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# Top 5 Considerations for Your Next Phone System

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### Contact Ziff Davis B2B

100 California Street, 4th Fl., San Francisco, CA 94111  
Tel: 415.318.7200 | Fax: 415.318.7219  
Email: [b2bsales@ziffdavis.com](mailto:b2bsales@ziffdavis.com)  
[www.ziffdavis.com](http://www.ziffdavis.com)

## Introduction

There are many reasons why you would be in the market for a new phone system. Your current system may be reaching end-of-life, in which case the need will be more pressing. In other situations, you have taken a strategic approach to communications planning and have come to the point where it's time to update the phone system. Either way, all will require you to undergo a similar decision-making process

Whatever the reason, you're in a discovery mode now to support your decision-making process, and this guide has been prepared with that in mind. Our focus here is on phone systems that are used by enterprises or larger SMBs; they will usually be a PBX or an IP PBX, and in some cases a KTS (key telephone system).

This guide is intended to provide a grounded perspective on the current state of market, which may be very different from the last time you bought a phone system. Not only have the technologies changed, but so has the role of the phone system itself. We all need to make phone calls, but the environment is different now, and the desk phone is just one of many options at our fingertips.

Our analysis addresses two aspects the changing landscape and both will help you make better decisions. First is a review of the key trends taking place outside your business and following this is a set of considerations around your particular situation that will impact the type of system you should invest in. You can also complement this by reviewing other [Ziff Davis guides and articles](#), both for in-depth analysis of specific technologies as well as comparisons among vendor offerings.

## State of the Market – 5 Key Trends

While your business needs dictate a new phone system, the decision-making process around this should be grounded in a broader context. This is especially true if your current system has been in use for many years and you haven't paid close attention to how communications technologies have changed. Not only are today's phone system options wider than in the past, but external trends will have more of an impact now on the role telephony can play in making your business more competitive.

The state of the market is likely very different from your last phone system purchase, and here are five key trends that should shape your thinking about what to do this time around.

### Trend #1 – Changing Role of the Desk Phone

Even if your current system was deployed just a few years ago, much has changed. Whether buying a PBX or KTS (key telephone system), these would have been major, capitalized purchases for your business. Phone systems were the lifeblood of everyday communications,

especially if they were last bought in pre-Internet times. That remains true today in one regard, but not another. Voice is still the the most important communication mode, but the phone system itself no longer holds a monopoly on telephony.

The hub of communication has been shifting from the desk phone to the desktop, where employees have other options for voice along with the other tools they use all day long to communicate. As such, the desk phone is competing with other modes, which provide new forms of utility at virtually no cost. Given the capital-intensive nature of phone systems, the business case today is harder to justify. Phone systems still have a role to play, but the value proposition needs to take the changing environment into account.

### **Trend #2 – Voice is a Commodity Now**

This is a separate but related trend to the one above. Since the advent of VoIP, business telephony costs have been on the decline, and while legacy services still dominate, the future is clear. The impact has been greater in the residential market where home phone service has largely become the domain of cable operators, not telcos. Businesses spend much more on telephony, though, and telecom operators will continue to emphasize legacy services for these customers as long as possible.

When thinking about your next phone system, though, keep in mind that the less your company spends on legacy telecom, the less perceived value there will be for desk phones. Legacy telephony will remain the gold standard for voice quality and service reliability, but with good-enough options easily available at much less cost, it will become harder to justify a major spend on the next phone system.

### **Trend #3 – More Telephony Options Today**

This builds on the above trends, and speaks to the fundamental changes driving the market now. Until recently, the desktop would never have been viewed as a viable option for telephony. Not only can the desktop displace some of your everyday desk phone traffic, but in some cases, it can replace your phone system altogether. This is not to say desktop options are superior to desk phones – they really are not – but they deliver a different form of utility that suits a variety of needs and situations.

Note that desktop options come in two basic forms. The first is voice-based, and is the most widely used due to their convenience. One variation is the soft phone, a PC application that emulates the telephony experience on the desktop, with many of the familiar desk phone features. Another is Web-based VoIP, which runs off of platforms such as Skype or Google. These services are much less sophisticated, but are very economical and work well for ad hoc needs.

