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THE BENEFITS OF A CLOUD BASED PBX WITH HOSTED LYNC

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EXECUTIVE SUMMARY

Communications is a critical component of the daily work activity for information workers, as well as those who are not ostensibly focused on information-related work. For example, Osterman Research has found that while the typical information worker spends nearly three hours per day working with email or activities related to it, the second most important mode of communication is the telephone. In fact, an Osterman Research survey found that the typical information worker spends 66 minutes per workday on the telephone – the equivalent of nearly 14% of an eight-hour workday.

The manner in which telephony is delivered to the end user is a critical decision point for any organisation, but particularly for smaller organisations that face higher costs than their enterprise counterparts when measured on a per-user basis. The options available for providing telephony are:

- **Use residential lines or employees' mobile phones**
This is a relatively low cost option, but is limited in the deliverability of unified messaging and typically conveys an unprofessional image because it cannot deliver the sophisticated features that are found in business-grade PBX systems.
- **Deploy an on-premises, business-grade PBX or Lync Server**
A viable option, but typically an expensive one that can cost many hundreds of pounds per user, in addition to the ongoing costs associated with using in-house IT or other staff members to maintain the system.
- **Leverage Hosted Lync with Voice as a cloud-based PBX**
This option provides the same business-grade features as its on-premises counterpart, but with minimal up-front costs and lower operating costs, particularly for smaller organisations. Moreover, hosted Lync with Voice – as is the case with other cloud-delivered services – offers very high reliability and immunity from disruptions that could make on-premises infrastructure unavailable for long periods.

KEY TAKEAWAY

Hosted Lync with voice is less expensive than an on-premises PBX or Lync server – particularly for smaller organisations – while offering the same business-grade features that all organisations should employ. Moreover, a cloud-based solution will enable IT and other in-house staff to spend their time on activities that can provide more value to the organisation, thereby reducing the opportunity cost associated with using in-house staff members for telephony management.

Cloud based solutions are less expensive than their on-premises counterparts.

ABOUT THIS WHITE PAPER

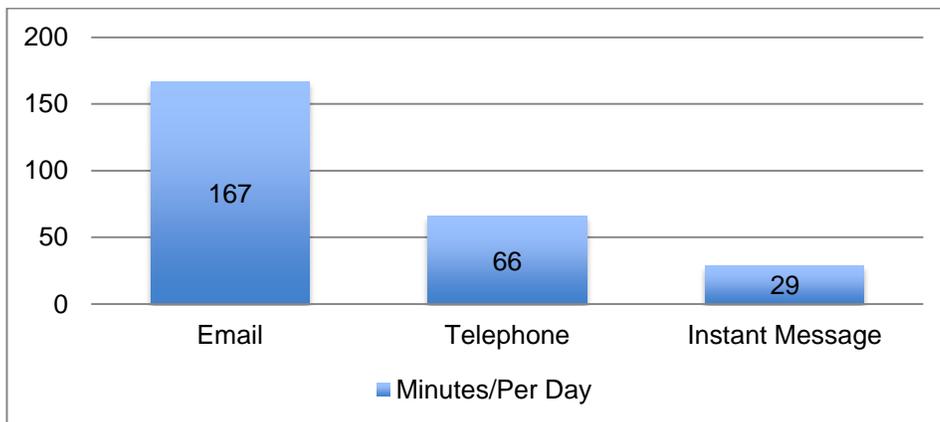
This white paper discusses available options for managing telephony and the advantages of hosted Lync with voice as a telephony provision. The paper also provides a brief overview of Arkadin, the sponsor of this white paper, and the company's relevant offerings.

Telephony remains an absolutely essential component of the communications mix for most users, accounting for well over an hour of use per day for the typical information worker.

