

# VoIP for the Small Business

*Reducing your telecommunications costs*



## **Research firm IDC<sup>1</sup> has estimated that a VoIP system can reduce telephony-related expenses by 30%.**

Voice over Internet Protocol (VoIP) has become a viable solution for even the smallest of companies as broadband internet access has become affordable and much more widespread. VoIP offers a low cost alternative to expensive traditional phone services, and is rapidly becoming the communications system of choice to reduce telecommunications costs. Hosted VoIP services are also gaining popularity among smaller companies since these services do not require any investment in hardware.

## **Your Rising Telecommunications Costs**

As a small business owner, you are under constant pressure to control your costs. You may have employees who work from home or who are mobile, such as salespeople, who make a high number of long-distance calls. As your business grows, your monthly phone bill likewise increases, so you need to look for new but effective ways to minimize your telecommunications costs.

Until recently, small businesses had no other real alternative to Public Switched Telephone Network (PSTN). However, today a technology called Voice over Internet Protocol (VoIP) has become a viable solution for even small companies since broadband internet access has become more affordable and popular among small businesses. VoIP is a revolutionary technology that provides inexpensive voice communications and can reduce your telecommunications costs. Research firm IDC<sup>1</sup> has estimated that a VoIP system can reduce telephony-related expenses by 30%.

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<sup>1</sup> IDC White Paper (2006), "VoIP: Delivering the Competitive Advantage,"

“...The good news is that there are plenty of innovative VoIP companies ready to help. They range from voice-over-broadband and SIP-trunking providers to vendors of IP PBXes that work with such SIP trunks. Though they typically aren't big-name providers with huge support organizations, the sophisticated services they offer at least aim to make the small businesses that use them seem bigger.”

**Robert Poe**  
**VoIP News**

## What is VoIP?

Voice over Internet Protocol (VoIP), also called IP telephony, is the technology that allows you to make voice calls via the internet instead of traditional phone lines. You can make calls using a dial up connection or a broadband connection (however, a broadband connection is necessary for superior voice quality).



## Types of VoIP Services

### Free VoIP services

There are many free VoIP services that allow you to make free computer-to-computer calls. These services are mainly designed for individual use, and include such services as Yahoo Messenger, MSN Messenger, and Google Talk. They provide you with instant messaging tools and also allow simple videoconferencing.

Skype is one of the most popular VoIP service providers, and most of its services are free. Skype allows you to make free Skype-to-Skype calls, video calls, and conference calls, and also provides an instant messenger tool. These free services work well for staying in touch with family and friends, but may not provide you with the voice quality and reliability needed for your professional ongoing business needs.

## **Business VoIP services**

These services are specifically intended for business use, offering the quality of services required by professionals, and consequently are not free. Companies offering business VoIP services include Packet8, Speak-easy, Vocalocity, Covad, and Vonage, one of the top leaders in internet telephony.

Vonage offers small business VoIP plans and charges a low, flat monthly fee for allowing you to make national and international calls. Skype also has a plan for business users which allows you to make unlimited phone calls (to a landline or cell phone) within the U.S.A and to Canada for a very low flat monthly fee. There are many such options in VoIP service providers offering a flat monthly fee from which to choose the best one to suit your requirements.

## **How can VoIP Save You Money?**

VoIP offers many benefits and useful features over traditional telephony. The most significant benefit is that it saves your business money by reducing your phone bills, through network convergence, and by providing you with many useful features at no additional charges.

## **Lower costs**

VoIP phone services are cheaper than traditional telephone services. If your business is making frequent long distance calls, then VoIP can dramatically reduce your phone bills as many VoIP service providers will allow you to make unlimited long distance calls at a very low flat monthly fee. For instance, if your staff is using conventional telephone services to make sales calls, your monthly telephone bill is probably hundreds of dollars per month. In contrast, if you choose to use a VoIP phone service such as Vonage for your business, you get unlimited local and long distance business calling within the United States and Canada for flat monthly fee of \$49.99 per line. International calls are charged at very nominal rate. If you are calling another Vonage number then the call is free, even if it is an international call.

