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BUYER'S GUIDE

Hosted VoIP Phone Systems: Buyer's Guide for the SMB



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Introduction

Every small business runs on technology. It starts with the basics—a phone, computer, printer. But as your business grows, you quickly discover the basics aren't quite enough. For small business owners, making the right decisions when selecting technology solutions and providers is a critical step to success. Fortunately, the cloud opens up a whole new world of cost-effective options to support small business owners' growth.

The **"cloud"** refers to applications, services or resources made available to users on demand via the **Internet**. Companies typically utilize cloud based computing as a way to **increase capacity, enhance functionality** or **add new services on demand** without having to commit to potentially expensive infrastructure costs or increase / train existing in-house support staff[1].



Nearly **50% of small businesses have adopted** some form of **cloud services**[2] and that number continues to climb as entrepreneurs find increasing value in using software, resources and other technology in the cloud. **Voice over Internet Protocol** (VoIP) is one such technology that is quickly gaining traction in the small business community. VoIP is a cloud based phone solution that allows for more streamlined, efficient and affordable communication by utilizing the Internet.

This **buyer's guide** provides information and tips you can use as you evaluate VoIP phone solutions for your business. You will learn about the types of phone service available for small businesses, the different phone systems on the market, the benefits of using VoIP technology and the factors you need to consider when evaluating a hosted VoIP provider for your business.

1 Webopedia: http://www.webopedia.com/TERM/C/cloud_based.html
2 Spiceworks Inc. State of SMB IT 2H 2011

Types of Phone Service

Every business owner requires a telephone solution, but each business' needs are unique. It's important to understand the different types of phone service available so that you can balance those options against your needs and select the best choice for you. Following is a description of **three basic types of phone service:** standard, mobile and VoIP.

Standard Phone Service



Plain Old Telephone Service (POTS), provided by companies like AT&T and Verizon, is also referred to as standard phone service. POTS lines use analog signals to send and receive calls. This is the type of telephone service that most people have in their homes, with added features for small businesses including caller ID, call transfer, three party conferencing, ring back, group calling, etc.

Many small businesses choose standard phone service when opening their first office because it's the solution with which they are most familiar. This type of service is generally **more expensive and offers fewer features** than some other options on the market today. Small business owners who choose this type of solution typically hire outside consultants, at an additional expense, to assist with changes and updates to the system (such as adding new employees, call routing and setting up groups).

Mobile Phone Service



Many small business owners rely on their mobile phones as their primary business phone solution. **This can work well if you are the sole proprietor** and don't require anyone else to answer the phone. You can set up your mobile phone with your own professional-style greeting, identifying your business by name. But once your business grows beyond a solo gig, it's typically time to upgrade to a more versatile and feature-rich solution. Sure—your employees can continue to use their mobile phones when they're on the go, but

you'll probably want a central phone number that provides enhanced features such as an auto-attendant and call routing.

VoIP Phone Service



VoIP (Voice over Internet Protocol) is **phone service provided over the Internet**. With a high-speed connection, you can get quality phone service through the Internet instead of using your local phone company. VoIP is sometimes called IP Telephony or Internet Telephony.

In a VoIP environment, the telephone handsets are called **IP phones** and are essentially mini computers (that look like regular business phones). They use the Internet connection, just like a computer, to operate.

VoIP can be implemented using several different types of architectures and methods. **For the purposes of this guide, we will focus specifically on hosted VoIP phone solutions.** But let's first take a broader stroke, and explain the different types of business phone systems available.

Types of Business Phone Systems

Understanding the different types of business phone systems available, including their features and limitations, will help you select a system that meets your needs. In the following section, we describe the two most common types of phone systems available—traditional and hosted VoIP—and discuss the reasons why a **hosted VoIP phone system** is a popular choice among small business owners.

Traditional Phone System



A traditional phone system uses a PBX (Private Branch Exchange) that is housed onsite at the place of business. The PBX can be analog or IP-based, but the biggest

difference between the traditional phone system and a hosted VoIP system is that the **PBX is located on the business premises.** That means that the business owner is responsible for managing the server in an HVAC-controlled environment and performing regular maintenance and software updates.

The traditional phone system provides features such as transfer, conference, extensions for users, voicemail and auto-attendants. The **business owner is responsible for programming** the system and doing so typically requires some telecom know-how. Most small business owners would never choose an on-premise solution such as this, primarily due to the onsite equipment and maintenance it requires. The traditional phone system is much **more suited to enterprise businesses,** which have their own server rooms and in-house IT support.

Hosted VoIP Phone System

There are different types of business VoIP solutions in the marketplace and various ways to implement those solutions. A hosted VoIP phone system is different from a traditional phone system for one big reason—**the PBX is IP-based and is maintained by a service provider** off the business premises.



In this model, the only equipment delivered to the business location is the VoIP phone(s). All the functionality of the system occurs "in the cloud," and the business owner controls system set-up through an easy-to-use online portal. This makes it easy for non-technical staff to add users, create and modify calling groups and make other changes at the click of a button.