TELEPHONY REMAINS A CRITICAL BUSINESS MEDIUM

EMAIL IS THE PRIMARY FORM OF COMMUNICATIONS IN BUSINESSES OF ALL SIZES

Email remains the undisputed king of communications across organisations of all sizes and in virtually all industries. As shown in Figure 1, the typical information worker employs their email system for a mean of 167 minutes per day, sending and receiving a mean of 47 and 147 emails, respectively, on a typical workday. This data is consistent with numerous Osterman Research surveys that have found email use to be the dominant form of communications in the workplace.



Graph 1: Minutes per Day Spent Using Various Communications Systems
Source: Osterman Research, Inc.

In addition to email, telephony and instant messaging, the use of web conferencing and online meetings is significant in many organisations. For example, IBM reports that its roughly 300,000 employees spend about 50 million minutes each month in web conferences, an average of two hours 47 minutes per userⁱ. The Adobe Connect web conferencing solution has allowed Xerox's European operations to save 10% of the organisation's annual budget for travel and accommodationⁱⁱⁱ. Infonetix expects continued strong worldwide growth for the cloud PBX and UC market over the next 5 years, projecting it will reach 7 billion in 2018 with 62.6 million seats in service^{iv}.

HOWEVER, TELEPHONY CONTINUES TO BE A KEY COMMUNICATIONS CHANNEL FOR MOST BUSINESSES

That said, the figure above clearly demonstrates that telephony remains an absolutely essential component of the communications mix for most users, accounting for well over an hour of use per day for the typical information worker. Moreover, an Osterman Research survey conducted during March 2014 found that 60% of users share files via email while on a call, demonstrating the interconnectedness of email and telephony for most information workers.

THE NATURE OF TELEPHONY IS CHANGING

While telephony remains a critical business tool, the nature of telephony is changing as users become increasingly mobile and as cloud-based technologies become more important and viable for decision-makers to consider. The penetration of mobile platforms for managing email, telephony and other critical business functions means that while telephony will remain an essential element in the mix of tools with which users communicate, telework and other forms of remote work will become more critical. The bottom line is that telephony will remain an essential element of the communications mix, but the way it is delivered is changing as the workforce becomes more geographically distributed, and as new delivery models are being adopted.

AVAILABLE OPTIONS FOR MANAGING TELEPHONY

MANY BUSINESSES USE NON-OPTIMISED TELEPHONY Many small – and even some mid-sized – businesses use residential or mobile phones as their business telephone system and as the initial point of voice communications for all incoming and outgoing calls. This is especially true for organisations that either cannot afford a live receptionist and an on-site PBX, or that view this role and infrastructure as non-essential. Reducing costs is normally the primary motivator to employ non-business grade voice communications in this manner, but this creates a variety of problems:

- Overall communications costs can sometimes be higher because of the lost employee productivity that results when highly paid employees are forced to do the work of a receptionist.
- Using residential lines or mobile phones can convey an unprofessional image with the public, potential clients, business partners and others. It can even result in lost business in some cases if a prospect cannot easily be directed to someone that can answer a time-sensitive or other query.

One of the primary advantages of hosted Lync with voice is that it permits even small organisations to look like a much larger organisation and to convey a more professional image.

- Using non-optimised telephony for incoming calls means that they cannot be routed to the appropriate individuals or departments. This makes telephony more time-consuming for staff members who must route these calls themselves, assuming they are even able or available to do so, and it can result in dropped calls, messages that are not returned and other problems.
- The lack of advanced calling features when using residential or mobile phones as a PBX replacement, such as on-hold music played for callers, automatic routing to mobile phones for remote users, or updated voice prompts based on users' availability, conveys an image that most businesses should find unacceptable.
- Using residential or mobile phones as a PBX replacement limits the ability of an organisation to implement business-grade telework schemes.

