

Cloud Unified Communications Versus Leasing a PBX: Key Benefits to Cloud UC

Executive Summary

Implementing an on-premise communications system often starts with a consideration of a multi-year leased PBX; a solution that does carry the advantage of allowing a company to forego a large up-front capital expense in favor of a predictable monthly payment with a service guarantee.

Success in a hyper-competitive environment depends on gaining an advantage wherever it is available. And in an increasingly global environment, that advantage is gained in creating an efficient communications platform. Most corporations are no longer bound by the physical restrictions of the brick and mortar office. They have telecommuting and teleworking programs. They have partners and suppliers throughout the world. High-speed connectivity and cloud computing have paved the way for a new era of outsourcing, in which a company no longer needs to do everything in-house and instead relies on a larger sphere of partners and reliable providers for services like application development, web hosting and administration, and call center management. To accommodate this ever-growing and disparate corporate environment, the communications platform a company uses has taken on significant importance in holding it all together.

Traditional telephony however, no longer applies in an increasingly global and increasingly competitive corporate environment. An on-premise PBX system, while offering the advantage of hands-on control, also presents a downside: That hands-on control comes at a cost, in terms of inflexibility, obsolescence cost, manpower and capital expense. While an extended lease does obviate the capital expense requirement, it magnifies the problem of obsolescence. A five-year leased PBX may offer a differed cost structure, but it makes it difficult to upgrade and sticks companies with equipment that is long past its prime.

A Cloud-based Unified Communications platform offers the cost advantages of a lease, while also delivering the advantage of flexibility, unlimited scalability and instant upgradability. Cloud-UC also lowers in-house IT costs. Beyond that of course, Cloud-UC delivers another obvious advantage, which is, it does more than a conventional PBX.

Cloud-UC has several key benefits over a PBX, regardless of whether that PBX is figured as a capital expense or operating expense. In addition to the cost advantage and the elimination of obsolescence, cloud-UC provides for a broader scope of communications, opens up multiple channels for customer communication, and that improved communication results in happier customers and more sales.

In the end, your company's bottom line is positively impacted in two ways: First by reducing costs of communication, and second, by creating a more positive customer interaction model that leads to more satisfied customers and higher revenues.

Cloud-based Unified Communications Overview

Cloud-based unified communications represents two distinct technologies that merge together for greater power: cloud computing and unified communications. Both offer tremendous advantages to the enterprise.

Cloud computing is a system whereby companies gain access to services, infrastructure and platforms on an as-a-service basis from a third party, off-site provider. It's a simple concept that has only become realistic over the past several years due to greater availability and reliability of high-speed Internet access, improved security, and increased market acceptance. But the underlying technology of cloud computing isn't the only driver. While the technology has made cloud computing possible, a different business model has made it necessary. That new business model is one of the extended corporation. Today, instead of attempting to do absolutely everything in-house, companies are more likely to outsource functions such as the call center, ap-

Streams and FutureProof Communications are trademarks of PanTerra Networks. Prices and specifications are subject to change without notice.

plication development, and anything else that is outside of the company's immediate area of expertise.

That model allows people who specialize in a narrower area to service a broader customer base. As a result, a company that for example, does not have in-house expertise in a specialized area of programming, can still gain access to the best in the business by taking advantage of the outsourced model. And, needless to say, the cost advantage is enormously helpful to the bottom line—an essential component in an increasingly competitive environment. Rather than having hundreds of different departments, a corporation will instead rely on an increasingly large confederation of partners, suppliers and outsourcing agencies to get the job done. The result is better access to specialized talent, cost savings, and lower capital expense from not having to deploy the equipment to support each function.

But with that loose collection of partners comes a greater need for all-encompassing communication. That's where the unified communications aspect figures into this great duopoly.

Unified communications are usually described as a system that offers a unifying platform for multiple communications channels such as voice, conferencing, fax, IM, collaboration and email. This in itself offers an enormous convenience. By eliminating the artificial barriers that exist between each communications medium, it becomes easier to reach partners, associates and customers, and it becomes easier for them to reach you. A

UC platform can however, go further by incorporating other features such as unified collaboration, delivering an added platform for web meetings and conferencing; as well as a virtual PBX for easy access to all of the traditional features of a high-end PBX and more. In a nutshell, Unified Communications makes you and your company more responsive.