The second form is video calling, which is now gaining popularity with business users. Most people are not yet comfortable using video, but these applications provide a high quality voice

experience and serve as another option to the desk phone. All of these options are expected to grow rapidly, and you need consider their impact on your business when planning your next phone system purchase.

#### **Trend #4 – New Deployment Models**

Aside from the choices between desk phones and desktop applications, there is a concurrent trend to consider in terms of how telephony is managed. Legacy phone systems have always been premise-based, and for the most part, so have their successors, the IP PBX and IP phones. This means that the entire system is physically present onsite, including the switches and servers to support the phones. The task of network management falls to IT and they are the point of contact for troubleshooting.

Alternate deployment models have existed for years, with IP Centrex being the best known example. In more recent times, however, there has been a steady rise of both hosted and managed IP telephony services, with the latest iteration falling under the ever-broadening cloud umbrella. Whatever variation you choose, these are essentially forms of outsourcing that are now finding favor for communications services, including telephony.

The business case for cloud telephony keeps getting stronger as innovative solutions enter the market, with some targeting large enterprises and others the mid-market or below. For all segments, these offerings focus on their ability to keep costs down, scale up or down as needed, seamlessly add new features, and ease the burden on IT for keeping up with complex technology. This means your phone system decision needs to look at the underlying deployment model and determine which would best serve the needs of the business.

#### **Trend #5 – Rise of Mobility**

The above trends have related only to fixed line voice, either via the desk phone or desktop. Mobility has been with us for a long time, but the recent rise of smartphones along with widespread accessibility to mobile broadband has greatly amplified its impact. This has been further compounded by the even more recent surge in tablets, providing yet another reason for employees to be anywhere but at their desks.

Mobility brings its share of challenges to the workplace, but for most businesses the benefits far outweigh the risks. As if this wasn't disruptive enough, the BYOD trend – bring your own device – has put the employee fully in control of their mobile communications environment. Most businesses have conceded the control battle, and until they develop effective usage policies, employees will largely use these devices as they see fit.

All businesses struggle with this issue, and when thinking about who will be using your new phone system, along with how they will likely use it, you must factor in the mobile environment. Not only will employees use each form of telephony for different things but increasingly, calls will need to work seamlessly across fixed and wireless networks.

## Top 5 Buying Considerations for Phone Systems

The trends in the previous section set the table for any business thinking about a new phone system. Whether you actually need to make a change now – as in end-of-life – or feel you just need to move on to VoIP, there are several considerations that will impact your decision. This is especially important for the latter case where your current phone system could last a few more years, but other factors are pushing you to make a change. In this situation, some businesses will elect to keep their system and simply IP-enable their phones to get the benefits of VoIP service. This is known as a bridge solution, as it provides some VoIP benefits while allowing you keep using your legacy system a bit longer. The cost is nominal, as is the disruption to your network environment.

This guide, however, is concerned with a replacement scenario, and the case can certainly be made for a system that is still working well. If the investment in your legacy system has largely been amortized, there is little financial risk moving on now, plus, if the system is in reasonably good shape, you should be able to salvage some revenue on the second-hand market. The upside, of course, comes from the lower cost of VoIP compared to legacy telephony service. This can justify the move alone, especially if you're coming off a long contract where you have been locked into an expensive TDM deal with your carrier.

If you have an end-of-life scenario, the decision process is more straightforward, but in either case you'll be making a decision that the business will have to live with for several years. As such, it must be made with care, and the following are five key considerations that reflect the realities of today's phone system marketplace.

### Consideration #1 – Shorter Lifecycle

This consideration will have the most impact for those who have been using their phone system for over 10 years. Legacy phone systems can easily last 15-20 years, and many deployments have been in use much longer with plenty of life still left. One reason why these were so expensive is that they were built to last, and older systems were very well designed with decades of use in mind.

Of course, these systems were built – and usually bought – prior to the Internet, when telephony was the dominant communications mode. Back then, mobile phones were typically hard-wired inside your vehicle, and portable devices did not come into the office, so the desk phone was it for telephony. If you go back far enough, email was more of a novelty than our oxygen, and the Internet was strictly for entertainment, with no business value.

Fast forward to today, and the phone system occupies a different place on the communications pecking order. The first thing to consider in this regard is the fact that your next phone system will not have a 30 year lifecycle – actually, not 20, not even 10. This is a huge shift in thinking compared to the legacy world, which is probably how you bought your last phone system.

