



SMB COST SAVINGS
WITH HOSTED VOICE

January 2009

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TABLE OF CONTENTS

OVERVIEW	2
LOWER START-UP COSTS	3
MAINTENANCE SAVINGS	3
LONG-DISTANCE SAVINGS	3
SCALABILITY AND FLEXIBILITY	3
MULTI-SITE COORDINATION.....	4
TRAVELING AND REMOTE WORKERS	4
BUSINESS CONTINUITY SAVINGS.....	5
PRODUCTIVITY AND EFFICIENCY	5

OVERVIEW

As economic indicators in the United States continue to trend downward, small and medium-sized businesses (SMBs) are watching their budgets carefully. Forrester reports that SMBs have a strong interest in improving IT efficiency in 2008, but that budgets for new applications and infrastructure management will remain flat. The goal for most businesses is to do more with less.¹ Fortunately, that is exactly what Voice over IP (VoIP) offers.

The promise of cost savings has always been a key motivator of VoIP adoption for businesses of all sizes. These savings are even more relevant to SMBs because they typically devote a larger percentage of their resources to phone service. According to Savatar Research, monthly recurring costs and total cost of ownership are the top two decision factors for SMBs considering a new phone system. Economics are more important to these businesses than management capabilities, features, and even change events such as moving to a new location.²

Businesses surveyed by Savatar after making the switch to VoIP overwhelmingly reported significant cost savings compared to their old phone service.³ SMBs seeking maximum savings are best served by a *hosted voice* service, rather than a *premise-based* solution. With a premise-based solution, IP-PBX equipment is installed and maintained at each business location. With a hosted or managed voice service, phone system functionality is hosted by the provider and accessible from any business location. For this reason, hosted voice is far more flexible and easy to manage than a premise-based system.

Hosted voice offers SMBs a greater array of savings than any other phone service option. These savings are detailed in this whitepaper and include:

- » Significantly lower start-up costs
- » No on-site maintenance expenditures
- » Dramatic long-distance savings
- » “Future proof” scalability and flexibility
- » Affordable multi-site coordination
- » Cost control for traveling and remote workers
- » Business continuity savings
- » Enhanced productivity and efficiency

¹ Speyer, Michael. *2008 SMB IT Budgets North America: It's Back to Basics*. Forrester Research, March 28, 2008.

² Savatar Research, *North American SMB VoIP Market Research*, April 2008.

³ Ibid.

LOWER START-UP COSTS

The capital investment for a hosted voice solution is typically much lower than for a premise-based solution. This is primarily because hosted voice does not require on-site PBX or IP-PBX equipment, a major purchase that for most businesses necessitates a long-term lease commitment.

To implement hosted voice service, businesses only need to purchase IP phones and, with some providers, voice gateway equipment or a specialized router. Most providers offer a wide range of phones to suit various needs and budgets. Voice gateway equipment is relatively inexpensive and useful for both troubleshooting and ensuring Quality of Service.

Many businesses enjoy additional start-up savings with hosted voice because it allows them to combine voice and data on one network. This lowers infrastructure costs and allows businesses to get more value from their broadband investment by operating both voice and data over one connection. If voice and broadband are purchased from the same provider, businesses may save even more with promotional offers or bundling discounts.

MAINTENANCE SAVINGS

Hosted voice eliminates the need for major on-site equipment, thus eliminating the need for on-site maintenance. With hosted service, features and user profiles can be managed virtually from any location. Administrators are often able to make changes themselves via a web portal, or they may simply contact a provider with change requests.

LONG-DISTANCE SAVINGS

Most SMBs have moderate long-distance needs, primarily intrastate calling, but they often pay comparatively high rates with traditional phone service because they lack the buying power for volume discount plans. Hosted voice can significantly reduce long distance spending with low calling rates and purchase options that have not previously been accessible to small businesses.

Hosted voice pricing typically begins with a flat monthly rate per employee for basic service and features. The per-employee rate plan may or may not include long-distance calling. Buyers have three basic long-distance billing options:

Long Distance (LD) Option	Description	SMB Needs
Metered	Pay per call	Little to no LD calling
Unlimited	Nationwide and/or international calling included in per-employee rate plan	Heavy LD users
Volume minutes	Purchase LD minutes in bulk at a discount price and share companywide	Predictable LD needs, ability to control LD costs across employees

SCALABILITY AND FLEXIBILITY

Many SMBs anticipate rapid or unpredictable growth. Hosted voice offers the benefit of virtually unlimited scalability, as long as bandwidth is increased when necessary to support additional call volume. Businesses pay only for the number of phones and lines they need. Expanding or contracting is as simple as adding or subtracting a phone and service plan.

Hosted voice is also “future proof”. There will never be a need to buy a new up-to-date phone system because the system is always evolving. Hosted voice providers continuously upgrade their platforms as new technologies develop. Although IP-PBX providers run all their features off localized hardware and can introduce new features at no extra cost, the need for on-site maintenance to program these features makes the user experience less flexible than with a hosted provider. With hosted voice, the customer enjoys total flexibility and is protected from obsolescence by receiving new features and capabilities automatically as they become available.