There are various pricing models for hosted VoIP, described in the **Hosted VoIP Pricing Structures** section of this guide. The following section provides more detail about the benefits of hosted VoIP for small businesses.

Why Hosted VoIP for Small Business?

Hosted VoIP is a popular choice among small business owners; it delivers significant flexibility and good call quality, plus lots of useful features, at a much lower cost than a traditional phone system.

Simple Set-up



Hosted VoIP is simple to set up and the phone settings are easy to modify. Business owners just determine the number of phone numbers and extensions they need, purchase VoIP telephone equipment (if they want to be able to make outgoing calls), set up their features using a web-based portal, and begin using the system. The only onsite equipment required is a high-speed Internet connection and typically, VoIP phones. Since the phones plug into your existing Internet just like a computer, it's pretty easy to get dial tone.

Feature Rich



Hosted VoIP systems typically provide all the standard features of a traditional PBX, such as call groups, call forwarding and voicemail, at a significantly lower cost. Plus hosted VoIP is much easier to program and doesn't require a telecom expert to make it work.

Cost-effective



Hosted VoIP is much more budget-friendly than a traditional business phone system. It requires **no outside consultant** to support system changes, and you don't need a telecom guru on staff. It works using your existing Internet connection, so you're not paying for additional infrastructure. Further, it requires no onsite PBX equipment. This means that you won't spend time or resources managing a server because you'll never see it. The service provider handles all software updates and maintenance at an offsite location.

Finding the Right Hosted VoIP System for Your Business

Selecting the right hosted VoIP system for your business requires a careful examination of your short- and long-term business needs, as well as the estimated costs in relation to your budget. Use the following questionnaire to help you think through the process and prepare for discussions with potential providers.

Question	Why does this matter?
How many employees will be using the system?	Evaluating the number of employees you have today vs. how many you'll have in the next year will help you determine the cost of the system as well as the functionality you'll require.
Do you require conferencing capabilities?	If you need to host group calls for internal or external use, you will want to make sure your hosted VoIP provider offers this functionality.
Do you have call forwarding needs?	Most hosted VoIP systems have the functionality to forward desk phone numbers to home phones, mobile phones or other numbers. If you have a mobile workforce or folks working from home, it's good to ask about this feature.
Do you plan to use desk phones or cell phones only?	Most VoIP phone systems require the purchase of IP phones. Not all systems are compatible with every type of IP phone. You will need to factor in the cost of this hardware in your overall analysis. To avoid hardware costs, you can use mobile phones exclusively; however, doing so means that you can only take incoming calls (not dial out) using the VoIP line.
Do you need a line that rings to multiple phones at the same time?	If your business requires call center type groups for sales inquiries or you have a hotline that needs to ring to a group of people, it's important to make those needs clear as you evaluate potential providers.
Do you require an 800 number or international calling?	Toll free and international numbers typically incur additional per minute charges from your VoIP provider. You should ask about these costs in the evaluation process.
Do you want an auto-attendant (virtual receptionist?)	Most hosted VoIP systems offer auto-attendant functionality. But some companies only offer one level of auto-attendant included in your monthly price. If you require multiple auto-attendant branches, it's important to factor this into the quote process.

Hosted VoIP Pricing Structures

There are a wide variety of hosted VoIP providers offering service in the market today, all with unique pricing structures and models. Some charge per user (employee), some charge by minutes of use, some by features, and others a combination of pricing models. The chart below shows some of the ways that providers charge for service—but keep in mind, **they are not mutually exclusive.** Be sure to ask potential providers for specifics about their pricing structures, including any add-ons that may not be factored into the prices listed on their websites.

Ways you can be Charged for Hosted VoIP Phone Service*

By Features
Some hosted VoIP providers charge based on the features you need, such as forwarding or conference calling. These can **add up quickly,** so make sure you only get the features you need or seek out a service that offers **unlimited** features.

By Users (Employees)
Most hosted VoIP providers charge by the **number of people** who use your system. These are referred to as "users." Prices vary from **as low as $20** to as high as $40 per user.

By Minutes
A few hosted VoIP providers charge based on how many minutes you use. This can be very cost effective if you minimally use your phone system, but quickly gets pricey if you use it every day. Plus, it can make for an **unpredictable** monthly phone bill.

Miscellaneous Fees
Charges show up as set up fees, service charges, and "other" fees. Nearly all hosted VoIP providers pay a **3rd party** to route calls, so these changes are common - unless you choose a provider, like Phonebooth, that **owns a network.**

Phone Numbers
Almost all hosted VoIP providers charge an install fee as well as a recurring cost for phone numbers, usually more for toll-free numbers. These charges **add up quickly,** so find a provider that offers phone numbers at a low cost.

**Most hosted VoIP providers charge based on a combination of these options (not just one).*

Longer term financial considerations include depreciation of hardware and required upgrades, scaling for future growth (more users typically equals increased cost), and whether or not a given provider charges more money for additional features you don't need now but may need down the road. Discuss both your short-term needs and longer-term plans with each prospective provider so that your can avoid any surprises in the future.