For companies with a large inbound call center, the UC option also brings the advantage of delivering a platform for multiple customer channels, along with standard call center features such as multiple call queues, call recording, live monitoring and supervisory modes.

And finally, when unified communications are implemented within the cloud, the end result delivers more power, more features, instant upgradability, scalability, and a positive clear cost advantage.

On-premise PBX Leased Solution Overview

A PBX does more than route phone calls; it may offer a wide variety of telecommunications features such as conferencing, forwarding, voicemail, and departmental billing functionality. Combined with a leased line and other PBXs at branch offices, it can make inter-office calling and conferencing less expensive as well. When combined with the Internet, it can facilitate low-cost or no-cost VoIP. And, most obviously, use of a PBX minimizes the number of actual lines that must be leased from the phone company, since the line requirement is based on an estimate of maximum simultaneous use, rather than the total number of discrete extensions.

The potential advantage of an on-premise solution is that it gives the company a high level of control over the entire telecommunications environment. However, that control is a double-edged sword, and maintaining that PBX requires time and expertise—as anyone who has spent time in an office wiring closet can attest. It's true that the on-premise PBX can facilitate conference calls on the cheap, but that low cost is deceiving since the live operator must be on hand to facilitate the conferencing sessions, the administration of which is not always intuitive. As a result, a company with an on-premise PBX needs to devote significant resources to training.

Direct control is appealing to a certain type of audience, but it is expensive in terms of manpower—and often unnecessary. The

Streams and FutureProof Communications are trademarks of PanTerra Networks. Prices and specifications are subject to change without notice.

direct control of an on-premise PBX is also expensive in terms of the up-front capital expense. The lease option does eliminate that, but brings problems of its own. In addition to the ongoing maintenance costs, the on-premise option (leased or purchased) takes time away from core business operations, and creates an inherent obsolescence and an inability to take full advantage of newer options as they become available.

The industry is moving towards a hosted model, but the decision is by no means universal. Smaller businesses will almost always do better with a hosted option, but the economies are not as great in larger environments that require a higher recurring monthly subscription expense. However, larger companies that have multiple sites will find that the necessity to purchase redundant equipment for each site and the added IT support costs replicated at each site will make the hosted option once again more attractive.

The maintenance aspect of on-premise PBXs however, cannot be discounted. Some companies attempt to combine both with a co-location model, in which they own the equipment but run it in a third-party co-location data center. This solution may also offer some advantage over a pure on-premise solution, but it still requires the same level of hands-on administration and still carries the same up-front capital expense, and the disadvantage of not being able to transparently upgrade to newer models with more advanced features.

Key Benefits Comparison

Before making a decision on Cloud-UC versus a leased PBX, a few factors need to be weighed, not the least of which is Return On Investment (ROI). An argument can be made that the leased option delivers an attractive ROI because it allows for a smaller, predictable monthly payment, without the need for a larger up-front capital expense. However, additional "soft" costs must also be taken into account, including the ongoing maintenance, internal support and opportunity cost that is imposed with the leased option. When tied to a five-year lease, the ability to respond to new and unforeseen events without penalty is lost, as is the ability to easily upgrade to new equipment as it becomes necessary and available.

When all is taken into consideration, the cloud-UC option edges out the leasing scenario on several fronts. The PanTerra survey indicates that the cloud option offers a benefits advantage in three major areas:

- **Higher sales.** Use of Cloud-UC as opposed to traditional on-premise communications platforms results in an average of 15% higher sales, simply due to the broader availability of customer communications channels. The Cloud-UC approach allows customers to communicate through whichever is the most convenient method for them and employees to respond to those customers faster. When it's easier to communicate and a company is faster to respond, customers are more likely to take the first step and respond to the "call to action."
- **Lower support costs.** Telephone support is by far the most expensive support channel. When routine questions can be answered via other media, such as an online chat, email fax or even an impromptu web meeting, the phone agents can be dedicated to the more complex calls. PanTerra's study shows that with a Cloud-UC support center, a 66% reduction in costly support calls can be achieved.
- **Increased productivity.** The PanTerra study further noted that an average employee can save 30 minutes a day in wasted phone tag by using Cloud-UC as opposed to relying strictly on conventional telephony, leading to greater productivity overall.

