growth this will impact your course of action. If going with a premises-based solution, you will likely want to purchase a larger appliance than is initially needed to accommodate future expansion. With hosted UC, new users can often be added to the phone system on an as-needed basis, and without having to worry about upgrading hardware.





5 Scalability

Ideally you want a vendor that can offer you flexibility. **If you start with on-premises equipment it should be easy to convert to hosted or vice versa.** Very few vendors offer this type of feature parity between the hosted and on-site version of their product, so be discerning during your purchase.

Ask about scalability options when contacting the sales department for a quote.

6 Revertibility (Can you go back?)

Regardless of whether your existing system is a premises-based or cloud solution, when considering a move to a new business phone system it is wise to ask if the transition is revertible. For example, businesses that change from an on-premise solution to a cloud-based offering can find that lack of control over the company's IT infrastructure becomes a hindrance. What becomes a great benefit for one business and freedom from IT management becomes a detriment for another.

Sadly, **most hosted providers do not offer a migration path back to premises** once the transition is complete. A truly flexible solution allows you to move between on-premises to hosted to hybrid and back again, seamlessly and with a minimum of friction.



7 Redundancy

Natural disasters and other unforeseen events can wreak havoc on any business, anytime. In today's business environment, it is a necessity to have a thorough disaster recovery and contingency plan. When your business communications go down, the cost is high, not only in terms of lost productivity, but also in lost reputation and sales when your customers can't get in touch with you. Even for a small business, building redundancy into your IT infrastructure is critical.



7 Redundancy

For on-site solutions this typically entails **purchasing extra fail-over hardware (or back-up equipment)** in anticipation of an emergency.

Hosted solutions could provide the answer because when your phone system is in the cloud it can keep your communications up and going even when your main facility is inoperable.

A reputable hosted provider should maintain multiple data centers as part of their redundancy plans and as a way to keep call quality high by accessing a geographically close data center.

Even if the vendor's main data center goes down your communications can be routed through the redundant data center.

8 Security

Outsourcing your IT can bring with it serious security implications. If you choose a reputable hosted provider they will have the resources to keep your data secure. Smaller businesses may find that a hosted provider does a better job of keeping data secure. This is because of the dedicated pool of resources the provider invests in keeping all of their clients' data safe.

However if your business must comply with security regulations that require data to be stored on-site then a hosted solution is probably not the best solution.





Public vs Private Cloud

The terms “public” and “private” cloud can be confusing to define and you may hear conflicting definitions from various sources.

Most commonly a **public cloud** refers to a hosted solution in which multiple customers are hosted on the same set of resources. In contrast, each customer in a **private cloud** receives a dedicated instance with a segregated set of resources.

Private clouds are more secure because they mitigate against the threat of another tenant on your shared instance getting access to your data. There are additional performance benefits to a private cloud to consider. For example, in a private cloud infrastructure the Quality of Service (QoS) can be completely controlled where as this is outside the ability of a public cloud offering.

9 The Cool Factor

Cloud-based solutions as a whole seem to be the new “it” technology that everyone is talking about at the moment. When it comes to your business phone system, it could be argued that hosted solutions have more appeal because they are popular and in the news. And it is possible that telling your associates, “Yes, we just switched to a Cloud UC solution” could help to add a certain type of credibility to your company.

From a strategic marketing perspective using the newest technologies could help a company appear more forward-thinking and relevant – like the technologies they employ. However it is a far more sound business strategy to make your IT-related decisions based on a cost benefit analysis that takes into account all factors – and keeps the “cool factor” in check.



10 Getting Help

Once you have narrowed down your choices, it's recommended that you contact each vendor to further qualify your choice. A professional assessment helps ensure you are getting the best value for your purchase. If you are working with companies that are reputable in the field of unified communications, then they should have a knowledgeable and accessible pre-sales team to help you navigate your options.



10 Getting Help

These days the unique nuances of each business make it difficult to offer generalized advice. Is your network VoIP capable? Are you getting enough bandwidth from your Internet provider to properly connect to your UC provider? Do you rely on unique technology that needs to integrate with your communications in order to make you effective? A qualified VoIP specialist can help you choose the solution that's right for you.



Conclusion

Purchasing the right phone system is important for the success of your business. Determining which solution is right must involve multiple factors, including whether you are interested in a capital expenditure or the flexibility of a month to month expense. And that decision starts with understanding the differences between a hosted and premises-based VoIP solution.

Once you are able to weigh the pros and cons of on-site, hosted or hybrid solutions and determine which features are most needed from each solution, you can then be confident that you are on your way to choosing a phone system that gives you the greatest return on investment.

Sponsor

This guide is sponsored by Digium, producers of the full-featured Switchvox Unified Communication solution. Switchvox is available for on-site, hosted and hybrid with full interoperability and a seamless migration path between options. Switchvox UC provides the Switchboard – a web based custom call control panel as well as compelling mobility integration with Fixed Mobile Convergence and smart phone applications.

To Learn more visit
www.netimage.net/voice
digium.com/switchvox

Switchvox®. Digium's Powerful UC Solution



In an effort to provide a similar solution accessible to everyone, Digium offers Switchvox – a full Unified Communications solution, built on the power of Asterisk.

Switchvox is a business phone system specifically developed for small- and mid-sized businesses and organizations that want the power of the open source Asterisk solution, but without the need for custom development skills for installation. The advanced features, ease-of-use, and simple out-of-the-box setup make Switchvox an ideal solution for organizations with limited technical staff.

A full-featured UC solution, fueled by the innovation of open source technology and open standards, Switchvox allows users to integrate their phone system with their existing networks and get all of the advanced features they need at a price they can afford. Most importantly, by using Asterisk open source software as the foundation for Switchvox, Digium is able to provide a communications system with superior capabilities for a fraction of the cost of proprietary systems.

Digium's Switchvox solution delivers UC features everywhere you need it: on-site, in the cloud, and with mobile.



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