In the near future, experts predict that VoIP will be increasingly integrated with a variety of multimedia and software applications, such as on-demand customer relationship management (CRM) services. Hosted voice providers will make it easier and more affordable for SMBs to take advantage of this type of integration by testing and launching streamlined integration programs.

MULTI-SITE COORDINATION

For SMBs with more than one business location, hosted voice offers even more savings. Rather than purchase separate on-site phone equipment for each location, businesses reap the benefits of a single unified phone system that operates across all locations. That means one provider, one bill, one voicemail system, extension dialing between locations, and centralized management of all users and features. Multiple offices can lower personnel costs by sharing a single receptionist or eliminate the need for a receptionist with an auto attendant feature. Plus, calls between locations are considered “on-net” and can be made free of charge. For businesses that operate regionally or nationwide, interoffice calls often comprise a significant subset, even a majority, of long-distance calls.

TRAVELING AND REMOTE WORKERS

Three out of four North American SMBs have at least one telecommuting employee. On average, 7% of their workforces work at home one or more days a week.⁴ Hosted voice service provides a range of options for keeping remote and flex workers connected. It also offers features that simplify communications for mobile and traveling employees. The key benefit of all these options and features is the ability to consolidate and control communication costs, no matter where employees work.

Some hosted voice providers offer telecommuter service, allowing employees who work from home to connect seamlessly with the business phone system by simply plugging a specially programmed IP phone into their broadband connection. This eliminates the need to reimburse remote workers for disparate communication services and keeps them more closely connected to the rest of the business. Individual home offices have the same phone service capabilities as any other business location, including extension dialing and call transfer. They also share the same voicemail system and can make free calls to and from other business locations.

For employees that work from home occasionally, travel, or attend a lot of off-site meetings, some hosted voice providers offer an advanced feature that can make any phone a business phone – even a personal cell phone or hotel room phone. When employees place calls through the provider’s web-based interface, calls made from any phone appear to come from the business office and long-distance charges are billed to the business account. This eliminates the need to pay hotel long-distance rates and surcharges and also simplifies expense administration – no more long-distance reimbursement hassles.

In addition, hosted voice service makes it easy for one number to follow employees wherever they go. Advanced call forwarding options and features such as simultaneous and sequential ring are easy to program from any location with Internet access. With a few clicks of the mouse, employees can receive business calls on their personal cell phones or home phones without giving out those numbers. Highly mobile employees can even eliminate the need for desktop IP

⁴ Computing Technology Industry Association (CompTIA), October 2007 survey.

phones altogether with softphones. With a headset and a software-based phone installed on a laptop computer, users can access hosted voice service from anywhere.

With hosted service, all call routing and forwarding occurs off-site on provider equipment. Therefore, if a call comes in and is forwarded to a mobile phone, no bandwidth is being used at the business location. With an IP-PBX system, a call coming in and being forwarded out to a mobile phone requires two calls worth of bandwidth – one call in and one call out. That means that when multiple employees are out of the office and taking calls from a home office or mobile phone, a business needs twice as much bandwidth to avoid overloading the circuit.

BUSINESS CONTINUITY SAVINGS

Hosted voice offers significant protection from bottom line impact in the event of a minor disaster, such as an equipment failure, or a major catastrophic event, such as an earthquake. Since voicemail, call processing and advanced features are hosted on the provider's network, they remain available even if something goes down at the business location. That means that even if nobody in the office can receive calls, callers never hear a fast busy signal. Voicemail will continue to function and messages can be retrieved remotely. If they can access the Internet, employees can immediately forward their calls to another phone. If the business has an auto attendant, it will continue to function as an automated receptionist and the message can be quickly reprogrammed to give current information to callers.

Relocating the entire system is also much faster and easier than rewiring a PBX or IP-PBX system, which can take weeks. If a major disaster hits, businesses can move all their employees to another facility with IP access and set up a disaster recovery site in a matter of days – hours if the phones can be salvaged.

PRODUCTIVITY AND EFFICIENCY

Some of the soft cost savings of hosted voice service have already been addressed. The features and flexibility of this type of service offer significant efficiency and productivity advantages. Auto attendant can lower personnel costs by eliminating the need for a receptionist and allowing administrative staff to focus on other priorities. Features including simultaneous ring, sequential ring, and advanced call forwarding allow employees to give out one number and stay reachable to customers and co-workers no matter where they work. Users can receive copies of their voicemail messages as audio file attachments, making it easier for mobile employees to keep up with their messages and forward messages to anyone without losing detail or context. Many hosted voice providers also offer integrated on-demand conferencing, eliminating the need for a third-party provider and supporting collaboration for multi-location businesses and virtual teams.

Individual users can manage all their hosted voice features from any location through a web-based portal. Some providers take it a step further, offering a toolbar plug-in that integrates hosted voice functionality with Microsoft Outlook and Internet Explorer. Toolbars serve as intuitive dashboards, making the service easy to use right from the desktop. Users can even click-to-dial a number from their Outlook Contacts or right-click on any phone number they find on the Internet.