WHITEPAPER

Comprehensive analysis of UCaaS versus on-premises UC

While many IT professionals believe that the total cost of ownership of on-premises IP PBX is lower than unified communications as a service (UCaaS), research indicates that the total cost output is more similar than expected. By examining all factors that can lead to savings with the adoption of unified communications as a service, organizations can gain a deeper understanding of the total cost of ownership comparison between a UCaaS solution and a customer-owned IP PBX.

This whitepaper examines the in-depth analysis of the total cost of ownership of on-premises UC solutions compared to cloud-based UCaaS solutions.

Many IT professionals believe that unified communications as a service (UCaaS) has a higher total cost of ownership than on-premises UC. Most total cost of ownership (TCO) analyses focus on the recurring capital expenditure (CAPEX) of on-premises solutions versus the recurring capital expenditure of UCaaS.

Gaining a full scope of the varying costs and how they are allocated will help businesses compare the total costs of ownership for the two solutions.

Executive takeaways

You will learn the following from this whitepaper:

1 Hard and soft costs associated with UC data center requirements

2 IT personnel requirements necessary for on-premises UC solutions

3 Critical factors that impact deployment time costs when comparing UCaaS to on-premises UC

4 Benefits of flexible allocation billing

5 Scalability advantages in license billing of UCaaS versus on-premises solutions

6 The differences in cost allocation between UCaaS and on-premises UC

The basis for cost analysis

There are stark differences between how costs are obtained when it comes to UCaaS and on-premises UC. For instance, UCaaS carries monthly recurring costs over the entire term of service, while on-premises UC costs are primarily related to acquiring the product, installation and maintenance on an up-front or as-needed basis.

Some businesses tend to believe that cloud-based UCaaS is more expensive when compared to a customer-owned, on-premises IP PBX solution. However, this inaccurate comparison is usually based off of the monthly subscription costs of UCaaS when compared to the CAPEX and maintenance costs associated with a customer-owned IP PBX.

To build a truly comprehensive TCO analysis, companies will need to look beyond monthly recurring costs versus CAPEX plus maintenance. IT professionals are encouraged to consider how the resources and facility expenditures associated with on-premises IP PBX will impact their TCO. In this whitepaper, there are several additional factors that should be included in the cost comparison to gain a complete understanding of the TCO comparison between the two solutions.

Factors for building a TCO analysis

Data center costs

Organizations should consider both the hard and soft costs associated with UC data center requirements. Depending on your organization's requirements for business continuity and risk mitigation, these costs can vary drastically. However, typical baseline costs that can be incurred with on-premises hosting of UC can include:

Real estate costs: Organizations will need to procure at least one physical location for their data center. Two or more locations could be necessary to meet geo-redundancy requirements.

Environmental costs: In addition to the real estate, you'll also incur costs to keep everything running optimally, including:

+ SAN storage
+ Racks
+ Power and cooling

Server costs: This includes procurement, maintenance and other related costs.

VMware costs: In addition to basic licensing, organizations should account for deployment, configuration, troubleshooting and potential costs associated with staff training.

On-site support: For most companies, 24/7 staffing is a necessity for adequate monitoring and response.

Redundancy: This includes an MLPS circuit for switch over between data center locations in the event of failure.

Physical security: This can include keyed entries, security cameras and other forms of access control.

It's also important to take risk mitigation into account when considering your ability to replicate a UCaaS vendor's data center capabilities with on-premises UC solutions. While most customers will not opt to construct data centers with Tier 3 capabilities, they should consider how their plan for data storage could affect the potential costs of data recovery and other in-case-of-emergency events.

In addition to business continuity factors, organizations should consider their compliance requirements and how demonstrating and meeting regulatory standards can affect their costs of data center maintenance, security and other factors.

IT staff savings

For many organizations, investing in on-premises UC can create a drastic shift in IT talent requirements and workloads. In order to successfully deploy an on-premises solution, you'll need to have personnel who are capable of each of the following functions:

Procurement: All activities necessary to manage UC hardware, software and services, including business requirement documentation and equipment research.

Ownership and management: Organizational restructuring may be necessary to assign one or more persons to a role where they hold responsibility for the success and performance of the on-premises UC.

Deployment and upgrades: In addition to initial system deployment, your IT staff will need to continually deploy features, applications and upgrades on an on-demand basis.

Configuration and integration: Depending on your business requirements, your need for ongoing configuration and integration efforts can require deep expertise and experience.

Testing: Individuals with QA expertise will be needed to measure various aspects of your UC, including quality of service (QoS) and other critical measures.

Troubleshooting: Your staff may be required to remain available to troubleshoot ongoing issues on a 24/7 basis.

Organizations should also consider talent availability when considering the impact of on-premises UC on staffing requirements. Nationwide, there is a noted talent shortage of Avaya-, Mitel- and VMware-certified engineers. Depending on your region and total compensation packages, you may face significant delays in filling open positions. In addition to the pure difficulty of finding the right talent, it's important to take additional staffing costs into consideration. Internal costs related to recruitment, turnover, retention, ongoing training and certification and other factors, can all contribute to the costs of on-premises UC.

