

Hosted PBX Versus IP PBX

Like the dilemma of leasing versus buying a car, the decision between Hosted PBX versus IP PBX can be vexing. Is the issue just about pay now or pay later? Are there arguments in favor of one over another? How do you know what is right for your company? The fact of the matter is that it's not just about the money, but rather how features, functionality, and system control play a significant role in making the right choice.

IP Telephony has ushered in a brand new age, where voice and data reside on a single network, changing voice and data communications forever. By converging the two, it has become a completely new animal, with a variety of choices that go well beyond yesterday's PBX versus Centrex argument. One thing is clear: IP Telephony is the technology of choice, leaving traditional PBXes a legacy.

LEASING VERSUS OWNERSHIP

As with buying or leasing a car, with either system you still get phone services and equipment with voice quality and reliability about equally matched. With Hosted PBX, it is like leasing. Customers do not own the PBX and in fact, the equipment, with the exception of the telephones and router, resides at the remote Hosted PBX site, not at the customer site. With IP PBX, the customer buys the equipment and maintains it at their site. With either choice, the features reach across the network, regardless of geography or type of telephone, giving customers access to the office telephone system remotely or at the company. Individual users probably will not even know or care if their company has Hosted PBX or an IP PBX. They just want to know that their phones work.

So which is the best way to go? Like leasing a car, it depends greatly on the customer and the customer's individual needs and preferences.

PAY NOW OR PAY LATER?

With Hosted PBX, the customer pays on a periodic basis; the upfront cost is only the cost of the phones and router, but the cost is ongoing. With an IP PBX, the upfront cost can be significant or it can be financed to spread out the costs over several years. Today, Hosted PBX providers charge much like a wireless provider, billing a contracted monthly rate per user plus a variable rate for additional services.

CHOOSING A VENDOR

Choice of vendor plays a key role. Location is not important with hosted providers and most of them sell their products over the telephone. As such, the salesperson cannot see your network, cabling infrastructure, or your current setup. It is crucial to spend considerable time and go into much detail about your needs.

Many Hosted PBX providers ship phones directly to the customer and the customer is responsible for installation of the phones, router and for changes to the data network to enable it to support voice. Plus, this means that customers have no local support and in the case of an emergency you'll have to rely on phone support. It's an important consideration to go-it-alone or have the services of a local vendor.

HOSTED PBX DEALERS

There is a middle ground where the anywhere nature of Hosted meets local support. Some hosted companies distribute their product through local dealers. This allows you to meet with the salesperson during the buying process. It also means that there is a local company who can assist with installation and service issues. Many organizations feel that the combination of Hosted PBX and a local support vendor is the ideal setup. The cost of going through a dealer or direct is identical.

MULTIPLE CHOICES?

Customers aren't relegated to just one vendor when they choose IP PBX or Hosted PBX. They can buy the telephone equipment from one vendor, networking equipment from another, dial tone from another, and Internet services from yet another. However, beware that the cost and complexity of buying, managing and supporting several vendors is rarely worth the potential for savings. In either scenario, the more that you can do to consolidate your points-of-contact, the better.

BANDWIDTH CONSIDERATIONS:

A Hosted PBX means that every phone call goes through the company's Internet connection, taking 80KB of bandwidth. This includes intercom calls. This isn't much bandwidth but if your circuit is relatively small or already taxed if may too much traffic, meaning you'll need to add bandwidth (and monthly cost).

The IP PBX can use your Internet connection but bandwidth would not be consumed for intercom calls. Alternatively, your IP PBX may utilize a separate voice circuit (typically PRI) so that no data bandwidth is consumed. Certainly bandwidth must be considered from a capacity and cost perspective when comparing the two solutions. Lastly, if you route your calls through your Internet connection both your voice and data are on one circuit – that's right, all your eggs in one basket.

OWNERSHIP EQUATES CONTROL

As with leasing cars, if a company plans to keep their system for a while, say for five years or more, buying an IP PBX may make more sense, especially if it comes with the ability to migrate to future systems and/or grow to accommodate the company's growth. For example, you cannot paint flames on a leased car or modify the engine; the same is true for Hosted PBX. To truly customize it, you need to own it.

There is no doubt that ownership equates control, but it also means that there is a learning curve. Owning an IP PBX means there is a significant up-front commitment to install the system plus the ongoing costs of administration. All these considerations should be factored into the total cost of ownership. The upside is that once the system is running smoothly, it should stay that way for a very long time. For companies that do not have the staff or bandwidth to implement an IP PBX, Hosted PBX may be the best way for them to get the benefits of IP telephony.

