UNIVERGE BLUE®
CONNECT

On-Prem vs Cloud Communications:
Evaluating the Total Cost of Ownership

ARE YOU CONSIDERING THE PURCHASE OF A NEW COMMUNICATIONS SOLUTION?

If so, you're most likely evaluating the pros and cons of updating older hardware-based systems, versus moving up to the cloud. Most importantly, you need to determine which of the two options will be the most cost-effective in the long run.

Could it in fact be more economical in the long run to make a significant "one-time" CAPEX investment, in order to save on monthly Unified Communications as a Service (UCaaS) fees? While this question may seem reasonable, simply comparing the amortized purchase price of a hardware-based solution to the total monthly fees of a cloud-based solution (over the same period) does not provide the complete picture.

Consider:

> What happens once the equipment is purchased and installed?

> How much does the space and power required to host the equipment cost on a monthly basis?

> Who will install the hardware and ensure its ongoing maintenance?

> How much of your IT personnel's hours and corresponding salaries need to be allocated to supporting – and learning how to support – this new system?

> What happens if a break occurs, and replacements or upgrades are required?

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The following template can help you identify and evaluate some of these hidden costs that are often forgotten.

TOTAL COST OF OWNERSHIP OVER A 5 YEAR PERIOD		ON PREMISES HARDWARE	CLOUD-BASED	CLOUD-BASED SOLUTION
UP-FRONT COSTS				
CAPEX	Core Hardware Purchase	✖	✔	PBX servers & modules
	Software Purchase	✖	✔	Software licenses
	Backup Hardware Purchase	✖	✔	Critical hardware backup servers & modules
	Ancillary / Feature Module Hardware Purchase	✖	✔	SMS, email, chat, WFM, etc, add-on modules
Up-Front Set-Up Costs	Core Hardware Purchase	✖	✔	OEM and/or Vendor costs
	Software Purchase	✖	✔	OEM/Vendor/Internal/3rd Party costs if applicable
	Backup Hardware Purchase	✖	✔	IT manhours for deployment, training & certification costs
	Ancillary / Feature Module Hardware Purchase	✖	✔	Loss of expected savings / revenues during deployment process
RECURRING / ONGOING COSTS (OVER 5 YEARS)				
Service Fees	Service Fees	✔	✖	Monthly licenses per seat
Support & Maintenance Costs	Hardware Support Plans & Software Support Plans	✖	✔	OEM and/or Vendor support plans OEM and/or Vendor support plans
	IT Support and Maintenance Staffing Costs	✖	✔	IT Salaries, benefits, overtime, management, etc.
	Staffing Opportunity Costs	✖	✔	Turn-over, training and knowledge transfer, errors, re-training
Hosting, Utilities & Security Costs	Space and Power Proactive Monitoring Costs	✖	✔	Server room rack space & utility costs for power, cooling NMS software operators
	Security Costs and Compliance Audits	✖	✔	Staff hours associated with compliance readiness & auditing costs (PCI etc.)
Financial Costs	Equipment Financing Costs	✖	✔	Financial costs associated with CAPEX investments
	Depreciation of Equipment Costs	✖	✔	
ONE-TIME LIFE CYCLE COSTS				
Repair Costs	Unplanned Repair Costs	✖	✔	Repair and/or replacement of defective hardware
Upgrade Costs	Software Upgrade Purchases & Installation Costs	✖	✔	Compatibility & interop testing, security testing, etc.
	Hardware Upgrade Purchases & Installation Costs	✖	✔	

SALARIES & OPERATING COSTS

IT maintenance and supporting personnel salaries represent a weighted average of 8.2% of revenue according the Flexera 2020 State of Tech Spend Report. A decision to purchase hardware will usually preclude any opportunity to downsize or significantly reduce costs in this area. A cloud-based communications solution does more than eliminate the one-time costs associated with deploying and hosting equipment. It enables your organization to reduce ongoing operating expenses because maintenance, support, updates, and upgrades are covered by the monthly licenses of the Unified Communications as a Service model.

OTHER THINGS TO CONSIDER

Opportunity Costs

Depending on the size of your organization and complexity of the solution you're considering, hardware-based deployment implementations can take months or even years to be completed.

Meanwhile, your business is not benefiting from the efficiency gains and cost savings you were expecting from your new communications platform. This service can be implemented in days or weeks, so you can start positively impacting your bottom line much faster!

Scalability

What happens when your business grows, and you need to add more users? More phones need to be purchased and installed. You'll also need to ensure that sufficient voice channels will be provisioned, an action item that can involve significant lead time. This could severely impede your ability to react in a timely manner.

Cloud-based communications service provides users with on-demand scalability and bursting capabilities. This means you can increase your seat count in record time – or quickly scale down during slower seasons to control costs.

Business Continuity

Relying on a hardware-based PBX puts your operations at the mercy of any event affecting the facilities where the equipment is housed.

In the event of a power failure or natural disaster, NEC's UNIVERGE BLUE CONNECT cloud-based structure and remote agent capabilities can help simplify failover and disaster recovery. We allow calls to be routed over the PSTN or mobile networks, and provide a web-based desktop application. The result? Your employees can get back to work in no time and ensure you remain open for business.

CLOUD COMMUNICATIONS IS CHANGING THE GAME

To perform a thorough evaluation, businesses need to consider what they are missing by staying with an on-premises PBX. Premises-based systems can limit an organization's ability to adopt new features, functionality, or process improvements. UCaaS, on the other hand, enables organizations to achieve unprecedented productivity and business benefits by providing additional collaboration tools such as instant messaging, web conferencing, file sharing, and more – all without additional cost. That's why the market for UCaaS is growing at such a phenomenal rate – a CAGR of 23.5% worldwide.

Note: https://www.grandviewresearch.com/industry-analysis/ unified-communications-as-a-service-market

In summary, organizations that find that a premises-based PBX is less expensive than UCaaS are usually only evaluating the upfront cost of UC hardware and software, compared to the monthly fees for cloud-based UCaaS. This simple calculation is not reflective of the true total cost of ownership.

To truly evaluate the total cost of ownership of your on-premises PBX system versus UNIVERGE BLUE CONNECT cloud-based Unified Communications as a Service (UCaaS), simply click here to access NEC's Return On Investment (ROI) Calculator for a quick and easy assessment.

Move your on-premises PBX to the NEC UNIVERGE BLUE Cloud and modernize your communications with no upfront costs and minimal if any increased monthly costs. Get "Crazy Simple" all in one fully integrated solution that provides voice, video conferencing and collaboration, chat, text messaging, file sharing and backup, and webfax from your existing trusted advisor and technology provider. UNIVERGE BLUE CONNECT can help you modernize your business's communications. Click here to learn more or here to request to speak to one of our UNIVERGE BLUE experts.

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