

Calculating the Real Cost of a Business Communications System

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



The cloud is transforming the way companies do business by enabling digital transformation. According to the Gartner 2018 Magic Quadrant for Unified Communications as a Service, Worldwide report, the unified communications (UC) market is making a fundamental shift from premises-based UC to cloud UCaaS. “By 2021, 90% of IT leaders will not purchase new premises-based UC infrastructure—up from 50% today—because future cloud UC offerings will be far ahead in terms of features, functions, portals, analytics, and dashboards.”*

Until recently, most businesses had to purchase and deploy a legacy on-premises PBX, requiring upfront capital expenses as well as IT staff to administer, manage, and maintain the systems, manual software upgrades, and more. For an on-premises phone system,

the most obvious outlays are the ones you can see and touch—the hardware and the phones that connect to it. At an average cost of £800–£1,000 per employee, the phone system easily stands out as the big ticket item. However, once you begin to probe below 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 your original expectations. In fact, the costs may total more than the large initial capital expense of the basic hardware.

With expanding cloud options, more businesses are finding cloud service offerings to be an easier, more cost-effective way to deploy communications and collaboration capabilities.

* Gartner, Inc., Magic Quadrant for Unified Communications as a Service, Worldwide, Daniel O’Connell, Megan Fernandez, Rafael Benitez, Bjarne Munch, Christopher Trueman, Mihai Nguyen, October 10, 2018.

Breaking down the top hidden costs

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:

- **Legacy phone systems require upgrades, maintenance, and trained resources.**

Expenses from network upgrades, licence 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. In addition to the cost implications, hardware maintenance is time consuming and can waste days of valuable business time.

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

You will need PRIs, bonded T1s, or other trunk lines to connect the phones in your building to the local telco. Line items for local, long distance, and non-geographic calling are also required. More deeply hidden costs include the need to overprovision phone lines and then continue paying for them.

- **Stand-alone services accumulate significant charges.**

Legacy on-premises phone systems stop well short of offering a unified 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 find expenses for services, such as audio and video conferencing, team messaging, and internet faxing, 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.

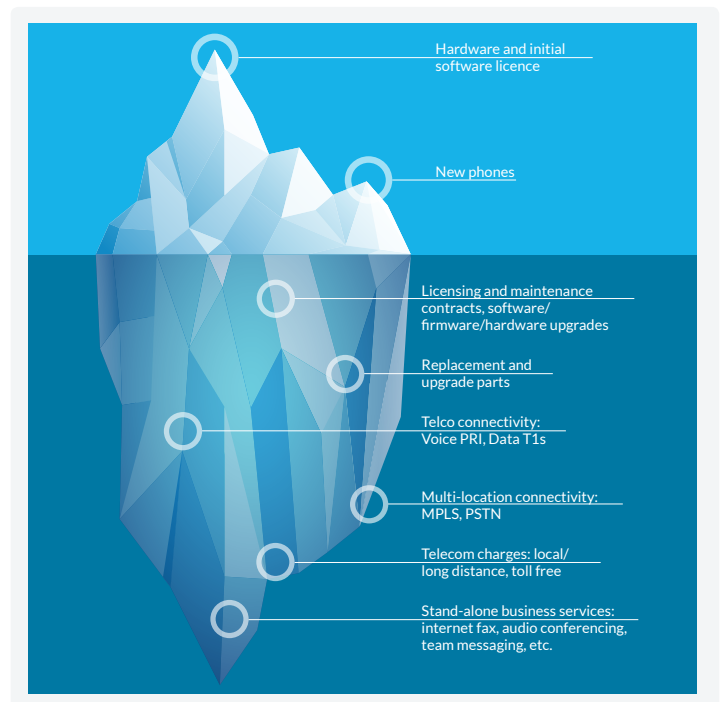
- **Connecting locations adds cost and complexity.**

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 multiple sites causes IT headaches and budget issues. The presence of a disparate patchwork of hardware, such as phone systems from different vendors 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 phone system hardware. With an on-premises phone system, it is not possible to simply enable a remote workforce by integrating mobile applications and productivity like it is with a cloud communications solution.

- **Predictability of costs and feature availability are 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 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 via four major releases per year. 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.



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

Real world, real numbers

Let's look at the complete rolled-up costs of a legacy phone system. The comparison below shows the hard costs to deploy a basic business communications system for a hypothetical 200-person company with four locations:

