2013 "Should I Rent or Buy a Phone System?" Checklist

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About This Check List: This checklist is produced by Telecom Association ("TA"), a membership organization of 3,800 independent telecom solution partners and their technology vendors. The guide is published for business owners and managers to help them choose between buying a PBX phone system that they can own outright or subscribe to a business phone service ("renting hosted VoIP) that they can quit or change at any time.

How to Use This Checklist: After reading the overview, simply ask yourself the following questions for your own business and then read how the different answers can drive you to one option or the other. You'll quickly get the idea of what kind of phone system you should spend the most time looking at. If you're already engaged in the business phone system buying process, be sure and share this list with the vendors you're speaking with. If you need to be referred to a recommended phone system sales consultant please check our "partner" directory at BusinessPhoneNews.com or ask for a customized referal for you specific needs by sending a detailed email about what your needs are to Dan@BusinessPhonenews.com.

Overview

Real businesses with multiple employees need a business phone system to establish to the buying public that the business is more than just an idea, a web site and a guy with a cell phone. When a prospective customer moves past your ad or website and picks up the phone to call, they expect something "business phone system-like" to happen after your main phone number starts to ring. At a minimum, they want to hear a well designed auto-attendant that connects them to a helpful person on the first attempt. They want to be able to "zero out" to an operator if they get someone's voice mail. In short, they want to do business with a real company, with a real building, with real employees - that have a real phone system.

Now the purpose of this checklist is not to debate the merits of a company based on whether it has a decent phone system or not as many successful companies (Google, Amazon, Southwest Airlines) seem like they're more web based than phone system based. These really big companies have REALLY BIG phone system solutions beyond the scope of this checklist.

This checklist is for small and medium-sized businesses where talking on the phone with customers and business partners is important. Businesses like law firms and hospitals and car dealerships and the like. These sorts of businesses have owned phone systems in the past and they need to decide how they're replace these old phone systems when they die.

CapEx or OpEx? That's the Real Question

Even though "rentable" phone service like Centrex has been around for decades, most small and medium-sized businesses have always purchased their business office phone systems. While the purchase may have actually started out as a business equipment lease, after five years, most businesses owned their phone systems out-right. If the costs of phone system repairs, system upgrades or expansions could be kept down (by buying the right phone system in the first place) many business owners were pretty happy with their phone system capital expense if they were able to get another five or ten years out of the system "for free" after the initial five-year lease was up.

While many stable businesses with stable operations and stable sales will even today almost always want to look at replacing an "on premises" PBX with another one when it "dies", more dynamic businesses both large and small would rather avoid a long-term capital expense like a PBX phone system in favor of a predictable operational expense in the form of a "rented" phone system like "hosted VoIP" or "hosted unified communications".

The Only Real Difference is "Who Pays for Phone System Mistakes?"

Where the "opex vs. capex" argument does not choose a phone system for a company, the other "decider" can be the "who pays for phone system mistakes" question. By this I mean, if you guess wrong about your future business phone system needs and buy the wrong PBX that becomes obsolete to your needs in short order, who pays to get you to the right phone system? (You do, of course!)

With a hosted phone system that you simply rent from a hosted phone system provider, if you find that you need your phone system to integrate with a new CRM (customer relationship manager) software application like Salesforce or Microsoft Dynamics you have your hosted phone service provider simply add it to your subscription. If they don't offer that then you can easily swap out one hosted phone company for another one that has the new integrated business applications that you need. (They pay for your mistake.)

It's All About "the Apps"

How long have you owned your current mobile phone? How soon before you get a new phone? Why? Your mobile phone equipment choice (both your last one and your next one) is all wrapped around what you want your smartphone to be able to do. In other words you tell the smartphone sales person, "These are the apps I can't live without, which phone is best for me?"

When choosing your next phone system, start with a list of all the other computer applications you use like email, billing, calendaring, inventory, etc. How would your employees' productivity change if all your critical business applications worked seamlessly with your employees' desk phone, mobile phone or tablet?

No Free Lunch: Dial Tone (or Voice Channel) is Still a Separate Expense Item in Either Model

Many consumer grade VoIP phone system solution providers like Vonage, magicJack, etc. have confused business phone system buyers with the idea that VoIP phone service will save you money because the phone service "uses your existing Internet connection" so whatever you pay each month for your landline phone bill can be saved 100%. This fabled "free lunch" does not exist for business phone system buyers.