Deployment time

Your organization's average time to deployment can impact both cost considerations and user satisfaction. While deployment time factors can vary significantly according to your processes and business requirements, it's important to consider the following factors when comparing UCaaS to on-premises UC in terms of deployment time costs:

- IP PBX and Contact Center infrastructure deployment time frames
- Application and license procurement intervals
- Integration testing
- Application testing
- Remote access establishment

Flexible cost allocation billing

UCaaS vendors who offer flexible billing can offer efficiency for clients. With on-premises UC, organizations with specific billing needs are often required to divide estimated costs of investment, maintenance and other factors across the enterprise. Flexible cost allocation billing with select UCaaS vendors, can save hours of internal administrative time each month and contribute to a higher degree of accuracy in attributing the costs of your UC in accordance with your needs.

Scalability

UCaaS can offer significant scalability advantages in license billing over on-premises solutions. For organizations who need flexibility to accommodate seasonal fluctuations in staffing, marketing promotions, mergers and acquisitions, and other factors, these scalability advantages can be highly beneficial.

On-premises solutions for UC require organizations to purchase dedicated capacity for maximum need, which can artificially inflate costs during months when internal demand is lower due to unused licenses which have already been paid for. This can cause lifetime asset costs for management and maintenance to be much higher, despite the fact the licenses are not contributing to productivity within the enterprise.

Organizations who require flexibility in licensing from month to month could achieve significant savings with a UC vendor who offers flexible license billing. While the relative savings advantage of built-in scalability can vary according to an organization's growth plans, industry and business model, it can be an important factor to consider for organizations who anticipate fluctuations in demand.

New application adoption

Technology is ever-changing. In order to adjust and adapt, your organization must be agile enough to adopt new applications that can boost productivity. However, that can come at a significant cost if done internally. In order to implement a new application, you typically have to buy new hardware/software, install it, get your resources trained on how to support it, and then go through a series of tests. Not only can this be a very costly exercise, it can also be very time consuming.

If you work with a provider who looks at market trends, technology advancements, competitive research, and customer feedback to identify new applications and tools to add to their portfolio, that is incredibly beneficial. Specifically, providers who take on the responsibility to purchase all of the hardware/software, do the integration, perform the testing and train their resources to support the applications. The ideal scenario is that all you would have to do is opt-in for the available features.

With the approach defined above, new features and applications should be able to be enabled for the entire company or just for a small department if you want to test how your employees like it and use it. With these types of add-ons, you shouldn’t have to pay for the significant up-front cost, just the monthly fees to use it. And, if you decide you don’t want to use the feature, you could easily disable it, knowing you didn’t pay for a huge capital investment.

Financial benefits of OPEX vs. CAPEX

The differences in the cost allocation between UCaaS and on-premises UC can offer advantages for certain businesses. In many cases, on-premises UC requires a significant up-front investment followed by ongoing costs related to application adoption, maintenance, staffing, real estate and other factors. In contrast, UCaaS costs are spread out far more equally over the term of use.

By saving on up-front investment costs, you may gain the freedom to invest money that was saved in advance on sales, marketing, research or other areas. If your organization's strategy includes aggressive plans for growth and expansion, UCaaS can offer an advantage to your immediate budget, which allows profitable investments in other areas of the organization. Depending on your KPIs and plans for growth, the funds needed for an upfront investment in on-premises UC could be used to generate a greater ROI over the lifetime of a UCaaS system.

A comprehensive approach to TCO indicates that UCaaS is often a more affordable option for organizations of any size than previously believed.

Summing it all up

A comprehensive approach to TCO indicates that UCaaS is often a more affordable option for organizations of any size than previously believed. In order to truly understand the full cost of on-premises UC solutions, organizations must look beyond pure measurements of OPEX to related factors. Alternatively, determining the full impact of the benefits of UCaaS for your organization is far more persuasive.

Our experience indicates that on-premises solutions tend to be very static in nature. Although many companies set out to install a true UC system, in practice, they end up installing a phone system (call control and voicemail). Although their intent was to install and leverage all the UC capabilities which would have a profound impact on employee productivity and help drive business value, other competing priorities impeded the organization from fully deploying the on-premises environment.

The Windstream Enterprise Advantage

Windstream Enterprise offers best-of-breed UCaaS solutions that enable entire workforces, including mobile and remote employees to increase productivity and deliver an exceptional customer experience. With UCaaS solutions from Windstream Enterprise, all the UC features you want and need have already been designed. Together, we'll match features to employee need so you can start using them today. If you believe your organization could benefit from the convenience of best-in-class UCaaS solutions, a trusted Windstream Enterprise advisor can provide additional insight into our design and competitive advantage.