

Vol.6 Number 3
March 2006

Hosted vs. Customer Premise: Which Business Phone System is Right for You?

Considering a new phone system? The advantages of a VoIP system over the traditional PBX are covered at length in previous columns. However, even if you've decided that VoIP is right for you, there's still one more decision to be made. Whether to build a relationship with a premise-based vendor, or to move towards one of the new, hosted solutions.

To answer that question, let's start with what differentiates a premise-based vs. a hosted approach. With a premise-based system, the equipment is physically installed at your location. This includes servers, software and application modules. Your VoIP provider then provides integration with the IP network.

Hosted solutions operate via an on-demand network that is controlled by a third party. Switch implementation and support is provided by a network service provider, technology provider, or outsourcing bureau. The onsite wiring and hardware of a hosted solution typically consist of a personal computer/server, a browser, and telephones on the customer's site.

The Pros and Cons

A hosted solution can be tempting due to its scalability, single-server multi-tenant capability and VoIP location-independent connectivity. That last part appears very attractive due to the ability to place an employee anywhere, and give them access to the corporate phone system. However, there is a decided lack of control when your entire phone system is hosted at another location by a third party. You don't have access to the equipment, and you have limited access to anyone onsite who has the network expertise you need.

When operating a customer premise system, you have direct control over hardware, software, integration to back-end systems, maintenance and information security. You can manage your system using your own dedicated IT staff. All of your equipment is right on hand, and you will be able to protect your existing infrastructure investment. Regarding remote employee access, customer premise vendors are now offering new and highly efficient methods to guarantee employee access no matter where their location. Employees can access both their voice and data network over a single packet connection to the corporate office. They can use the same phones with all of the features and functionality that are supported by their corporate PBX. And a single system administrator can handle all set-up and administration for the users.



The right vendor makes the difference

Of course, vendor selection is key whether you opt for a customer-premise or hosted operating environment. When undergoing the vendor selection process, consider these factors:

- System and Application Uptime/Availability
- Network Performance (latency, etc.)
- Disaster Recovery Time
- Voice Port Occupancy
- Security
- System Data Recovery and Reporting
- Feature set provided by each solution

Vetting by criteria such as these, the right option for your business will usually rise to the surface. When deciding between a customer premise or a hosted business phone system, it is your unique requirements that will make the decision obvious.