BUSINESS-GRADE PBX CAPABILITIES ARE USEFUL, BUT ON-PREMISES SYSTEMS CAN BE EXPENSIVE

One of the primary advantages of a PBX is that it permits even small organisations to look like a much larger organisation and to convey a more professional image. However, a fully installed PBX system or Lync server can be extraordinarily expensive. The cost of a fully deployed system can range from a couple of hundred pounds to as much as £700 per user. Add to this the costs associated with incoming telephone lines, maintenance, the costs of adding additional lines and equipment as more users are added to the system, the inability to scale back the number of lines quickly during economic downturns, and the use of in-house staff to manage the system.

BUSINESSES NEED TO EMPLOY AN OPTIMISED, BUSINESS-GRADE SOLUTION

Consequently, every organisation – including even the smallest businesses – should deploy a business-grade solution that can offer robust features and that can facilitate unified messaging and present a more professional image to the outside world than an ad hoc collection of employees' mobile phones and residential telephone lines. The issue becomes one not of whether or not to implement an on-premise solution, but how to do so at a cost that a business can afford.

WHY USE HOSTED LYNC WITH VOICE AS A PBX IN THE CLOUD?

THE BENEFITS OF HOSTED LYNC WITH VOICE

There are a number of benefits associated with delivering hosted Lync with voice via a cloud model, including:

- **No up-front deployment costs**
One of the primary advantages of a cloud-based solution is that there are no up-front deployment costs as there are with an on-premises installation. This is an important benefit, particularly for smaller organisations that often do not have the resources to deploy on-premises, or that do not want to devote a significant proportion of their infrastructure budget to telephony. Because a full-featured, IP-based telephone system can cost as much as £600 per user^v, this is one of the chief benefits of using a hosted Lync solution, particularly for smaller companies that generally pay more per user for IT and telephony infrastructure than their larger counterparts.
- **Predictable pricing**
Another key benefit of a hosted Lync with voice is the predictable pricing model that virtually all providers offer. This allows financial planners and others within an organisation to know exactly what their telephony costs will be over the long term, allowing better planning for allocation of scarce resources.
- **No need for on-premises staff to manage the system**
Another important benefit of using hosted Lync with voice is that no in-house IT or other staff members are required to manage the system, unlike the case with an on-premises deployment. This is one of the more important benefits of cloud-based telephony provision, since using in-house staff members is rarely going to provide any sort of competitive or other business advantage. However, if the staff time that would be devoted to managing the on-premises environment can be put to other uses, this will almost always provide more “bang for the buck”.

Even setting aside the opportunity cost of using in-house staff members to manage telephony, the direct cost can be substantial. For example, an Osterman Research survey of various types of messaging platforms conducted in late April 2014 found that just the cost of labor to manage non-email communications systems is nearly £15 per user per year^{vi}.
- **Online administration permits remote management of the system**
Hosted Lync with voice also offers the advantage of remote management of all functions of the system via a Web interface, including adding or deleting users, provisioning users with new capabilities, and so forth. This allows administration of the system from any location, making management of the system more flexible and much more resilient to disruption.

One of the primary advantages of a hosted Lync with Voice is that there are no up-front deployment costs as there are with an on-premises installation.

Fundamentally, a cloud-based solution can provide much more value to an organisation than an on-premises deployment.

- **Users can manage their individual profiles without the need for technical assistance**

Another important benefit of a hosted Lync with voice is that individual users can manage their profiles without the need of technical assistance from an administrator or other technical staff. This can reduce the overall costs of administration and enable technical staff to spend more time managing systems that will provide more value to the organisation than if they are merely updating profile information.

- **Very high levels of uptime with the right provider**

Perhaps one of the most important benefits of a hosted Lync with voice is that leading providers can offer very high levels of uptime because they can deploy carrier-grade infrastructure that individual organisations could never afford to deploy. This makes leading providers more resilient and able to offer higher levels of uptime than most on-premises deployments.

Moreover, organisations that face the threat of natural disasters, power outages and other disruptive events that can destroy or damage an organisation's facilities – events that would render on-premises infrastructure unavailable for extended periods – can benefit from the use of hosted Lync with voice. Cloud-based solutions will allow an organisation to continue operating from remote locations even if their offices are completely destroyed.

