



Navigating the ROI in VoIP Systems

The unprecedented economic times call for small and medium-sized businesses (SMBs) to improve business operations and cost structures. Your telephone system and data network are essential to your business operation; it is your first customer interaction. But it can also be a growing cost or barrier which may inhibit your ability to run your business more efficiently.

Many SMB executives, like yourself, have explored the VoIP path. And, you may have come back to the same question, “Will I get a return on my investment?”

The answer is yes.

With the improvements in technology, equipment, and hosted IP solutions available, you can achieve a cost savings within the first year*. In addition, VoIP systems generate significant business benefits beyond the hard costs, delivering additional value to your business.

The ROI Equation

In order to calculate ROI, it is necessary to understand the basic costs required for two types of VoIP systems – traditional IP PBX systems and hosted VoIP systems (TDS *managedIP*). The chart below compares the basic costs:

	IP PBX (Traditional IP System)	TDS <i>managedIP</i> (Hosted VoIP System)
Upfront Hardware & Phone Costs	\$15,000	Included
Maintenance Costs	\$1,500 per year	Included
Upgrades	\$500 per year	Included
Employee Costs (Managing System, etc)	\$10,000 per year	Not Applicable
Primary Rate Interface (PRI)	\$4,000 per year	Included
Long Distance Charges	\$2,400 per year	Included
Internet Service	\$1,200 per year	Included
Data Network	\$1,000 per year	Included
Total Five Year Cost	\$118,000**	\$72,000***

As the chart outlines, there are several features of a hosted solution, such as *managedIP*, that provide cost savings, including upfront hardware and phone costs, maintenance charges, upgrades, PRI, long distance charges, Internet service and data network.

So let’s illustrate a basic ROI example for this discussion. ABC Corp is interested in switching to a VoIP system to reduce costs and increase employee productivity. We will also assume that ABC Corp can accommodate a VoIP system with its existing networking infrastructure.

Here are the facts about ABC Corp:

- Number of employees (seats): 20
- Number of phone lines: 20
- Data connection: T1 (already installed)

Now we will look at the year-by-year breakdown of the cost savings experienced when selecting the *managedIP* system over an IP PBX system.



	IP PBX System⁺ (Yearly Cost)	managedIP System⁺ (Yearly Cost)	Cost Savings (Yearly Savings)
Year 1 Total	\$35,600	\$14,400	\$21,200
Year 2 Total	\$20,600	\$14,400	\$6,200
Year 3 Total	\$20,600	\$14,400	\$6,200
Year 4 Total	\$20,600	\$14,400	\$6,200
Year 5 Total	\$20,600	\$14,400	\$6,200
Total 5 Year Cost	\$118,000	\$72,000	\$46,000

+Prices reflect a 5 year contract length.

Based on this example, ABC Corp can achieve a cost savings of \$21,200 in the first year and a savings of \$6,200 per year for each additional year in the 5-year contract. That equates to a total cost savings of \$46,000 with a *managedIP* system.

Beyond the Costs

VoIP systems deliver additional business benefits, such as increased productivity and operational efficiency that can provide significant value beyond hard costs.

Here are a few ways that a VoIP system can provide additional value to your SMB:

Increase Mobility and Flexibility. Stay connected as if you are in the office. With *managedIP*, you can give your employees the ability to work from anywhere. They will gain access to features like remote office, which allows them to use any phone, whether in a home or hotel, as a business line that bills directly to the office. In addition, employees can receive integrated voice message notifications via cell phone or smart phone while on the road.

Get New Employees Up and Running. You can easily manage, reprogram, or reconfigure phones for new employees and office changes, from an easy to use web portal. By eliminating the need for technical resources, you can reduce the time required to add employees to your phone system, and focus on getting employees trained.

Call Control. Start making the decisions of who, when, where, and how your customers or clients reach you and your employees. You no longer need to share all your numbers, just program your office number to ring your cell phone, home office phone, or any other telephone device. A single number puts you in control.

Improve Employee Satisfaction. The work-from-anywhere capability with VoIP systems enables your employees to directly connect to your company’s phone system regardless of location, giving them the flexibility to get their job done no matter where they are.

In addition, VoIP systems can enhance overall employee productivity through features like voicemail to email messages and simultaneous ring, which improve your company’s responsiveness to customers, suppliers, and fellow employees.

The Bottom Line. As an SMB, you must balance cost with productivity to ensure future growth. Your phone system doesn’t need to be a sunk cost; it should provide critical cost savings and practical business advantages. By transitioning to a VoIP system, you will achieve the investment return and improve your business’ mobility, flexibility, and productivity.

* ROI and cost savings varies depending on business size, service provider costs and services selected.

**Estimated costs of an average IP PBX for a 20 phone system in a 5 year contract. Actual cost may vary.

***Estimated costs of an average 20 seat *managedIP* system in a 5 year contract. Includes local trunking, LD, Internet service and data network, IP phones, and maintenance for service.

You’ve got needs. We’ve got solutions. Total ROI.