



Comparing Total Cost of Ownership (TCO) Between UCaaS and On-Premises UC

A CBTS White Paper

Typical TCO analysis comparing Unified Communications as a Service (UCaaS) to an on-premises solution is incomplete. Why? Because such analysis usually focuses only on the monthly recurring costs (UCaaS) and the upfront capital and maintenance costs (On-Premises). This only paints a partial picture.

A truly complete TCO analysis takes into account the other real costs that often get overlooked. Below are these extra factors you should consider when making such a comparison.

Data Center Savings

There can be significant savings in utilizing a UCaaS solution versus on-premises solution when looking at the data center. These savings may vary substantially based on your unique situation, but here are the most common:

- **Servers & Storage:** Includes procurement, maintenance and other related costs.
- **Software & Virtualization:** Includes not only licensing costs, but also deployment, management and troubleshooting.
- **Real Estate:** You will need to procure at least one physical location. Two or more locations could be necessary to meet geo-redundancy requirements.
- **Power and Cooling:** This can be a significant cost based on the amount of hardware being supported.
- **Redundancy:** Includes dedicated circuits in the case of failure.
- **Physical Security:** Includes keyed entries, security cameras and other forms of access control.
- **Compliance:** Includes any special requirements needed for your industry.

In a UCaaS solution, the provider is responsible for all of these costs. This removes the headaches of putting all of these pieces in place.

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IT Staff Savings

Having an on-premises solution means you need to have staff available that can effectively manage it. Your staff may consist of internal people and/or externally-sourced staff such as through professional or managed services. There are some specific tasks that need to be staffed for in an on-premises solution:

- **Monitoring and Incident Management:** The UC solution for many organizations is often mission critical, so 24x7x365 monitoring and support is needed. This requires staff to be on-call or to utilize a 24x7x365 managed services organization.
- **Service Request Management:** Includes the day-to-day administration and completion of requests made by users for moves, adds and changes.
- **Release Management and Routine Maintenance:** Manufacturers come out with upgrades, which need to be implemented regularly. Such upgrades often include new features and functionality, security updates and bug patches, which are critical to implement. Upgrades can be costly, complex, take a lot of planning and have a negative impact on the business if not properly implemented.
- **Vendor and Billing Management:** In an on-premises model, there are often multiple manufactures, multiple vendors, multiple telecom providers and multiple bills for hardware, software, maintenance and support, which can all have different renewal dates. The process for expenditure approvals and managing the procurement process can be tedious.
- **Disaster Recovery and Business Continuity:** Planning and ongoing evaluation of the UC solution is needed to make sure it is highly available and redundant to maintain operations during failures and disasters.

An important factor is also finding the right talent to begin with. Hiring the right people to make everything happen smoothly requires a specific skillset that needs to be searched for. When turnover occurs, finding the right people can be time and resource intensive.

In a UCaaS solution, the provider is responsible for all of these activities. In addition, such a provider can hire and maintain the very best in the industry since this is their specialty.

Finally, consider what your staff could be doing if you had a UCaaS solution in place. Could these resources be re-allocated to work on projects that move your business forward?

Additional Factors

There are benefits to a UCaaS environment which are often hard to quantify in numbers, but are real savings nonetheless:

OpEx vs. CapEx

An on-premises solution is a CapEx (capital expenditure)-heavy model, where a large upfront amount is spent to deploy the solution. Even in this approach, there are also regular maintenance costs to consider that are paid over time. And these costs increase as the on-premises solution grows older.

A CapEx model may also reduce the cash on hand for your organization. This is cash that could have been used for other purposes or investments with greater return on investment (ROI).

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UCaaS is an OpEx (operational expenditure) model, where a fixed amount is spent per user. It is much easier to estimate and budget for such a model, as your costs are spread out over time based on a predictable quantity of users. Plus, your organization can utilize the up-front cash you saved on other strategic projects.

Flexibility in User Count

Being able to increase and decrease users quickly is a significant benefit. Many industries are seasonal in nature, not to mention overall business growth or mergers and acquisitions. UCaaS is perfect for scenarios where there are changes in user counts. This means that when the business needs to expand rapidly, the deployment can happen very quickly.

With an on-premises solution, the process to add even a simple remote site may take many months. This can prove to be a real hindrance. In addition, a large capital investment may be needed to increase the overall capacity to cover the maximum anticipated user count. Then, in the months when user counts are lower, you are paying for the excess, unused capacity.

Trial Use

There are often organizations that would like to try new UC solutions (such as a contact center) but hesitate to do so due to the costs of implementation. UCaaS allows you to onboard new products or features at a much lower cost. This approach is far superior while you test and determine the fit with your organization.

Even if your organization recently purchased or renewed an on-premises solution, UCaaS can deliver real benefits. An integration between UCaaS and existing on-premises solutions allows organizations to protect their existing investment but allows them to take advantage of the benefits of UCaaS. In addition, when you are ready (often when support contracts are up for renewal), the process of migrating users from the on-premises solution to UCaaS is greatly simplified.

A truly complete TCO analysis takes into account the above factors and usually results in a substantial savings for UCaaS versus an on-premises solution. Every organization has unique factors that weigh more or less than what is typical. Our team of experienced unified communications professionals can help you evaluate your unique situation and make sure you are making the best decision for your organization.