- **Integration with cloud-based contact centre solutions**

Because contact centre management is critical for a wide variety of industries, the ability to integrate with a robust contact centre solution in the cloud is key to enabling the promise of migrating key elements of the in-house infrastructure to the cloud.

- **Integration with cloud-based email and other cloud services**

The ability to create a unified messaging experience and integrate a cloud-based solution with email enhances the mobility of individual users because they have telephony available as part of their communications suite. This enables users to work from any location with internet access – home, client locations, airports or even coffee houses – since they have access to the same communications features and functions they would have when working from an office.

Integrating hosted Lync with collaboration and web conferencing functionality provides additional benefits because of the flexibility it affords. For example, users can escalate a telephone call with a client into a web conference to provide a product demo or show a presentation without having to switch to a different platform or interrupt the call. Telework, therefore, is more easily enabled, resulting in potentially reduced costs (because of the need for less

"As we looked for a solution to improve our ability to do online meetings and lower our cost for telephony, Lync was a great solution. Arkadin was the only company to figure out how to deliver Lync in the cloud... making it cost-efficient to deploy."

– Nic Wildeman, Principal of Lionfish

office space if telework can be made permanent), higher employee morale, and possibly lower employee turnover.

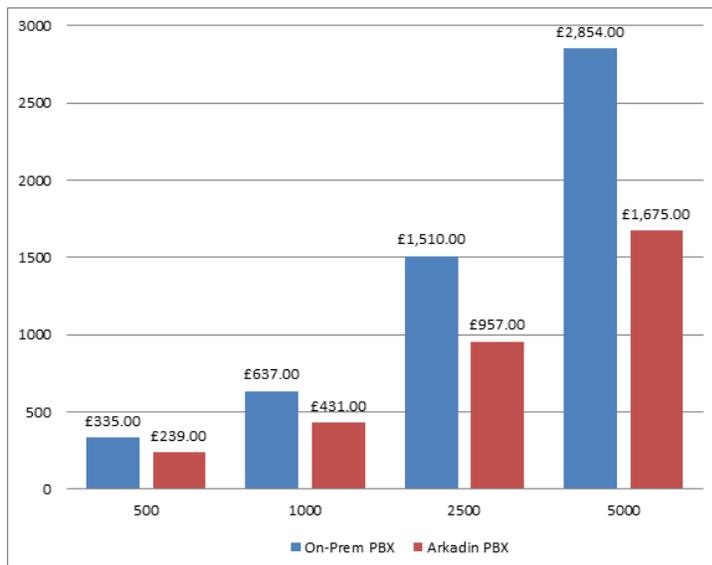
THE BOTTOM LINE: HOSTED LYNC WITH VOICE OFFERS MORE VALUE

Fundamentally, a hosted Lync with Voice solution can provide much more value to an organisation than any on-premises deployment because of its flexibility, lower costs, more predictable cost of ownership, and more efficient use of technical staff. This is particularly true for small and mid-sized organisations that must almost always bear higher infrastructure and IT staff costs on a per-user basis simply because they must distribute these costs over a smaller base of users.

COMPARING THE COST OF ON-PREMISES VS. HOSTED

We analyzed the three-year cost of an on-premises deployment with a hosted deployment (using Arkadin pricing). We made the following assumptions in developing the cost model:

- Overall communications costs can sometimes be higher because of the lost employee productivity that results when highly paid employees are forced to do the work of a receptionist.
- Cost of an on-premises PBX: £500 per user (with discounts for higher volumes)
- Annual hardware maintenance: 18% of hardware cost in years 2 & 3
- PBX users supported per FTE staff member: 20,000
- Annual, fully burdened salary for an FTE staff member: £65,000
- Annual wage growth: 3.0%
- Arkadin pricing: £16.00-£30.00 per seat per month plus one-month setup fee



Graph 2: Cost of On-Premises vs. Hosted PBX at Different User Counts (x £1,000)

Every organisation needs to evaluate (or re-evaluate) their deployment options on a regular basis in order to ensure that they are providing this functionality in a cost effective manner.