ONGOING ADMINISTRATION AND MAINTENANCE

With either Hosted PBX or IP PBXs, customers can move the phones wherever there is Internet access without the traditional service charges for moves, adds, or changes. Maintenance costs for Hosted PBX is less than the IP PBX as the customer is only responsible for repairing or replacing defective phones. The monthly price the customer pays for Hosted includes maintenance on the Hosted PBX. Administration costs are similar although Hosted providers argue that all changes are done by them for free. What they forget is that someone still has to communicate the change needed and test that it works. Sometimes going into a pbx and just making the change is faster than talking to someone about making the change for them.

FEATURES CAN MAKE OR BREAK THE DEAL

Features play an important role in the decision. If all the customer wants to do is make and receive calls, the most straightforward solution is Hosted PBX. It is like leasing a basic model car. It may not come with the big engine or the bells and whistles, but it works. Hosted PBX cannot win in all scenarios because IP PBXs have the edge in the number of features and flexibility. The Hosted PBX is designed as a "one size fits all" mentality. But if the company has very simple call handling needs, the Hosted PBX provides more than adequate features.

With customers wanting more and more sophisticated features and in many cases customization, can Hosted PBX compete with IP PBXs? Typical IP PBX systems offer 20–25 percent more features than Hosted PBX systems and can include such features as database integration and screen pops, which can be a deal breaker for the Hosted PBX provider.

MULTI-LOCATION COMPANIES

Since IP phones or softphones can be plugged in anywhere there is Internet access, they can basically function as nodes off the home office's IP PBX or from the Hosted PBX. With either system, companies can have IP telephony in as many offices or home offices as they'd like, without any geographic limitations.

SECURITY FEATURES MOVE TO THE FOREFRONT

Security is quickly becoming a differentiator among communications systems of all types, and IP telephony is no exception, whether it is Hosted PBX or IP PBX. However, IP PBX has an edge here. Because the equipment is owned, security can be handled, and increased, in any way they desire. Viruses are here to stay, and experts are predicting that they will soon be aimed more at the voice systems. Therefore, security is becoming a major consideration.

DISASTER RECOVERY AND SURVIVABILITY

For customers concerned with disaster recovery and survivability, there isn't a clear winner. It all depends on where the disaster takes place. For maximum survivability, the system, whether it's an IP PBX or Hosted PBX, needs to be redundant and not physically co-located. Calls need to be automatically rerouted when the system goes down. The one advantage IP PBX systems has is that because the customer can set it up themselves, they have the control to establish the level of potential disaster recovery that is a priority for their business.

Hosted PBX systems are also very reliable during a disaster, if it occurs at the client site. Hosted PBX can usually reroute calls very quickly, and because the IP phones can be plugged in anywhere, customers can be connected very quickly in the event of a disaster. However, if the disaster happens at the Hosted PBX Switch, it's "game over."

INVESTMENT PROTECTION

Like buying a car, the money that goes into the IP PBX system goes into ownership. With Hosted PBX, customers are essentially "leasing" the service, so there is no investment being made. For investment protection, IP PBXs clearly have the edge because most equipment manufacturers have built their systems to allow upgrades and migration to future products.

EXPANSION & CONTRACTION:

The Hosted PBX wins here as service can be added by simply buying a phone and ordering another monthly subscription. The same goes for downsizing – for most Hosted PBX providers, as that's needed is a simple phone call or email to cancel user subscriptions.

UPGRADES:

Hosted PBX is theoretically always on the latest software version and there is no cost to the customer for upgrades versus the very real cost of upgrading an IP PBX. Whether you need to upgrade the more feature-rich IP PBX frequently is debatable. There is no way to predict future feature availability for either choice.



WHAT IS RIGHT FOR YOUR COMPANY?

IP PBX'es provide greater functionality, but Hosted PBX provides great flexibility. Here are the main decision points:

- If you want to own it a long time, buy the IP PBX. It will be cheaper in the long run.
- If you want to keep the system a shorter time, buy Hosted PBX. It will not cost you as much upfront and you can contract for less time.
- If you want special services or customization, buy the IP PBX.
- If you want basic services — calls in, calls out — use Hosted PBX.

Consider the trade-offs and be clear on what you really must have in your system today and into the future.