

# Your on-site PBX can kill your small business

 By [Sacha Matulovich](#)

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As a small business owner be aware of the pros and cons of a site-based PBX versus a hosted PBX and how each solution addresses your requirements. Do you require flexibility to scale your business telecoms up and down, and can you afford to be locked into a long-term contract? Perhaps your business is ultra-mature and you're not considering offering your staff a hot-desking or telecommuting option.



Sacha Matulovich

I've been a small business owner for the past 12 years, during which time I have built up extensive experience of the pain of financing, maintaining and upgrading an on-site business PBX.

Quite honestly, that alone should make me an expert, but it also drove me to make a detailed study of the telecoms industry, and finally to enter it with a much better alternative - the cloud-based PBX. But that's not the point of this article.

Let's look at how site-based and hosted PBXs stack up against a small businessperson's requirements and expectations.

## On-site

- **Dynamic growth:** When I bought my first PBX, I was asked where I wanted to be in five years. What a question. Like 95% of SMEs, I wanted to grow - fast. We were 15, so I said I wanted us to be 50-strong. You could say it was an educated guesstimate with a bit of fat, but it was just a number, really. Don't get roped into doing the same.

What if your growth exceeds all expectations? What if it doesn't, and you end up paying for twice the PBX capacity that you reckoned you'd need? What if, like many small businesses with diverse interests, the various bits attain a life of their own and split up? Or - if you're sharing premises and infrastructure with partners - what if you go your separate ways after two years? Which partner gets the PBX and which must fork out all over again?

- **Open-ended functionality:** Then I was asked what functionality we wanted. I chose a top-of-the-line model at frankly horrendous total cost of ownership, given my aggressive growth plans, thinking that whatever functionality I didn't have I could simply ask for later.

But don't bet on it. For the first year, my PBX did a fine job. The next year, we signed a bank as a customer and all calls had to be recorded. Getting the feature proved impossible without extra cabinets and cards, and the upshot was another bill of over R45,000 for the automated message feature, and over R50,000 for the recording equipment, which never really worked properly. On top of this my PBX was generally obsolete by year three, and it ended up in a storage closet.

- **Total cost of ownership:** To take the sting out of the upfront cost, PBX providers often offer financing with monthly premiums that seem small but add up to a significant amount over the contract term (e.g. R3500pm over 60 months equals R210,000 and often there are annual escalations built in. This was the case with my story and in the last year I was being charged closer to R6500pm once all the escalations had taken effect).

To further soften the blow, providers often build in a 10% to 15% annual escalation. So you might start off paying R3500pm and end up with a monthly shock of R6000 in the final year. But so what, you say. We pay off cars at a much higher total cost than the purchase price.

If your PBX was a car, that would be a fair comparison. But despite any similarities in price, it isn't. It's nowhere near as pretty or useful after five years, and there's no resale value. With rapid obsolescence I paid more over the last two years of not using it than the first three. (I eventually sold it for R10 000 - 5% of its upfront value. That is pain. If you don't believe me then ask your PBX supplier what they'll give you for your R10, 000 PBX after a year).

You might also argue that, while hosted PBXs attract lower monthly fees than a PBX on HP, the on-site model at least becomes yours. But have you considered the ongoing costs of ownership?

Whenever you need to move an extension or fix a problem, a technician will have to come out. Moving is extremely disruptive, and you will need excellent support (again at high cost) to set you up all over again. You can further expect considerable pressure to upgrade at this point.

## Hosted model

With all these difficulties, I decided to go for a hosted PBX instead, which was operationally one of the best decisions of my life. Had I chosen it from the outset, I would have had untold flexibility. A move, for example, would simply mean unplugging handsets from the old LAN and plugging back into the new one.

Then there is provisioning of extensions. As the cloud-based PBX is virtualised, you can have exactly as many as you need from the start, and scale up and down as you need.

This flexibility carries over into other areas as well - with 30 days' notice, the service can be cancelled when companies split up, move premises, or downsize.

My wish for an auto-attendant would have been a simple matter of flicking a virtual switch, not a R45,000 headache.

## When owning a PBX makes sense

Owning a PBX is a huge risk. Until such time as it becomes yours, you're locked into a lengthy contract that ties you to a piece of equipment that really isn't worth it, but if you can tick the following boxes, by all means marry your PBX:

- You live in an area where there is great Telkom infrastructure and service (we didn't);
- You don't plan on moving for the next 10 years;
- Your business is ultra-mature (unlikely to grow, shrink, or move staff around);
- You know what functionality you want today and what you'll need in five years' time; and
- You don't plan on opening any new branches, or ever offering your staff a hot-desking, or work-from-home option.

## The future is hosted

The reality of South African business is that nothing stays the same for long. In the space of five years, a business can change owners and strategic direction and have a dramatically different staff make up.

In this sort of context, a hosted PBX provides the flexibility of a great managed service accessible from anywhere with good quality connectivity.

With the maturity, flexibility and quality of cloud communications, it is, quite simply, the future of business communications, and it has already begun.

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Marketing Director at Connection Telecom

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