

Understanding the Real Cost of Your Business Communications System

Total cost of ownership: There's more than meets the eye.



When assessing the future of your business communications, making the decision to stick with an on-premises phone system versus moving your communications to the cloud can be a complex process. Of course, the overall benefits of switching to a cloud phone system, let alone one simple integrated and unified communications solution, clearly outweigh the benefits of managing a legacy phone service along with all the individual vendors required to meet your communications demands. But, when it comes down to it, a huge part of this decision revolves around cost.

For an on-premises phone system, the most obvious outlays are the ones you can see and touch—the PBX hardware and the phones that connect to it. At an average cost of \$1,000 per employee, the PBX easily stands out as the big ticket item. However, once you begin to probe beneath the surface, you may be surprised to find that the hidden costs of an on-premises phone system are nontrivial, making your total cost of ownership (TCO) greater than you originally expected. In fact, the costs may total more than the large initial capital expense of the basic hardware.

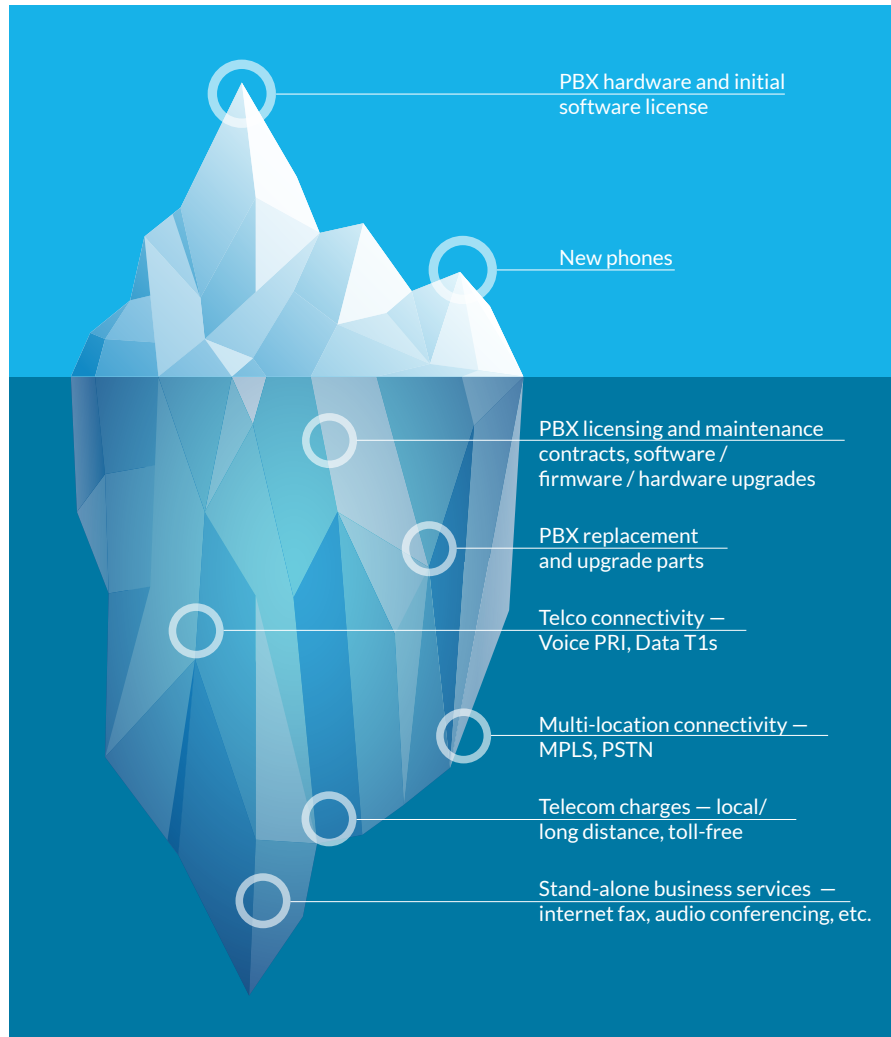


Figure 1. Many costs of a typical phone system lurk below the surface.

Breaking down the top five hidden costs

Looking at the details in Figure 1 above, you can see the larger story is not just about the equipment. Many companies are surprised to find that these obvious components of a business phone system are not the largest contributors to the overall cost. A careful cost roll-up analysis typically uncovers the following:

1. PBX systems require upgrades, maintenance, and trained resources.

Expenses from network upgrades, license fees, installation, and separate building wiring can quickly add up to a surprisingly large number. In addition, as legacy systems continue to add functionality, they increasingly require highly trained support personnel to maintain the hardware and software, roll out system upgrades, and manage system use. As well as the cost implications, hardware maintenance is time consuming and can waste days of valuable business time.