6 Tips for Selecting a Hosted VoIP Provider

Making the decision to invest in a hosted VoIP phone system, as opposed to a traditional phone system, is a **wise choice** for most **small business owners.** In comparing cost, ease of use and flexibility, hosted VoIP will undoubtedly stand out as a logical winner. But which hosted VoIP system is right for you? Here are six tips that can help you through the buying process.

1

Identify the features you need—and the ones you don't

A lot of hosted VoIP providers offer a wide array of features, but what features will you really use in your daily operations? As you evaluate providers, think about the total cost of each product in relationship to the number of features you'll use in practice. If you find that you aren't prepared to use 50% of the included features, perhaps a lower cost provider that offers just the features you need is a good match for your business.

2

Shop around, and ask the right questions

There are a lot of hosted VoIP providers in the market today. Do some online research, use our questionnaire to identify your needs, get quotes from various providers and have follow up discussions. Make sure you understand how each system works, the features included, ease of implementation and all the cost factors involved.

Some good websites to check out include Which VoIP and VoIP Info. And be sure to ask each provider these five questions, in addition to others you may have, so that you can collect all the data you need to make the right decision for your business.

3 Talk to other business owners

Find other businesses similar to yours—in size, industry or number of employees. Talk to your closest colleagues, bring it up at networking events and poll your LinkedIn connections. Ask them for recommendations on business phone systems, the types of features they use and any pitfalls they've encountered along the way. Their situations may be different from yours, but real life examples and anecdotes can often form the most meaningful information. Seek out case studies from the top companies you're evaluating—do they already have customers like you and are they happy with the service?

4 Scale for future growth

Don't think about your phone system as a quick fix. Recognize it for the virtual machine it can be. Think about the features you need today, and picture what your business might look like three years from now. Then, find a provider that's poised to grow with you.

5 Look under the hood

All hosted VoIP technology requires a voice network to operate. When you're selecting a hosted VoIP provider, it's critical that you know about the network—who owns it, who maintains it and who to call with issues. Ask your sales rep what's behind their platform. A look under the hood should reveal a well-oiled machine that doesn't rely on borrowed parts to keep the engine running.

6 Know how you'll be supported

A business phone system is run by a complex software application. Some hosted VoIP providers built their own platform, while others outsourced the production. It's best to select a provider that knows their software inside and out so that their teams can make changes and resolve issues quickly. You also need to identify how the system is supported—does the provider offer 24/7 issue resolution, or are you stuck leaving a voicemail and hoping someone will return your call?

How Choosing the Right Phone System Can Boost Your Business

Small business owners typically run very lean on time, cash and human resources. Small businesses can get a lot of value from implementing a hosted VoIP phone solution. In fact, the right system can function as an **extension of the workforce,** giving the rest of the team more flexibility and greater capacity to meet customer needs.

Following is a list of the top 5 benefits of hosted VoIP for small businesses.

1 **Save money**

With hosted VoIP, you can save up to 60% of the cost of a traditional phone system. With Phonebooth's hosted VoIP service, for example, business owners save an average of $20 per user plus the costs associated with the upkeep and maintenance of the system. These ongoing charges can be significant for small business owners who do not have technical staff onsite.

2 **Help your employees do more**

If your VoIP phone system offers transcribed voicemail, you can save 300 hours per year by reading voice messages in your inbox. Depending on the type of VoIP phone system you choose, voice-to-text transcription can forward voicemails to your email account as an attached audio file for consumption anytime, anywhere.

3 **Answer calls on any phone**

Small businesses need to be able to answer their customers' calls anytime, anywhere. By implementing a hosted VoIP phone system, you and your employees gain the flexibility of taking your office phone with you wherever you go.

4 Seamlessly integrate temporary help

A small business phone system makes it simple to enlist the help of outside resources to get the job done. Whether it's temporary staff, freelance professionals or volunteers, a quality VoIP phone system makes it simple to set up phone groups and manage extensive call traffic with the click of a few buttons.

5 Sound more professional

One of the most important ways that you can create a positive image with your customers is by delivering a professional experience whenever they call your business. A small business phone system, with its auto-attendants and other features—is an easy way to help your business look professional on the outside, even when you're juggling a thousand balls behind the scenes. It's a tool that can often take pressure off of busy staff members, who already wear many hats each day and don't have time to route calls or relay messages.

Conclusion

Selecting a hosted VoIP phone system for your business is an important decision. Be sure to investigate the options carefully and consider your budget, required features and long-term business needs, so that you can select the right solution to help drive your business forward.

What is Phonebooth?

Phonebooth OnDemand is a hosted VoIP business phone system that gives small businesss owners the flexibility and conveniece of a big business phone solution at a fraction of the price. Operating in the cloud, Phonebooth is a smarter way to do business VoIP. The Phonebooth software platform was designed with the small business owner in mind--it's easy to use, simple to customize and completely accessible online.

Get Started

✓ Save up to 60% per month.
✓ One-low price, $20 per user.
✓ All features free.
✓ Easy Setup. Instant Activation.
✓ No contract, no risk.
✓ Call us **(877) 842-0699**