With so many communications modes at our disposal, plus the fact that today's phone systems are as much software-based as hardware-based, you need to approach this purchase with a different expectation. Not only will the system likely be less expensive than your previous purchase, but the lifecycle will be shorter. If your next phone system is going to be voice centric and used primarily to upgrade or update what's being replaced, you should plan for a 7-10 year lifecycle. However, if you're looking for a phone system that will be more applications-centric and Web-friendly, the core value will be in the software. In this case, the lifecycle will be more like 3-5 years, and you may not be able to capitalize the purchase.

As such, you need to think of your next phone system having a shorter time horizon. Not only do software and communications applications keep evolving, but so will the role of the desk phone. Five years from now they may be on the way out as companies feel comfortable relying on a mix of mobile and PC-based options for voice. Unless none of this is creeping into your reality, it is actually quite prudent to not take a long-term view of what the next phone system can deliver to your company.

### **Consideration #2 – Making the Business Case**

This speaks to the business-level issues around a phone system purchase. Perhaps the biggest challenge is that the role of telephony has changed. It's possible you considered the idea that the business could manage without a new phone system, but the viability is really another 3-5 years away. Until that scenario becomes thinkable, you need to make a strong business case for an IP-based replacement.

Aside from having a shorter lifecycle than what you have now, the most important change is the fact it will not be a standalone purchase. The last time you did this, the phone system was independent from everything else; you worked with a distinct set of telecom vendors, the system had its own dedicated network and closet, and you may even have had telephony specialists on staff. Today the opposite holds and to varying degrees, you have moved to a converged network environment. Ultimately, the game plan with VoIP is run all your voice traffic over the data network, and to minimize the role of your incumbent telco.

With VoIP, there is some core value in voice as a standalone service. You still need dial tone, and employees still need to make and take calls at their desk. In terms of the business case, your next phone system will very likely cost less than what you own now, but the main appeal of VoIP is to reduce telecom costs. This has less to do with your telecom vendor than with your telco, but there are other ways you can strengthen the business case.

The key difference with today's phone system is the ability to integrate with applications and processes. Telecom is no longer its own island, and can actually enhance other things when operating in a unified network environment. Now you need to think about how telephony – voice, really – will add value to the business. Straight-up desk phone service is one way, but you can sell a stronger story to management by showing how VoIP can become part of a

multimodal communications toolset. This rationale becomes much stronger when Unified Communications is in the picture, and we have recently published guides specific to that topic.

Most importantly here is that decision makers need to think differently now about telephony. Your next phone system will actually have little value if just updating the status quo. With VoIP, telephony can take many forms, but that can only happen if the phone system is viewed as part of a broader communications environment.

### **Consideration #3 – You’re Buying Software, not Hardware**

This may sound like heresy to old line telecom people, but it’s been an accurate reflection of the market for some time. If this is new to your thinking, you have some catching up to do. All phone systems will have hardware components, with the most visible being the desk phones. In the past, hardware drove the costs, but today those desk phones can be pretty basic, depending on which model you choose.

The key difference is that VoIP is really a data application, meaning that the service can be provisioned, customized and managed online. In the IP world, network intelligence resides in the endpoints, which requires software programming, usually from the vendor, but upgrades can be initiated from IT. All of this speaks to the fact that the phone itself is a relatively simple piece of hardware, where the value comes mainly from software applications. The vendor provides these, of course, but keep in mind you’re not buying a static system.

Unlike legacy telephony, where the phone system hardly changed from the day you bought it, today’s systems are dynamic. Nobody expects them to remain the same, and in fact, their ability to add new features and integrate with other applications is a key part of the value proposition. In this regard, you need to move on from the hardware mindset and think of telephony as software. You’ll spend less money, but the system will keep evolving and your employees will find new ways to use VoIP. The lifecycle will be shorter and you won’t have a capitalized asset to depreciate.

Of course, this also means that the traditional ROI metric may not be sufficient to make the business case. You’ll need to think this through further and you may find that the TCO model – total cost of ownership – is more relevant. Every situation is different, but most vendors can provide good guidance on the best metrics to support your business case with management.

