



Inside This Issue:

Hosted PBX Services: *Solution or Complication?*

Page 1
Hosted PBX

Page 2
Telecom 101
Hosted PBX Model



**Saving Businesses
Time, Money and
Aggravation** ©

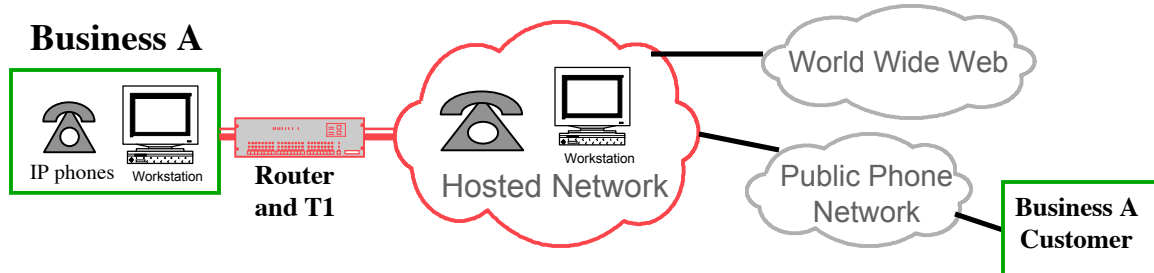
A PBX or, Private Branch Exchange is a term for a modern, internal phone system. Today, most offices use these digital systems because they are reliable, flexible and sit inside their office domain.

Due to the explosion of Internet Services along with the promise of VoIP, RAM has witnessed a proliferation of new offerings called Hosted PBX Services. Hosted PBX *combines* voice, data and phone equipment services in one package hosted at an offsite location. It's an approach based on convenience; designed to simplify purchasing and ownership of business telecommunications. In this environment, the customer also leverages the service network of the hosted PBX vendor. This means the customer also receives its phone and Internet service from the same company. Hosted PBX is an interesting model. The Hosted PBX provides individual phones plugged into a router. The router is connected to a T1 circuit that ultimately connects with the Hosted vendor's phone and Internet network. The promise of convenient packaging means there should be simplified management and lower costs.

RAM's staff has spent considerable time and research on Hosted PBX for the past eight months. The customer feedback and vendor information have left us with mixed opinions. For sole proprietors working a home-based business or for very small start-ups trying to preserve capital, the Hosted PBX model may be a good fit. Hosted services can provide a small operator a professional auto-attendant feature for customizing greetings. For a small monthly fee (\$50.00 to \$90.00) the old answering machine is history. The voicemail features alone provide convenience that smaller budgets couldn't afford even one year ago. To work effectively, however, these services require stable, fast bandwidth. In some home environments, this may not be possible. Additionally, many Hosted PBX services don't include the bandwidth service in their monthly price. It is up to the buyer to make sure all the necessary equipment and phone service is addressed and in place for the package to work.

Continued on Page 2 >

Telecom 101: What is Hosted PBX?



A Hosted PBX provides

- IP Phones or “Soft Phones” plugged into the LAN and out through a T1
- customers can buy specific features they want and nothing else
- customer usually pays one company for its phone hardware, voice and Internet services
- most providers don’t require long-term contracts

Here in lies one of the fundamental problems. If you can’t make it work properly, who will fix it? Many Hosted PBX providers are new companies (less than two years old). The lack of training and customer experience shows with every provider we’ve contacted. In our discussions with customer service hotlines, there is a consistent assumption that the end user has enough technical ability to trouble-shoot their own local computer network. This may be true in larger businesses but most one-to-ten person shops are under served in IT support. Adding voice service to a simple computer network can create problems. The Hosted PBX carrier won’t be sending out a technician anytime soon because most of them don’t have any in the first place.

What about larger businesses? Hosted PBX services are scalable. Can a 50-person business save money replacing their traditional or IP-based phone system and services by leasing an all encompassing package? Don’t bet on it. By the time we finished adding up all the a la carte features and fees, we found several packages cost \$1,500.00 to \$2,000.00 more per month than using the standard, equivalent phone company and PBX solutions. There are security concerns as well. Who ensures your phone number and email information stays secure in the Hosted PBX Center? What is your recourse if your network and services are hacked into or the vendor goes out of business? These are not likely events but the point is, Hosted PBX requires substantial due diligence on the customer’s part.

In our opinion, Hosted PBX still doesn’t meet our client criteria of flexibility, affordability and reliability. Stay tuned. We’ll be sure to update you in the months and years to come.

For a digital copy of this letter
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