Is Cloud-based VoIP Services Cheaper Than Premise-Based Systems?

Premise-based phone system:
Premise-based phone systems come in three flavors; digital, IP and hybrid. All are located at your facility. Most systems can be retrofitted to existing cabling. Additionally, digital and hybrid systems do not take up the resources of the customer's internal data network. Today's newer operating system meets or exceeds the feature requirements for most businesses.

VoIP cloud-based service: (otherwise known as hosted service)
With VoIP cloud-based service the phone system/IP PBX is located at the carrier's facility and all remote IP phones are connected to the IP PBX via the Internet. Depending on the plan, the carrier charges a monthly fee for each voice channel (similar to a phone line) or to keep each phone connected.

Unlike cloud companies, TELX offers all four solutions. Cloud service recently became popular with IT companies struggling with low margins because it brings in additional income. Also, little or no experience of telephone systems is required because service and support is maintained by the cloud carrier. The IT company earns commissions as a sales agent and also benefits by upgrading the customers cabling, data switches and routers necessary to support VoIP service.

It's not uncommon for IT companies to only offer customers cloud service. Primarily they don't have the understanding or knowledge of premise-based systems that could be a much better fit for the customer, functionally and economically. That's why it's best to consult with an experienced phone vendor that offers choices and not just one.

Cloud Service;
Five cloud-based IP phones are approximately $150.00 each, which equals $750.00
Installation, cabling and data switches equals $600.00
Non-reoccurring cost is $1350.00
Annual reoccurring cost, payable to the carrier for 5 channels/phones is $1800.00
Total first-year cost is............ $3150.00
Total second-year cost is....... $4950.00
Total third-year cost is........... $6750.00
Keep adding $1800.00 a year to calculate your annual cost for year 4, 5 and etc.

Premise-Based hybrid with unlimited and local SIP service; ([to learn more about SIP service click here](#))
Five premise-based digital phones with premise-based PBX server is $3250.00
(non-reoccurring and installation costs)
(premise-based systems **do not** require channels for intercom, checking voicemail and etc. so 4 channels is sufficient)
Annual reoccurring cost, payable to the carrier for 4 channels is $1053.60
Total first-year cost is...........$4303.60
Total second-year cost is......$5357.20
Total third-year cost is.........$6410.80
Keep adding $1053.60 a year to calculate your annual cost for year 4, 5 and etc.

The average shelf life of the phone system is 10 years. The total 10 year cost for cloud service is $19,300. 00 The total 10 year cost for the premise-based system is $13,786.00. **This example is the exact reason why you need to do the math.**

[Ipitomy](#) is our most popular SIP carrier and their rates are typically more competitive than most cloud services. Plus they allow the customer the option of a month to month contract, which is rare in this industry. The majority of carriers lock you into a 1 to 3 year contract and if you're unhappy with the phones or the service, the penalties for early termination are extremely expensive.

Note; A majority of premise-based phone systems can easily be connected to existing cabling without incurring additional costs. Cloud VoIP service phones require high speed data cabling (category 5E) and good quality switches and routers that support IP traffic, which may be an additional expense. Anything less can't guarantee good call quality. [Learn more.](#)

Consult with an experience vendor that offers more than one solution. Additionally, request a minium three year cost analysis before making a final decision. TELX has over 30 years' experience providing communication solutions to businesses, plus we offer our clients choices that best fit their budget and needs. [Learn more.](#)

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