### **Consideration #4 – You’re buying a Solution, not a Phone System**

Building on the software theme, when voice becomes another application in a data network, its utility greatly increases. The desk phones you end up buying will still be used mainly for telephony, but there are two additional elements to consider. First is the fact that many IP-based phone systems can support other applications and can serve as a basic extension of your desktop environment. Some will have touchscreen interfaces where you can access online resources, and more advanced phones will also support video. Desk phones are now

quite varied, and in addition to telephony, you can select models that are highly integrated with data applications, as well as those that are built primarily to support video.

The second element has more to do with VoIP, for which you must have IP-enabled phones. As such, your new system becomes a gateway to use VoIP across your entire network environment. This is where things actually get more interesting, as telephony service is just one way to use VoIP. There are a variety of Web-based applications for VoIP, such as click-to-call, where voice can be embedded into business processes to make them more efficient. This again takes us into the realm of UC, and the main idea is that a new phone system opens the door for using voice in ways other than everyday telephony.

When you start thinking along these lines, the criteria for choosing a vendor become more complex. Aside from providing the core functions of a phone system, you need to look at the range of applications they can support. While VoIP is the future of telephony, the underlying protocols are not yet fully standardized, which means that vendors do not interwork with each other equally well.

To minimize the risk here, you should try to identify the key applications you would want VoIP to integrate with. From there, you can find out how well each telephony vendor supports these. Each vendor has its own partner ecosystem, and some are based on proprietary technologies that don't work well with other vendors.

As such, you're really buying a solution, where the vendor brings a complement of partners to make the phone system a richer tool. This is a major departure from legacy times, where you bought a phone system from a telecom vendor – nothing more and nothing less.

### **Consideration #5 – Vendor Landscape in Flux**

Once you have taken your needs into account, as well as understood how the environment has changed for buying a phone system, you must also consider the state of today's vendor landscape. While many vendors were in the market when you bought your last system, quite a lot of consolidation has taken place, and the range of offerings is broader.

At a high level, vendors fall into three basic groups – Tier 1 systems, Tier 2 systems and standalone phones. Many of these vendors will be familiar, especially Tier 1's – Cisco, Avaya, Siemens and Alcatel-Lucent. They dominate the large enterprise market, whether providing IP PBX systems for telephony, or bundling these with a Unified Communications platform. These vendors also serve the mid market, which consists of smaller enterprises along with the upper end of the SMB sector. To position themselves for long term growth, these vendors have also been pushing into the broader SMB space with scaled down offerings, but these will not likely be of interest to our readers.



Tier 2 vendors have comparable offerings, and are most competitive in the mid market. They usually lack the incumbent status relationships that Tier 1's have in the large enterprise market, but may well be the most familiar vendors for our readers. Note that this guide has a North America focus, and some Tier 2's have limited presence in this market, but globally they really are Tier 1's. Leading Tier 2's would be Mitel, NEC, Panasonic, ShoreTel and Toshiba.

The third group serves this market primarily in the form of desk phones and telephony endpoints. Most also offer more complete solutions, but these would be the companies to consider if you were only interested in a basic phone system. This could take the form of a simple IP PBX, or some combination of desk phones, cordless phones and conference room phones. Leading vendors here include Aastra, Grandstream, Polycom and snom.

With this overview in mind, the vendor landscape has been quite volatile in recent years, as these companies have taken differing paths to remain competitive. All have had to migrate from legacy to IP and develop new value propositions as the role of telephony has changed. With lower revenues and margins, along with shorter product lifecycles, most vendors have struggled financially, especially with the recent economic downturn leading businesses to invest only where absolutely necessary. As such, you need to look beyond the technology and do your homework to assess the financial health of vendors you think would be a good fit. This could be the most important consideration of all.

## Conclusion

All businesses need a phone system, and the process of buying one today is more complex than the last time you were in the market. The basic functions have not changed, but the technologies have, as has the role of telephony in your overall mix of communications tools. With today's phone systems being based more on software than hardware, your expenditure will likely be less, but there will be more factors to consider in how it will be deployed.

This guide has been prepared to outline these considerations and help you make better decisions. In our view, this means understanding how broad market trends are impacting your local environment, along with the current realities shaping the very nature of what a phone system is. An unchanged legacy mindset will not serve you well here, and this guide is good starting point to update your thinking and take advantage of the value today's solutions have to offer.

### About Ziff Davis

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