The Essential Guide to Replacing
Your Small Business Phone System

Although the reasons or timing may vary, every business will at some time need to consider replacing its current phone system. If you currently find yourself in this situation, don't worry – you have plenty of company.

For most businesses, the need to replace a phone system is driven by a specific event. Although for a small percentage of companies this may take the form of an unrepairable system failure, the majority of businesses find themselves facing a replacement decision for one of five main reasons:

Reason #1: You've simply outgrown your current system

This trigger is one that most owners would welcome – the business is expanding and the existing phone system has simply run out of capacity, with no clear or affordable upgrade path. Whether the underlying driver is the addition of new employees, the opening of a branch office, or the integration of an acquisition, your phone system simply can't support your current business needs.

Reason #2: Vendor support for the system has come to an end

You probably have enjoyed years of dependable service from your phone system, but the vendor and local support provider have alerted you that they are no longer able to provide service or replacement parts. Since your business absolutely depends on reliable, "always-on" communications with your customers, the possibility of system failure and resulting business disruption is a risk you can't afford to take.

Reason #3: The capabilities of the system have fallen behind the times

When you talk with peers or your technology-savvy employees, you realize that while the system has delivered faithful service, there have been many advancements in technology that can help your employees be more productive and your overall business more competitive. Since your system vendor is no longer investing the R&D dollars to provide new features for your current system, you're intrigued to learn more about new capabilities and see if they are a good fit for your company.

Reason #4: The system is consuming too much time or expense

Although there definitely are times when you need your local support provider to come on site, you're tired of paying for expensive service calls to perform simple administrative tasks, such as adding a new phone or moving an employee from one part of the office to another. You find yourself thinking that there must be an easier, more affordable way to maintain your phone system.

Reason #5: The future of your system provider is increasingly uncertain

Few industries are experiencing change at the speed and magnitude of the business communications sector. It's rare that a month goes by that one provider hasn't bought another (or is rumored to have done so), or a provider finds itself with declining revenues due to hyperaggressive competition. You worry that your current system vendor may increasingly be on shaky financial ground or facing an uncertain future – prospects that raise questions about their ongoing ability to provide the stability and support you require.

There was a time – and it wasn't all that long ago – that telephone systems were fairly easy to understand and used technology that rarely changed. Business owners frequently tell us that technology is more complicated now, with too many confusing choices and not enough "plain-spoken" information to help them make informed decisions.

To help reduce the confusion, this white paper will share system replacement perspectives for small and medium-sized businesses to consider when evaluating the various available options and approaches.
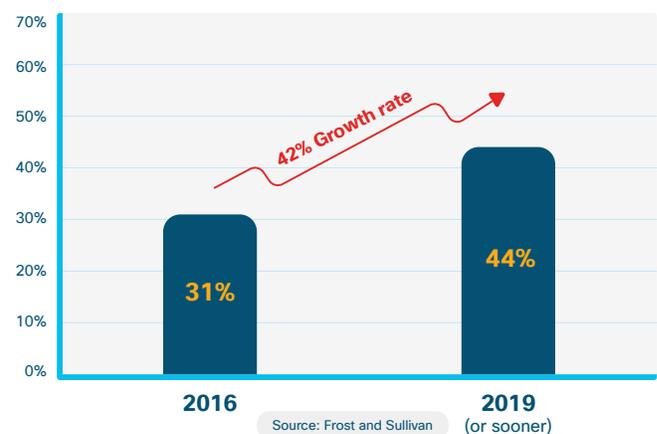
On-premises vs. cloud – Where exactly are we?

It's hard to read a newspaper or industry newsletter these days without being confronted by headlines about some new "transforming" technology. And when it comes to deployment options for business communications, there is certainly no lack of opinions. In trying to uncover the facts, a recent study of nearly 2000 business decision makers by respected research firm Frost & Sullivan found that **69 percent** of the participating businesses were using premises-based communication systems, while **31 percent** obtained their phone service over the Internet from a third-party provider (in other words, from the "cloud").[1]

While the report showed that more than twice as many businesses used on-premises deployments than used cloud-based systems, it also showed that the percentage of companies moving toward the cloud is steadily increasing.

The question of premises vs. cloud is certainly a good one to consider. With that said, many business owners tell us that they have received years of reliable service from on-premises phone systems and have a continuing preference for keeping this essential asset secure and under direct control at their place of business.