An organisation that opts for a cloud-based solution transfers the management, much of the direct financial cost, and the opportunity cost of telephony to a specialist organisation that can deal with these issues more efficiently.

Source: Osterman Research, Inc.

NEXT STEPS

EVALUATE YOUR DEPLOYMENT OPTIONS

Every organisation needs to evaluate (or re-evaluate) their deployment options on a regular basis in order to ensure that they are providing this functionality in a cost effective manner. This analysis should include the variety of both on-premises solutions and their cloud-based counterparts. Any analysis of on-premises solutions must take into account all of the costs associated with deploying and managing the infrastructure, including the initial cost of the hardware and software, any maintenance contracts with the vendor, cabling, updates, upgrades, disruption and remediation costs, and the opportunity cost of using IT or dedicated telephony staff to manage the system. These costs need to be weighed against the costs of cloud-based solutions in order to provide an accurate comparison of the long-term costs of ownership.

ON-PREMISES SOLUTIONS ARE USEFUL, BUT...

An on-premises deployment will provide robust functionality and will convey the professional image that any organisation needs. However, as noted above, there are a number of ancillary costs associated with on-premises infrastructure of any kind, including regular and unscheduled maintenance, costs incurred from outages to the system caused by natural disasters or other disruptions, and the opportunity costs that come from using scarce IT staff members for managing telephony – a critical activity, but one that provides virtually no competitive advantage for an organisation.

CLOUD-BASED SOLUTIONS OFFER ADVANTAGES

Cloud-based solutions allow their customers to circumvent these issues – not because the issues disappear when managing telephony in the cloud, but because they become the problem of a third party. In other words, an organisation that opts for hosted Lync with voice instead of an on-premises solution simply transfers the management, much of the direct financial cost, and the opportunity cost of telephony to a specialist organisation that can deal with these issues more efficiently. For virtually all organisations, the result is greater efficiency and lower overall costs to provide telephony services.

EVALUATE VENDORS CAREFULLY

Finally, it is essential to evaluate vendors carefully. While there are a number of good cloud telephony vendors in the market, it is important to work with a vendor that has a strong track record of providing service, whose financials are sound, and that can offer the breadth of services and functionality that will be needed over the long-term.



ABOUT ARKADIN

Arkadin, a unified communications company, provides businesses with online collaboration solutions through a variety of global collaboration tools. Businesses may choose from hosted telephony and unified communications, conference calling, online meetings, video conferencing and web collaboration solutions.

Arkadin is one of the largest and fastest growing Collaboration Service Providers in the world, with a vision rooted in the belief that progress emerges from people's desire to share. As of early 2014, Arkadin has been a member of the NTT Communications Group, the International Communications and ICT Provider of NTT, delivering consultancy, architecture, security and cloud services.

With a global network of 53 offices in 32 countries across the globe, Arkadin delivers its business solutions using a software as a service (SaaS) model so that customers can benefit from fast, scalable deployments with a high ROI. For more information please visit www.arkadin.com.

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ⁱ <http://public.dhe.ibm.com/common/ssi/ecm/en/ciw03082usen/CIW03082USEN.PDF>

ⁱⁱ <http://blogs.adobe.com/adobebeingovernment/category/telework-and-web-conferencing>

ⁱⁱⁱ <http://www.adobe.com/showcase/casestudiesxerox2010/casestudy.pdf>

^{iv} <http://www.infonetics.com/pr/2014/Business-Cloud-Voip-UC-SVCS-market-highlights.asp>

^v <http://phonewire.com/blog/5547>

^{vi} Source: *Messaging Platform Trends Through 2015*, Osterman Research, Inc.