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Whitepaper: The Economic Benefit of a Hosted Office Phone System™

What the BIG TELECOM companies don't want you to know.

Freedom is Power



# What the BIG TELECOM companies don't want you to know.

## Abstract

This whitepaper analyzes the demand for smarter communication services integrated with business infrastructures. Small and medium businesses should understand the differences between an old PBX system and modern Unified Communications Systems (UCS).

The paper focuses on business value added features and the direct cost savings introduced by network communications.

## WHY CHOOSE A HOSTED PBX?

Voice over IP, and specifically Hosted PBX, is growing at a phenomenal rate, and there are seemingly endless options to meet the specific needs of your business. Wading through the available vendor and equipment choices can be time consuming and tedious. Provided here is the knowledge you need to select a system that will increase productivity and save money.

When evaluating a phone system there are a number of criteria that rise to the top for most businesses. These include:

1. Lowering monthly costs.
2. Reducing the amount of vendors and service providers.
3. Adding features that promote employee productivity and mobility, such as:
  - a. Telecommuting: an increasingly important aspect for many companies.
  - b. Unified Communication, which is also increasing in popularity.
4. Outsourcing Telecom maintenance, enabling IT resources to be re-directed.



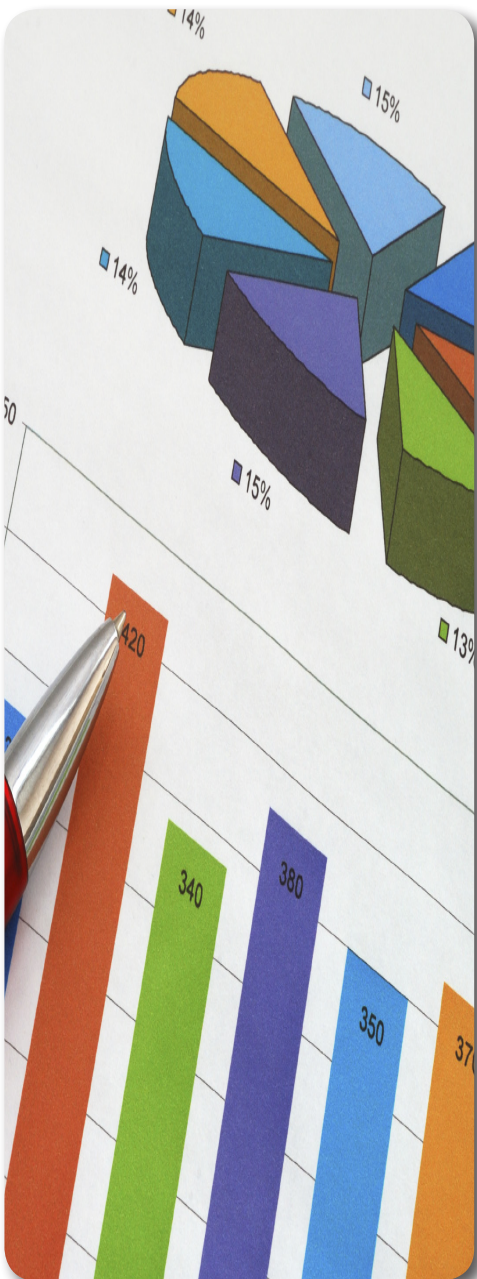
### OPTIONS

Existing technology allows for two main choices: deploy an on-site solution or opt for a Hosted PBX. With an on-site solution, PBX equipment must be purchased, installed and maintained by the enterprise. Additionally, the voice service must be purchased in the form of PRIs or SIP Trunks. In a Hosted PBX environment, the hardware, applications and maintenance are the responsibility of the service provider and the voice connectivity is included in the service plan.

### KEY BENEFITS OF A HOSTED PBX

There are many potential benefits to using a Hosted PBX solution.

- 1. Site Unification** - It is now easily attainable for enterprises with multiple offices to unite them into one efficient system, projecting a single unified front to the customer. This benefit also applies to remote workers, reducing the obstacles associated with these types of environments. Internal and external communications are improved, which can result in increased productivity and customer satisfaction.
- 2. Automated Disaster Recovery (ADR)** - Particularly for larger organizations, business continuity and risk mitigation are not optional: they are essential. If a site becomes inaccessible for any reason (power failure, natural events, fiber cut, etc.) the cloud structure of a Hosted PBX environment facilitates routing rules that allow calls to be redirected essentially anywhere. ADR mitigates risk and downtime.
- 3. Reduces Operating Costs** - Whether your company has 25 employees or 500, your organization needs resources that are responsible for maintaining the integrity of your phone system. In a hosted setting this responsibility lies with the provider.
- 4. Flexibility & Scalability** - Traditionally, service and hardware had to be bought in large incremental chunks. This setup often resulted in enterprises overcompensating for potential growth, resulting in inflated costs. A hosted solution provides flexibility to increase or decrease capacity quickly and easily. Also, scalability is not limited like on-site deployments, which allows enterprises to purchase just what they need and provides peace of mind that the system can easily scale in periods of growth.





