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THE FUTURE OF HOTEL COMMUNICATIONS

IPHOSPITALITY WHITE PAPER

Hosted vs. Traditional PBX

Since 1984 hoteliers have had a phone system, a Private Branch Exchange (PBX) in their hotels.

Over the years peripheral devices such as call accounting systems and voice mail systems have been added to them. A PBX contains several key components, ones that generate dial tone, ones the process phone calls when dialed, other ones that

> A hosted system puts most of the equipment up in the cloud greatly reducing the capital expense.

take telephone lines from the outside world and connect them to the phone sets inside the hotel. An hotelier would purchase this entire system, and many of the peripherals including phone sets, typically from one vendor. The hotelier would also contract with a local phone company and a long distance provider as well. With rare changes, most of which would require an additional outlay of capital, that phone system would remain as purchased for the life of the system, in some cases many years.

A hosted phone system takes most all of the equipment a traditional phone system has onsite and puts it in the cloud. This greatly reduces the amount, and cost, of the equipment that would be installed in the hotel. Instead of hardware, in a hosted environment one might think about renting licenses and software applications. The hosted provider contracts with telephone companies to provide connectivity to the world. In a hosted environment, an hotelier contracts with a hosted telephony provider for very little capital expense, instead having a monthly recurring operating expense for services.

As stated, cost is one of the differentiators between hosted and traditional phone systems. A PBX can be quite expensive up front, but once purchased the monthly recurring charges (outside of any lease payments, if applicable) can be rather small. Hoteliers can opt not to contract for 24x7 maintenance, further reducing operating costs. But, hoteliers will need to pay for the telephone lines that connect to the hotel as well as long distance calls made by staff and guests.

> New telephony features for hotels have been absent for decades; now, hosted solutions provide a communications platform that includes mobile, SMS, video and more.

The upfront cost for a hosted solution is typically only a fraction of a traditional PBX. But, the number and types of phone users dictate how many and at what cost monthly license fees are.

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And, more often than not, telephone line charges and long distance fees are included in the license structure. (For more information on comparative costs, check out the ROI and TCO Analysis link on our website.)

Hotels rarely make significant changes to phone systems, other than some small adds, moves and changes that are more about reprogramming than buying new equipment. But, in the case where a hotel would need to add a lot more equipment, say adding another 100 rooms or add more meeting space and need a patch panel of extensions, a traditional PBX may require a significant upgrade or replacement, while in a hosted solution, one would simply add licenses. Over the last decade of hotel telephony, there are been few, if any, significant feature upgrades. This is primarily due to the static nature of the premise based PBX. However, as communications continue to change (think texting and location based services) hospitality is driving demand for new feature sets. A hosted telephony platform is better prepared to deliver those new features without forcing customers to incur new capital expenses.

> System patches, upgrades and new feature packages are driven by multiple customers sharing the same platform and offered by the hosted provider to all subscribers.

Risk is another area of consideration. For an on premise solution risks include a drop of service on telephone lines, loss of power, peripheral equipment going bad, and parts of or the whole phone system going down. Some of these risks can be mitigated; for example, getting telephone lines from multiple carriers or supporting the system with an UPS. But, if the phone system goes down technicians need to be called out, quality of response depends on SLA terms, and at worst case the system will need to be replaced which could take days.

Risks for a hosted offering include a drop of service of the internet connection, loss of power to the onsite equipment, or the provider itself having difficulties including failure of the company.

Again, there are ways to protect oneself from many of these risks. But, an overriding advantage in a hosted environment is the level of redundancy that provider must deploy. They are servicing multiple customers off of their platform. The server equipment is redundant, internet feeds and power supply is redundant. In addition, hosted solutions can use the mobile phone network as back up to any outage.

Simply put, choosing a cloud based communications platform removes the headaches of managing multiple vendors and providing upkeep for premise based solutions. The communications platform is dynamic, meaning under the control of telephony experts supporting many customers all requiring stability and ever new features.