Even if a business eliminates all its old copper phone lines when switching to a business grade VoIP phone system (PBX or hosted) the money that is saved in eliminating the copper phone lines will need to be replaced with SIP service and/or additional (or separate) Internet bandwidth.

When comparing "per month per employee" phone costs between hosted and premises PBX systems in any business proposal, make sure the the phone equipment and phone system charges are in one column and the dial-tone and extra bandwidth to make it work are in a separate column.

Some phone system sellers will glom these figures all together making apples for apples comparisons very difficult. Unscrupulous sellers will add extra bandwidth costs to one proposal and conveniently omit it from another. Only when equipment/systems costs are identified

and then added separately to extra dial-tone/bandwidth costs will true comparative figures be shown.

"Rent or Buy" Checklist Questions

1. **Have you previously owned a business phone system that you were happy with that you thought was very well priced?**

   If you answered "yes" then total all the direct and indirect costs of the phone system and equipment like the purchase price, tax, installation, maintenance upgrades, repairs, etc. Now take this gross phone equipment total and divide that amount by the number of months you used it and divide that amount by the number of employees using it each month to arrive at your "cost per month per employee" phone system and equipment phone cost.

   Keep this figure handy as it should be the benchmark to compare all other solutions. If nothing else even comes close then you'll likely "buy" your next phone system.

2. **Do you have multiple small locations (including home offices) that you want to integrate into a single phone system?**

   If you answered "yes" then chances are that you're paying both a phone equipment and a dial-tone premium to make your individual locations all seem like they have real "business" phone systems. Having lots of small locations is one of the main reasons businesses "rent" hosted VoIP phone systems.

   Retail stores, quick service restaurants and other similar businesses with lots of small locations are some of the biggest users of the "rented" or hosted phone systems because there's no need to buy a PBX for each location and you don't need to buy three or more phones lines per month per location to cover peak calling when one or two lines will usually do fine. (This is where "SIP trunks" can actually save multi-location businesses quite a bit of money.)

3. **Are you making a ton of money this year but you don't know if you'll be in business next year?**

   Even if you only have a single location business, if you have high margins today but you don't know what next year will bring, you're a strong candidate for renting "hosted VoIP".

   Because hosted VoIP systems can easily be ramped up and down in a single location and then expanded to several locations - all on a per employee basis - and then contracted again, hosted VoIP is great as it easily goes up and down with your employee headcount and it works no matter where you want an employee to work from.

4. **Do you need to have your employees always connected to your company applications and always contactable without being chained to their desks?**

   If you answered "yes" to this question then you're likely big on mobile employees indicating their "presence" (whether they're available to communicate right now) and being able to collaborate via IM (instant message text), phone, web or audio conference calls or even video.

   The "hip" term for this is "unified communications" or "UC". The "ultra-hipsters" call

it "UC&C" or "unified communications and collaboration". Whatever you want to call it, for a small or medium sized business, it's really <insert cuss word here> expensive to buy a PBX that does unified communications the way you're dreaming it will AND be properly integrated with all your critical business applications.

Only really large enterprise businesses are buying PBX based UC phone systems. For them it makes sense because they can divide the overhead costs into thousands of employees. If your employee count is dozens or hundreds, "hosted UC" is really the only way to go, especially since the "cost of doing it wrong" on your first attempt at UC is so high.

5. **How do you feel about paying per employee license fees for enhanced productivity?**

   Today's modern "IP" (Internet protocol) phone is really more computer than it is "phone". You're going to expect your next "office phone" to do as many cool apps as your personal smartphone does. Unfortunately, there are exactly zero free apps that you're going to be interested in downloading onto your business phone system. Want to integrate with your CRM? Extra license fees. Want to integrate with your billing software? Extra licence fees.

   If you're a Microsoft Office using business you already know about license fees. You have to pay for every employee no matter how much they use it. If license fees rub you the wrong way though you're a candidate for a rented "hosted VoIP" system as hosted VoIP providers usually let you subscribe to just the extra features you need and often the extra features you need don't cost anything at all.

6. **Do you have a big, single-location office that's been doing everything the same for the last 20 years and the next 20 years looks like a repeat?**

   Buy a PBX.