2. Telecom costs can be large enough to strain the IT budget.

You will need PRIs, bonded T1s, or other trunk lines to connect the PBX in your building to the local telco. Line items for local, long distance, and 800 calling are also required.

3. Stand-alone services accumulate significant charges.

Legacy on-premises phone systems stop well short of offering a unified cloud communications solution that encompasses video calling, web meetings, team messaging, and more. Costs for these additional services need to come through third-party vendors and can add up to substantial line items. You may also find expenses for services such as online fax that individual business units, managers, or employees have signed up for over time. And these charges are often applied on a per-minute basis, which can make budgeting for these bills unpredictable.

4. Connecting locations adds cost and complexity.

Even if you don't have multiple locations, you may have a dispersed workforce that you need to serve. The demands of bandwidth-intensive communications between two buildings, or among multiple sites, causes IT headaches and budget issues. And the presence of a disparate patchwork of hardware, such as PBX systems from different makers across satellite locations, can become a management nightmare. For example, if you have multiple locations, you may need additional IT resources to manage not only the connectivity but also the additional PBX hardware. Simply enabling a remote workforce by integrating mobile applications and productivity tools is not possible with an on-premises phone system the way it is with a cloud communications solution.

5. Predictability of costs and feature availability is poor at best—now and in the future.

With a premises-based solution, each feature, service, or maintenance agreement can become an added cost to be negotiated. This lack of system future-proofing and limited innovation potential is a looming TCO issue for any company considering a premises-based approach. An all-inclusive cloud solution like RingCentral Office® not only includes the basic and advanced aspects of a modern business communications network at one cost but also continues to deliver the latest innovations and features. These advances are immediately available to all of your employees. Furthermore, the deployment of these features and services all happens in the cloud, handled transparently by RingCentral data center telephony and IT experts.

How do cloud phone systems compare?

A cloud communications and collaboration solution like RingCentral Office not only gives you everything you need to simplify and empower your business, it also completely alters the cost structure of both hard and soft costs. Let's look at some of the hard cost savings.

- **One all-inclusive cloud communications and collaboration solution**—All you need in a phone system, plus text, audio and video conferencing, meetings, and team messaging and collaboration. This eliminates the need for additional services from third-party vendors, immediately removing a layer of surplus expense and complexity.
- **Lower multi-site management costs**—Anyone can add phones or numbers, make changes, or handle moves from an intuitive web interface.
- **Reduced IT maintenance and infrastructure**—All handled in the cloud by the service provider, eliminating operational expenses and IT distraction.
- **Elimination of many telephony costs**—This includes removal of several line items such as switches as all voice and UC traffic travels over the internet.
- **Lower IT service provider costs for ongoing updates**—RingCentral handles updates and provides continuous improvements and innovations.
- **Increased worker productivity**—New capabilities, such as direct-extension dialing and the ability to forward calls and faxes to mobile phones, make workers more effective. The provider also handles integrations with leading CRM systems like Salesforce® and Microsoft® productivity tools or suites.
- **Reduced up-front cost**—Phones can be rented, making it a lot easier to upgrade to the latest models without a large initial layout.
- **Decreased cost of supporting a mobile workforce**—The unique RingCentral Mobile® app, which enables you to turn a smartphone into an office phone, saves carrier costs, especially for conference calling, video meetings, and those associated with international travel.

Summary

The cost-saving benefits, along with the simplicity, flexibility, and manageability of unified cloud communications explains the rapid adoption of these solutions by businesses of all sizes. Cloud solutions allow you to move all of your business communications to the cloud and benefit from the same cost and operational expense reductions you can experience when you move other critical business applications. RingCentral Office provides an all-inclusive cloud communications and collaboration solution that can be customized to suit your business needs and budget. Not only can you rest assured that your overhead will be reduced considerably, you'll have the peace of mind that your employees have everything they need to do business effectively, today and long into the future.

About RingCentral

RingCentral, Inc. (NYSE:RNG) is a leading provider of global enterprise cloud communications and collaboration solutions.

More flexible and cost-effective than legacy on-premises systems, RingCentral empowers today's mobile and distributed workforce to communicate, collaborate, and connect from anywhere, on any device. RingCentral unifies voice, video, team messaging and collaboration, conferencing, online meetings, and integrated contact center solutions. RingCentral's open platform integrates with leading business apps and enables customers to easily customize business workflows.

RingCentral is headquartered in Belmont, California, and has offices around the world.