Legacy Premises-Based Phone System Costs					
Cost Description	Location	Quantity	Unit Cost GBP	Annual Cost	Cost Over 5 Years
Initial Capital Outlay					
Premises-based infrastructure: core services (servers, gateways)	Core	1	£17,250.00	o	£17,250.00
Premises-based resilience (servers, gateways)	Branch	3	£2,500.00	o	£7,500.00
Premises-based disaster recovery (servers, gateways)	DR	1	£15,000.00	o	£15,000.00
Premises-based remote working infrastructure (firewall, SBC)	o	1	£5,000.00	o	£5,000.00
Telephony software (user licences)	o	200	£400.00	o	£80,000.00
Handsets (user devices)	o	200	£100.00	o	£20,000.00
Recurring Costs					
Third-party software (SQL, OS, etc.)	All	200	£5.00	£12,000.00	£60,000.00
Access to latest telephony features (release management)	All	200	£5.00	£12,000.00	£60,000.00
Infrastructure maintenance (servers, gateways)	Core	1	£100.00	£1,200.00	£6,000.00
Infrastructure maintenance (servers, gateways)	Branch	3	£5.00	£180.00	£900.00
Infrastructure maintenance: disaster recovery (servers, gateway)	DR	1	£2,500.00	£2,500.00	£12,500.00
Man on site: break/fix	All	1	£15,000.00	£15,000.00	£75,000.00
Inbound/outbound voice: basic connectivity (PSTN)	All	3	£200.00	£7,200.00	£36,000.00
Inbound/outbound voice: call charges (local, international, etc.)	All	200	£8.00	£19,200.00	£96,000.00
Corporate connectivity: WAN (MPLS, etc.)	All	3	£350.00	£12,600.00	£63,000.00
Internal support team training	All	2	£250.00	£500.00	£2,500.00
MAC (moves, adds, changes)	All	10	£50.00	£500.00	£2,500.00
Total competitor legacy premises-based phone system cost					£559,150.00
RingCentral System Costs					
Cost Description	Location	Quantity	Unit Cost GBP	Annual Cost	Cost Over 5 Years
Monthly service (premium, annual pay)	All	200	£17.99	£43,176.00	£215,880.00
Handsets (user devices)	o	200	£100.00	o	£20,000.00
Optional dedicated connectivity	o	o	o	£4,800.00	£24,000.00
Total RingCentral cost					£259,800.00
Difference: £299,270.00					
Save over: 50%					

Case study

World Vision is known for its commitment to community development, disaster response, and child well-being. The organisation employs people in nearly 100 countries worldwide. Initially, the communications system was expensive to manage and maintain. "It was actually nine separate phone systems involving six different telco providers for our 12 locations," recalls Randy Boyd, Infrastructure Architect at World Vision.

Upon implementing RingCentral, World Vision was able to consolidate phone systems and bills down to just one and experience significant cost savings. World Vision's **costs were reduced by 30–40%** by switching to RingCentral, and their services increased by 10x. Visit ringcentral.co.uk/whyringcentral/casestudies.html to learn more.

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, but it also completely alters the cost structure of both hard and soft costs. Here are some of the hard cost savings:

- **One all-inclusive cloud communications and collaboration solution:** Get all you need in a phone system plus 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 expenses and complexity. It also centralises management and eliminates shadow IT tools and applications to help mitigate cybersecurity risks at both headquarters and remote locations.
- **Lower multi-site management costs:** Anyone can add phones and numbers, make changes, and handle moves from an intuitive web interface.
- **Reduced IT maintenance and infrastructure:** It's 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 since all voice and unified communications traffic travels over the internet.
- **Lower IT service provider costs for ongoing updates:** RingCentral handles updates and provides continuous improvements and innovations. Cloud technology removes the need to schedule upgrades and hire experts to manually upgrade your legacy phone system.
- **Increased worker productivity:** New capabilities such as direct-extension dialling and the ability to forward calls and faxes to mobile phones make workers more effective. RingCentral also integrates out of the box with leading CRM systems like Salesforce and Microsoft productivity suites, as well as over 100 other tools.
- **Reduced up-front cost:** Phones can be rented, making it a lot easier to upgrade to the latest models without a large initial layout. Alternatively, softphones can be used, removing the cost of phone hardware altogether.
- **Decreased cost of supporting a mobile workforce:** The unique RingCentral app enables you to turn a smartphone into an office phone and saves carrier costs, especially for conference calling, video meetings, and those associated with international travel.
- **Increased reliability and business continuity:** Cloud applications are supported by multiple geographically redundant data centers, with flexible, highly reliable connectivity options that are available from anywhere, anytime. With as high as 99.999% reliability rating, the cloud has supplanted on-premises as today's most reliable option. If a natural emergency strikes, workers can still make and receive calls and continue doing their work remotely as long as they can access a mobile phone or the internet.
- **Gather critical business insights with powerful analytics:** RingCentral offers a robust set of real-time telephony analytics on a global scale. Granular and customisable reports provide actionable insights to enable improvements in areas such as sales campaign effectiveness, customer experience management, and staffing requirements, with the added capability of monitoring call quality and distributed workgroups.

Summary

The cost-saving benefits along with the simplicity, flexibility, and manageability of unified cloud communications explain 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 customised to suit your business needs and budget. Not only can you rest assured that your overhead will be reduced considerably, but you'll have the peace of mind that your employees have everything they need to do business effectively today and long into the future.

For more information, please contact a sales representative. Visit ringcentral.co.uk or call 0800 098 8136.

RingCentral, Inc. (NYSE: RNG) is a leading provider of global enterprise cloud communications, collaboration, and contact centre solutions. More flexible and cost-effective than legacy on-premises systems, the RingCentral platform empowers employees to Work as One™ from any location, on any device, and via any mode to better serve customers, improving business efficiency and customer satisfaction. The company provides unified voice, video meetings, team messaging, digital customer engagement, and integrated contact centre solutions for enterprises globally. RingCentral's open platform integrates with leading business apps and enables customers to easily customise business workflows. RingCentral is headquartered in Belmont, California, and has offices around the world.