7. **Do you need unique applications written that integrate your phone system with special applications than you've written in-house that don't have standard APIs?**

   Look at Asterisk IP-PBXs sold by software integrators that specialize in your industry. Hosted VoIP phone service providers don't generally accommodate special features that a majority of all their different customers might want to use.

   Hosted VoIP phone companies are kind of like really big "business communications co-ops" in that they've got one really big phone system that needs to serve thousands of different customers. The features they've rolled out are available to everyone and they're really risk averse when it comes to "doing something different" for just one customer.

8. **Do you need lots of phones that have little usage or do your employees mostly just talk to other employees as opposed to non-employees?**

   The more that your phone system users only talk to other phone system users, the more you're more appropriate for a purchased PBX.

   This is because your "in company" bandwidth, usually your LAN (local area network) is already paid for and has reasonable excess capacity for light voice usage. Since all the "phone smarts" for a hosted VoIP phone system reside on a distant phone server, you're not going to want to pay for extra bandwidth connecting light usage phones to

distant phone companies.

9. **Are you a medium-sized, multi-location company that is already moving your critical business applications to the public cloud or private colocation data centers?**

    If you answered "yes" to this questions then you're a 50/50 candidate for either a purchased PBX or a hosted VoIP solution. Either way you'll likely end up "hosted" though because even if you buy a PBX it will seem hosted to your employees since you'll likely move the phone servers you choose to own to your own "private cloud".

Summary Thoughts

Even if you've answered all the questions above and you're a slam dunk candidate for a purchased PBX, you should still price out a hosted PBX solution. Why?

Even the biggest PBX manufacturers are starting to roll out "hosted" versions of their PBX solutions. They see their own customers turning their purchased PBXs into hosted solutions by putting them into private data centers. After doing this badly once or twice, customers trying to create their own hybrid hosted phone system with a purchased PBX will wonder, "Why didn't I look at regular hosted vendors more closely?"

Since you can "host" a PBX or even "buy" a hosted VoIP solution (in the form of an Asterisk system), all hosted VoIP and purchased PBX solutions lie somewhere on the same business phone system solution continuum. Whatever phone system you end up buying will not really be all that much technically different from the one you reject.

But while the technical differences between phone systems may be small, the "happiness differences" between phone systems is HUGE, especially if you end up buying one that just won't do what you really need it to do (that you didn't know about when you bought it last year).

The best and really only way to avoid serious buyers remorse after a phone system purchase is to buy your phone system from an independent sales partner that has experience with customers similar to you AND has access to different phone system brands and phone system types - both purchased and rented.

If you ask a phone system sales person, "How does your phone system compare to this other phone system I'm looking at?" and they say, "I don't know, I only sell this phone system", find another phone system sales partner to buy from.

Recommended Phone System TA Partners & Vendors

The following TA partners and vendors are specifically recommended for their phone system design expertise and system integration solutions by business end-users that have selected them and then [reviewed their performance](#) within the past year. Listing are ranked by [review points](#).

[Broadview Networks](#) (0) Specializes in providing nationwide hosted VoIP solutions to both single and multi-location businesses. They have received wide acclaim for their ability to install and maintain phone systems the "just work" by both customers and Broadview's sales partners.

[Megapath](#) (0) Specializes in providing multi-location business customers with a Broadsoft hosted VoIP solution over what's reported to be the largest integrated network available.

[Telesphere](#) (0) Specializes in providing multi-location business customers with a Broadsoft hosted VoIP solution with a special focus in mobile and collaboration solution integrations.

[Vocal IP](#) (0) Specializes in providing multi-location business customers with a Broadsoft hosted VoIP solution with a special engineering expertise for integrating large deployments with any existing business application or gradual migrations with existing phone system equipment.

If you are a TA partner or vendor with phone system selection expertise or solutions please submit your [customer reviews](#) to [Dan@BusinessPhoneNews.com](#) to get listed here.

Phone System Selection Blog Updates

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[Business Phone Systems Review: Broadview Networks' "BYOB" Hosted VoIP Solution](#) 5/10/11

[5 Ways to Prevent or Minimize Your Next Business Phone SIP Service Outage](#) 3/31/11

Other Useful Resource Links

The following phone system selection resource links may help end users and consultants fine tune prospective bandwidth management solutions.