31% ⬤ **69%**
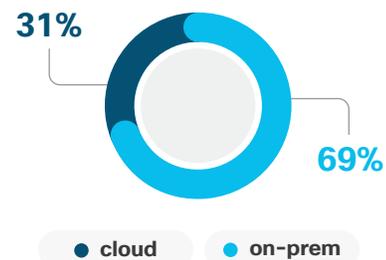
⬤ cloud ⬤ on-prem

Percentage of businesses deploying communications systems on-prem vs in the cloud

42% Growth rate

31% **44%**

2016 2019 (or sooner)

Source: Frost and Sullivan

Percentage of businesses utilizing Cloud-based communication systems

# Key questions and considerations for business decision makers

Aren't all phone systems the same "under the hood"?

Phone systems fall into two main categories. Historically, systems relied on a highly reliable and time-tested technology known as Time-Division Multiplexing (TDM). Beginning in the early 2000s, a new technology, IP Telephony (IPT), became commercially available.

In practical terms, IPT differed from TDM in being able to use a combination of the Internet and the traditional Public Switched Telephone Network (PSTN) to carry phone calls. By 2008, this technology had advanced to the point that an estimated **80 percent** of new telephony systems sold were IPT-based and not TDM.[2] The acceptance and widespread shift to IPT has largely been attributed to the reliability and high voice quality of these new systems, as well as to the cost savings that could be achieved by using the Internet to make phone calls (instead of incurring traditional long-distance toll charges).

When I replace my current system, do I really need desk phones?

Although there's little question that IPT is now the clear choice when replacing older TDM systems, another question that often comes up involves the phones themselves. You may have read a worrisome headline at some point that warned of the imminent death of the office phone. While there's no disputing the growing popularity of mobile devices, rest assured that desk phones are still very much a part of contemporary phone systems. In a 2015 study of more than 500 office workers reported in CIO.com,[3] **65 percent** of the participants preferred using desk phones to make and receive business calls – more than twice as many as those that preferred mobile devices.

65%
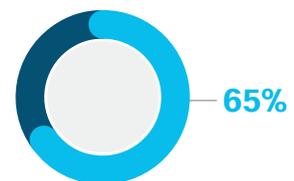
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Are IPT systems affordable for smaller businesses?

If you're like most businesses that have a telephone system that's been in place for a number of years, you will find that contemporary systems have many new capabilities. In the early days of IPT, feature-rich systems were often priced for large enterprise budgets and were out of reach for many smaller businesses. One of the pleasant surprises you are likely to experience as you evaluate your replacement options is the affordability of many new IPT systems.

There are, of course, phone systems for very large enterprises that carry premium price tags, and these can potentially be relevant to your vendor evaluations. Look for system providers that have established a solid reputation in the high-end segment and that also offer systems for small and midsize companies — chances are, they have leveraged their advanced engineering across their full portfolio of systems.

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[2] The Telos Alliance, https://www.telosalliance.com

[3] CIO.com, Is the office desk phone obsolete?, October 15, 2015, https://www.cio.com/article/2991526/staff-management/is-the-office-desk-phone-obsolete.html

Are there any phone system features that are "must haves"?

Although nearly every phone system in the market provides basic capabilities such as call hold and transfer, call forwarding, and do not disturb, there are some additional user features that you will want to be sure your preferred replacement system offers.

Beyond the basics, make sure the system you choose offers productivity-enhancing capabilities such as 3-way calling, voicemail-to-email (incoming voicemail messages are also sent to you as email attachments), speed dialing, single-number reach (which allows a desk phone and mobile phone to ring simultaneously), and "presence," which shows your users whether another employee is on their phone. Additionally, having the ability to offer music on hold (which you can easily change) can elevate the perception of your business when customers or prospects call.

If your business routinely receives incoming calls for sales or support, you will also want to choose a new system that provides some degree of "call center" capability. At a minimum, look for systems that provide an automated attendant to help guide incoming calls, as well as "hunt groups" that can direct specific types of calls to the right employees.

In terms of system capabilities, look for systems that can accommodate the increasingly popular – and highly cost-effective – Session Initiation Protocol (SIP) trunking without the need to purchase additional network interface cards (the system should be able to readily support more traditional PRI and BRI connections to the PSTN as well). Also make sure that your preferred replacement system can support so-called Analog Telephone Adapters (ATAs), which will enable you to connect any fax machines, analog phones, pagers, and door openers that you are currently using.

Are collaboration applications essential in a new system?

Like most things in life, there isn't a single "right" answer to this question. Collaboration applications are simply capabilities such as instant messaging, video conferencing, and file sharing that you can make available to your employees to help them work more efficiently toward a common goal.

