

Is Hosted IP or IP Centrex Right for Your Business?

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Business managers and owners are looking at new ways to stay ahead of the game. Current ads promise that IP Telephony is the answer to many of today's business dilemmas. While technology can be used to enhance a business model, technology for technology sake is never the answer. If it has been determined that IP Telephony is one of the tools to boost productivity and customer service; there are ways to purchase that technology.

Years ago, many businesses utilized Centrex lines to reduce large capital expenditures for telephone equipment. This meant that the business kept no main telephone equipment on site, it simply "rented" lines and telephones for each of their phone locations. The goal was to enhance features while reducing cost. However, the opposite became true when new and less expensive competitors were able to compete with the local phone companies. A company that was in business for 10+ years could have easily purchased a phone system of their own a couple times over. Today, the phone company and other IP service providers are offering the next generation of this concept - -Hosted IP or IP Centrex.

The hosted IP/IP Centrex services do offer some very nice benefits including very little or no capital outlay for new phones and features, plus a highly flexible disaster recovery plan for incoming communication.

Some questions that should be asked before instituting a contract for Hosted IP/IP Centrex are as follows:

1. Are the additional features going to enhance business practices?
2. Can the provider effectively deliver 9-1-1 calls?
3. If the goal is monthly payments rather than a large capital purchase - is there a lease option or other type of solution that would provide equity when the term is attained?
4. Is the IP Centrex vendor going to be able to service the contract until completion? Remember that even though a vendor may be new to this type of service, if they have proven to stand by other service roll-outs it may not be a huge risk.
5. Are there short term contracts available? Try to obtain a contract that has a business downturn clause that will allow a reduction of lines so payment is not required for phones no longer need.
6. Is there an installation fee? And if so will this fee combined with the monthly payments exceed a new system purchase?

Many people in the business community today utilize digital telephone systems by a variety of manufacturers. Some manufacturers such as CISCO, 3-Com or Interactive Intelligence only offer IP Telephony. However, others such as NEC, Inter-Tel, Toshiba, Avaya, etc. offer a combination of both digital and IP Telephony or all of one or the other.

There are inherent differences between the two technologies.

Digital Technology

1. Uses cables that are separate from the computer system.
2. Does not have to run on CAT5 or CAT6 cable.

3. Typically has a telephone cabinet with a processor and separate circuit boards for connection of lines and phones.

4. Very reliable

IP Technology

1. Can run on the same cable as the computer.

2. Must be connected to a minimum of a CAT5 cable even if it does not share with the computer on the desk.

3. Stores system software on a server, in a router or in a traditional telephone cabinet.

4. Competes with bandwidth on the data network.

IP Telephony has benefits that are great for some companies and irrelevant for others.

1. Ability to connect remote workers using a cable modem, DSL line or other high speed internet connection.

2. Customized call routing based upon inbound caller identification, status ID for callers (known as presence).

3. Advanced custom applications. Attendance and student record review in a school district, database integration for car dealership sales and service departments, inventory control and updates for manufacturing companies.

4. Desk to Desk video at a very inexpensive rate.

5. One network to maintain.

While there are benefits to this technology, there are also things to watch out and prepare for (This is just a partial list).

- Now that the phone system is part of the data system it is vulnerable to viruses and other spyware threats.

- Warranty times are generally far less traditional phone systems so the on-going maintenance costs may start 90 days following installation.

- IP phones require power at each phone - either by a local power outlet or data switch equipped with Power over Ethernet (PoE) capability.

- Quality of Service (QoS) is vital to prioritize voice over data calls.

- IP phone have more stringent distance limitations.

- A ten year life cycle cannot be anticipated.

- Analog lines (plain old telephone lines) and analog phones, fax, modems, etc. are often

challenging and costly to connect to a full IP system.

- Data cable (minimum CAT5 rating) must be available at each phone location.
- The environment must be conducive to the IP equipment. Certain manufacturing floors require refrigerated and sealed cabinets for their PC's. The same would be required for an IP phone set.
- Internal support departments may need to be structured. If there are separate support groups for voice and data they may need to be combined or one eliminated. This assessment is extremely important to the success of an IP Telephony project. Do not overlook this important aspect before making a purchasing decision.

Uneducated decisions are recipes for disaster in any project. Don't rush into a change of this magnitude. Take the time to assess the business functions, the existing network infrastructure and support groups, and make sure the environment and resources are in place this type of change.