### COST BENEFITS OF CHOOSING A HOSTED PBX

There is one more factor in the decision making process that is essential for all businesses: cost. Below is a cost break-down and analysis of Fonangle's Hosted PBX as compared to the average price of an on-site solution. Two business sizes are provided, along with six important cost factors you should consider when making your decision. They are calculated to reflect a five year period and are as follows:

- **Up Front Costs and Installation** - Hardware and software purchases you need to make before getting your system up and running. They can include: PBX's, gateways, training charges, routers, and broadband installation.
- **Hosting Fees** - The provider's monthly fees. In the case of on-site solutions, management fees are borne by you, the enterprise.
- **Equipment Fees** - Upgrading IP PBX software and annual maintenance fees for on-site solutions.
- **Operations and Administration** - Includes staff wages for administration and maintenance; provision of space, power, and cooling of equipment; technical support, etc.
- **Dedicated Broadband and Phone Lines** - Phone (PRI/BRI or single business) or broadband (T1, DSL, or cable) lines
- **Local and Long Distance** - as charged by providers over the five year period.



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|                                                         | Hosted Office Phone System (HoPS) | On-site PBX        |
|---------------------------------------------------------|-----------------------------------|--------------------|
| <b>100 extensions/single office</b>                     |                                   |                    |
| Up front costs/installation                             | \$14,313                          | \$94,584           |
| Hosted service fees (including local and long distance) | \$91,698                          |                    |
| Equipment maintenance/up-grades                         |                                   | \$14,873           |
| Operation/administration                                | \$15,000                          | \$176,632          |
| Dedicated broadband or phone lines                      | \$23,299                          | \$30,000           |
| Local and long distance charges                         |                                   | \$85,563           |
| <b>TOTAL</b>                                            | <b>\$144,310</b>                  | <b>\$371,652</b>   |
| <b>500 extensions/ 3 locations</b>                      |                                   |                    |
| Up front costs/installation                             | \$69,565                          | \$452,920          |
| Hosted service fees (including local and long distance) | \$458,490                         |                    |
| Equipment maintenance/up-grades                         |                                   | \$74,365           |
| Operation/administration                                | \$34,000                          | \$515,882          |
| Dedicated broadband or phone lines                      | \$116,495                         | \$140,500          |
| Local and long distance charges                         |                                   | \$327,815          |
| <b>TOTAL</b>                                            | <b>\$678,550</b>                  | <b>\$1,511,482</b> |

### ANALYSIS AND CONCLUSION

The most apparent advantages of a Hosted PBX system are in the reduction of monthly fees. Monthly fees for a 100 and 500 extension business using an on-site PBX would include administration and operation costs, local and long distance charges, and equipment maintenance, totalling \$371,652 and \$1,511,482, respectively. An equivalent hosted solution would total \$144,310 and \$678,550: a savings of 61%

In a Hosted PBX solution, almost all of the administration and operational costs are borne by the provider and are included in their service fees. In comparison, an on-site solution requires a significant increase in staff to manage and support the system and users. In a hosted solution, the administrative and operational expenditures are minimized even further, as the cost becomes associated with managing the relatively simple relationship





## The cost advantage of a Hosted PBX

with the host provider rather than supporting and administering the system itself.

On-site local and long distance charges make up 25-35% of the total cost of an on-site system, and can vary. Hosted PBX solutions, and particularly Fonangle, offer unlimited plans, including all call-charges in one fee. This can provide for a more predictable long-term forecast of expenses.

Up-front fees for full-system on-site solutions are a major initial expense. Although choosing a Hosted PBX provider does require the purchase of IP phones and routers, companies like Fonangle offer robust systems with a full feature range for a fraction of the start-up cost, and can be deployed on a shorter schedule with less training.

If you opt to use an SIP trunking service for external communications, you'll be happy to know costs are declining. The same is true for distributed businesses using site-to-site connectivity.

### THE CHOICE

With so many options available, choosing a provider and equipment can be a daunting task. On the plus side for Hosted PBX systems, packages and pricing tend to be straightforward. Fonangle offers per USER and per LINE packages, making comparison, selection and monthly forecasts plain and simple.

Conversely, on-site solutions typically have far more software, rack, server and extension options, making similar comparison more difficult. On top of the selection process, enterprises choosing to move to an on-site solution will need to devote more time and resources to the initial set-up and following deployment.

Hosted PBX's also provide systems flexible for unified communication needs and easily scalable for potential growth.

Cost will be a prime concern for most if not all businesses. Several factors are to be considered, as seen in the above comparison of Fonangle's Hosted Office Phone System (HoPs) against competing on-site solutions. Fonangle's Hosted PBX system offers a clear price advantage in several key cost factors.



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*FonAngle is an award-winning Business VoIP leader for small to medium sized businesses. Their unified communication solution, "Hosted Office Phone System™ (HoPs)" is a carrier-grade platform that combines voice, fax, instant messaging, presence, mobility, conference and web integration into one streamlined system. FreedomSIP, their SIP Trunking solution is another carrier-grade platform, that promotes efficiency and flexibility; allowing customers to extend the life of their legacy equipment and benefit from huge costs savings. As a company focused on Quality, Support & Value, customers rave about how FonAngle increases productivity and saves them money.*