The good news is that collaboration applications are not a "now or never" investment decision. One characteristic of a well-designed, "future-ready" replacement system is that it will allow for easy introduction of collaborative tools as your business needs evolve.

What about system installation – Are there things to be mindful of?

If you have a local dealer or support provider that is skilled in implementing new IPT systems, you should have a good installation experience. With that said, there are systems that can be deployed faster and more efficiently than others, which translates to savings for your business. Be sure that any system you choose can be preconfigured to your specifications before the system even arrives on-site. Installation for this type of system can typically take place rapidly, with businesses potentially up and running in a single day.

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Is it possible to get a system that is easy to maintain?

Many small and midsize companies have extremely limited in-house technical resources, so most business owners need to rely on outside specialists to handle ongoing administration of their system. Although there may be circumstances when you still want to bring in outside help, the fact is that the better-designed IPT systems are so simple to maintain that a nontechnical employee should easily be able to handle everyday tasks such as adding or deleting a phone, moving an extension, or changing the music on hold.

Another new system capability to be on the lookout for is the ability to perform all administrative functions using a standard web browser on a PC, laptop, or mobile device – providing you with the freedom to administer the system when away from the office.

This web browser approach to system administration actually "marries" the on-premises system to a cloud-based management portal that is hosted by the vendor in their own highly secure data center. This approach is viewed by many businesses as a "best of both worlds" solution that blends their preference for an on-premises system with the ease of cloud-based administration.

In addition to allowing you (or your chosen trusted partner) to perform needed system administration, the better-designed portals will allow you to see all sorts of interesting statistics on your users, such as the length of incoming and outgoing calls, the amount of time your customers are kept on hold, and how many callers hang up while waiting.
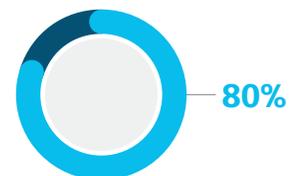
How can I better manage my system costs?

There are several things to consider here. Some new systems are designed to enable you to allow employees to self-administer personal settings such as creating new passwords or changing call forwarding and speed dialing codes – simple tasks that will reduce the number of requests to an outside support provider or designated in-house technical resource.

With earlier TDM systems, adding new features often meant spending Capital dollars (CapEx) to replace or upgrade hardware components. The approach for enabling new functionality has dramatically changed with IPT systems, with most new capabilities now being enabled by software that can readily be downloaded into the system.

80%

80% of business software will be acquired through subscriptions by 2020 according to Gartner

Increasingly, new software capabilities are available under subscriptions that allow unlimited software downloads on a pay-as-you-go basis using Operating funds (OpEx) rather than CapEx. Underscoring the growing popularity of this approach, research firm Gartner has predicted that **80 percent** of business software will be acquired through subscriptions by 2020.[4]

In addition to providing customers with easy and economical access to new user features, some vendors include expert technical support and online tools with their subscriptions, as well as "peer-to-peer" access to other customers to encourage the sharing of tips and best practices.

[4] Gartner, Inc., **Moving to a Software Subscription Model**, November 12, 2015, https://www.gartner.com/smarterwithgartner/moving-to-a-software-subscription-model/

What if my needs change in the future?

This is a question that nearly every business owner asks. Although many changing business needs can be addressed with capabilities that are enabled with new software downloads, there may be circumstances when your growth outpaces the inherent capacity of your IPT system.

If you feel that might be a possibility for your business, be sure to investigate prospective vendors' approaches to investment protection. Since phone sets are typically a prominent element in the overall cost of a system, be sure that any needed platform upgrade or shift to more of a cloud-based approach will allow you to continue using the phones you have already purchased.

To the earlier point about potentially adding collaboration applications at some future point, also be sure that the vendor you choose can provide those types of capabilities in a way that is compatible with your IPT system investment.[5]

A few final thoughts

As was mentioned earlier, there is no lack of approaches and options when the time comes to replace an existing system, and there is no single "one size fits all" approach that will work for all businesses. Be sure to invest the time to assess your current and potential communications needs with managers and employees, and then engage a competent resource to help translate your needs to an optimum future-ready solution that meets your expectations for simplicity, features, and cost.

When you are ready, you will find your local Cisco dealer to be an excellent source of expert guidance and objective information on the approaches and options that make the most sense for your specific business requirements. If you would like to learn more about small business phone systems from Cisco you can visit cisco.com/go/be4000.