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## **No additional charges for special features**

Almost all of the VoIP service providers offer many useful features free of cost, as these services are bundled with a VoIP service. For instance, with Vonage VoIP, services such as a dedicated fax line, voicemail, caller display, call diversion, call waiting, and 3-way conferencing are free.

## **Savings on adds, moves, and changes**

As your business grows, many new employees may be added to your company, and over time some of your existing employees may leave the company. With a traditional phone system, adding a new phone line or changing an existing line is an expensive and a very time consuming job, often requiring the services of an expert who charges per service call. VoIP is very suitable for your growing business needs as adds, moves, and changes are very easy to perform yourself via a Web-based control panel.

## **VoIP increases your employees' productivity**

VoIP provides you with several large, enterprise-level communications capabilities, such as auto-attendant (answering system) and find/follow features. Until now, these capabilities were very expensive and were only possible through Private Branch Exchange (PBX) telephony systems. However, with today's VoIP solution, your small business can have access to these advanced capabilities. For instance, your company can have access to a find/follow feature that permits rerouting of calls automatically to employees wherever they are located. With this facility your employees can choose to have calls follow them from a traditional desk phone to their cell phone or even to their e-mail boxes.

## **No need for separate networks**

With VoIP, you do not need to maintain separate networks for voice and data. You can converge both networks into a single network, making the overall management quite simple.

## Hosted VoIP vs. Premises-Based Key Benefits of Hosted VoIP

You have two options available to you: you can manage your VoIP system in-house, or you can opt for hosted VoIP services. In a premises-based model, all hardware related to the IP phone system will reside at your company's site. You will purchase, install, and maintain all the equipment, and you will need in-house expertise to operate the system. Premises-based systems are complex to install and maintain. In addition, you must invest money in equipment.

In contrast to a premises-based system, hosted VoIP solutions involve no upfront costs. All the equipment is managed off-premises by a service provider, and there is no physical hardware onsite to maintain. The service provider maintains and supports the equipment, and you get the services for a flat monthly fee.

Small companies are quickly adopting the hosted Voice over IP (VoIP) model as it is the more reliable and cost effective solution. You get services at flat monthly expenses based on the number of lines and features.

A leading consulting firm, AMI Partners2, which forecasts trends among small and medium businesses, predicted that hosted VoIP spending will grow at a compounded annual growth rate (CAGR) of 56.9% between 2005 and 2010, and most of this growth will come from the small business segment (companies with up to 99 employees), which will grow at a spectacular 69% on a cumulative basis for the next 5 years.

## Conclusions and Recommendations

Until recently, smaller companies have had no real alternative to expensive conventional phone systems. Now, as broadband internet access has become affordable even for small businesses, VoIP is becoming a cost-effective, feature-rich alternative to traditional phone systems. Small companies are quickly adopting hosted VoIP solutions to lower their telecommunication costs.

## Recommendations

- ✓ Network assessment is essential to implement VoIP solutions effectively. Your network vendor can do this for you.
- ✓ Microsoft also offers VoIP products for small business, such as Office Communicator and Microsoft Response Point.
- ✓ A hosted VoIP solution is the best alternative for you if you do not want to invest in equipment and you do not have a dedicated IT staff to manage the service in-house.
- ✓ VoIP phone services are affected by power outages. Select your hosted VoIP service provider carefully. Ask them about the backup system in case of a power outage, and whether they provide emergency call service (Enhanced 911 service or E 911). Also ask vendors about the features they offer, then select the vendor who provides you with the features that best meet your requirements.
- ✓ Try to find a vendor who provides “roll to” features. In case you experience a power failure in your office, your calls will automatically be forwarded to another specified cell or landline number.
- ✓ The service provider who offers the VoIP services on a per-seat basis may prove to be more suitable as you will have predictable monthly expenses.

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