The dollars-and-cents figure often comes down in favor of the Cloud-UC model, but even in cases where the leased option may be economically on par, the Cloud-UC model still may win out. The final decision is not, or at least should not, be based on pure

Streams and FutureProof Communications are trademarks of PanTerra Networks. Prices and specifications are subject to change without notice.

dollars alone. Ultimately, what a company wants is the most features and functionality, with the least amount of administration. Along with that, there is an "opportunity cost" factor that must be figured in: What will you lose with a five-year leased PBX option? The opportunity cost can be significant. Technology changes a lot in five years, and long before the lease has expired, the equipment is likely to be obsolete—making it difficult for a company to enjoy the full advantages of the very latest in PBX technology. Following is a closer look at five specific factors that weigh heavily in the decision-making process.

Competitiveness/Responsiveness

Cloud computing does a lot more than provide for an acceptable and affordable off-premise option for services and infrastructure. It changes the very nature of business and competition. Because of this enabling technology, the barrier to entry for many businesses has been lowered. As a result, smaller businesses and startup entrepreneurs are more able to participate in a market that was once closed off to them. From a macroeconomic perspective as well as from a consumer perspective, more competition is better as a rule, and the cloud enables that.

But the story doesn't end there. With more companies in the marketplace, comes more competition. With increased competition, prices are driven downward towards an approximate level of equilibrium. Competing on price alone becomes more difficult, in an environment where everything is available online and searching for the best price can be done in a matter of a few minutes with some simple free tools. In such an environment, how does a company remain competitive? By offering better customer service, being more responsive to customers, and making it easier for them to communicate with you. The unified communications platform, enabled by the cloud, facilitates this heightened level of responsiveness and allows a company to be more competitive in even the most difficult environment.

Obsolescence Cost

The hypercompetitive environment, driven by a new business model built around virtual technologies, extends even to the telecommunications industry itself. Manufacturing of PBXs and other telecommunications equipment is more competitive than ever, and while established businesses remain firmly in this industry, their dominance is no longer assured. Startups are everywhere, and the canon of industry leaders is constantly changing. Again, this can be seen as a positive by some economists, but when you're looking for a vendor, you don't want change—you want to know that your vendor is going to be there to support you for years to come.

When you purchase or lease PBX equipment, there is no guarantee that your vendor will continue to keep up with the latest technology, or that the new technology will be compatible with your older system. If they fall behind the technology curve, you're still locked into that lease and unable to take advantage of the latest innovations. Even if your provider is releasing new versions, the lease may still prohibit you from taking advantage of them as they become available. It is likely, given the speed at which technological innovations occur, that your PBX will be hopelessly obsolete long before that five-year lease has expired. Obsolete infrastructure means you aren't competitive anymore.

With a Cloud-UC option, the burden of upgrading to the latest equipment is borne by the provider, rather than the client—and in order to remain competitive, the provider must continually offer access to the latest and greatest communications technology available. Since a Cloud-UC option typically does not carry a long-term contract requirement as does a lease, it is necessary from a competitive point of view for the provider to continuously re-evaluate its available technology to ensure access to state-of-the-art features. With Cloud-UC, "obsolescence" is an obsolete term.

Streams and FutureProof Communications are trademarks of PanTerra Networks. Prices and specifications are subject to change without notice.

Capital Costs

The biggest argument in favor of leasing an on-premise PBX is that the capital cost of purchase is eliminated, but that doesn't tell the whole story. Naturally, with rapidly advancing technological areas like unified communications, a company wants to make sure they have access to the latest available features without undue delay. For that reason alone, outright purchase is often not considered, without even taking the financial consideration into account.

Leasing and hosted unified communications both offer the advantage of not having up front capital costs. The next thing to look at then, is the ongoing operating expenses.

Ongoing Operating Expenses

While the leased option does eliminate the capital expense portion, there is still the ongoing operating and support expenses to consider. These include two distinct areas: monthly subscription or leasehold payments, and expenses related to maintenance and day-to-day operation.

Monthly payments for a Cloud-UC option tend to be lower than a leasehold payment, but that in itself is not the main consideration in terms of operating expenses—and depending on the terms of the lease, the difference may not be meaningful. The bigger difference will come in terms of day-to-day operating expenses, including routine maintenance and human resources required to operate and configure the equipment. Whenever equipment is on-premise, it naturally requires more hands-on administration, and that leads to a higher operating expense column on the leasing side.

Also, keep in mind that unified communications also involve a software component, and whenever there is a software component, there are upgrades. In a leased scenario, the customer may be required to pay for periodic software upgrades. In a Cloud-UC model, the all upgrades for as long as you use the service are transparent, automatic, instantaneous and included in the subscription price.

IT Complexity

Companies that use unified communications are not all telecommunications experts, and often lack in-house expertise to handle installation and maintenance of on-premise equipment. In many unified communications environments, there is a multi-vendor aspect that makes it even more complicated. The complexity factor is where the leased option loses any edge it may have gained in terms of reduced capital expense.

A Cloud-UC option eliminates much of the complexity by abstracting the entire hardware and client software layer. The user still has a web-based interface into the system, so control can be maintained—but the burden of managing and maintaining hardware and client software on a day-to-day basis is completely eliminated.

PanTerra Networks: Futureproof Cloud-based Unified Communications

PanTerra Networks' future-proof cloud-based Unified Communications presents an obvious advantage to the on-premise leased PBX option, immediately delivering several advantages in terms of cost, ease of maintenance, zero obsolescence and depth of service. Not to mention, because it is the cloud, all hardware and client software upgrades are completely transparent to the customer, who can consistently enjoy access to the latest state-of-the-art technology without having to worry about additional fees, or downtime for installation. When you turn it on, any upgrade is there.

Streams and FutureProof Communications are trademarks of PanTerra Networks. Prices and specifications are subject to change without notice.

PanTerra integrates all of your communications channels into a single browser-based application, combining voice, conferencing, collaboration, messaging, and call center services into a single seamlessly integrated application delivered from the cloud. There is no on-premise equipment or client software to buy or maintain— so IT manpower expense is reduced. All software and hardware is managed by PanTerra, so all you need to do is manage your own user portal through a browser-based client.

Storage of all communications is also handled on PanTerra's side, again eliminating the need for you to devote costly storage space and storage arrays to communications. PanTerra's Streams platform integrates with your existing applications, including Outlook and salesforce.com. For larger businesses with multiple locations, the worry over having to deploy and maintain equipment and client software at multiple sites is also eliminated, as the multi-location nature of cloud-UC allows all of your branches, associates, and telecommuters to enjoy easy and immediate access to the entire range of communications services.

PanTerra's Streams solution is available in bundled suites, so you can easily address every need. Deployment is near instantaneous, and include a Call Center suite with a full-featured call center, and a Communicator/Element suite, with a digital PBX and extensive collaboration features.

And finally, the "futureproof" advantage of PanTerra: Because service is delivered to you over the cloud, you never have to worry about becoming obsolete or falling behind the times. PanTerra makes sure you have access to the latest technology, the latest innovations and the latest upgrades at all times.

About PanTerra Networks

PanTerra Networks, Inc. delivers the most comprehensive cloud-based unified communications service through its Streams solution. Streams makes companies more competitive by making them more responsive and includes all services and unlimited usage for unified business communications including voice, unified messaging, fax, video, instant messaging, email and calendaring, file transfer, mobile text messaging and presence integrated into its Unified Command Center (UCC). Streams also includes group communications including desk sharing, web conferencing, IM conferencing, and audio conferencing. Streams also integrates with Outlook and Salesforce as well as other commonly used CRMs through its included application programmers interface (API) enabling communication-enabled business process (CEBP) environments to flourish.

Streams stores all your communications in the cloud, enhancing security and allowing you to access them with just an Internet connection and browser. The company is headquartered in Santa Clara, California, with Research and Development based in Hyderabad, India. For more information, please visit <http://www.panterranetworks.com>, call us at +1 408.702.2200 or email us at info@panterranetworks.com.

Streams and FutureProof Communications are trademarks of PanTerra Networks. Prices and specifications are subject to change without notice.

4655 Old Ironsides Drive
Suite 300
Santa Clara, CA 95054

info@panterranetworks.com
www.panterranetworks.com

Toll Free US: 800.805.0558
Main Voice: +1.408.702.2200
Main Fax: +1.408.329.1683