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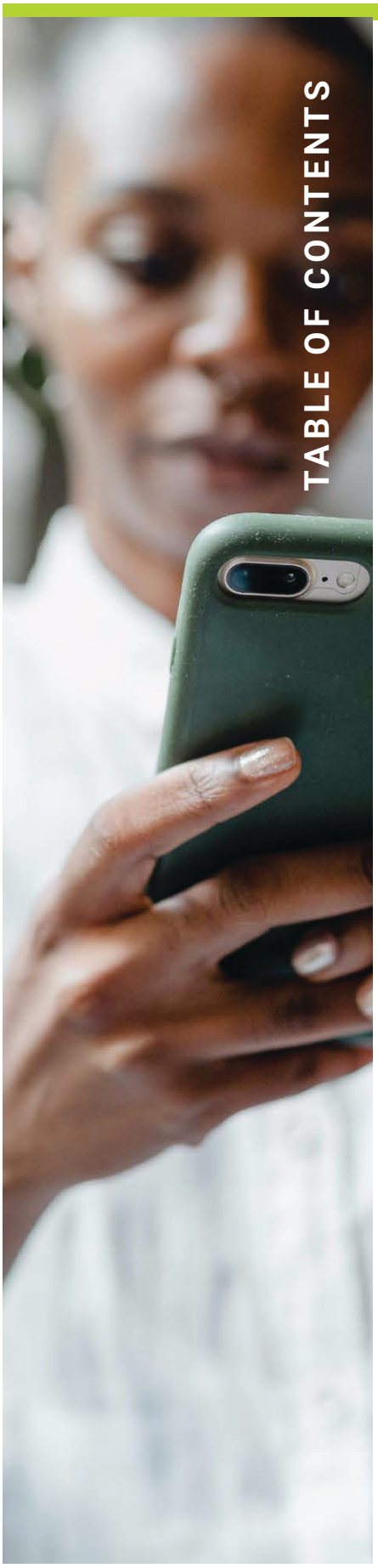
CLOUD PHONE SYSTEMS

9 TRANSFORMATIVE BENEFITS FOR SERVICE PROVIDERS

Learn How Cloud-Phone Systems Provide Substantial Service Provider Gains



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EXECUTIVE SUMMARY

Prevailing trends in technology are driving organizations like yours to integrate cloud phone systems into their existing product lineup. What trends, you ask? The proliferation of personal mobile devices used for work, the rise of remote workforces, the demand from enterprises for more detailed data, and the opportunity for customers to jettison expensive on-site infrastructure in favor of accessible software solutions from their service provider. **A cloud-based phone system empowers service providers to harness these developments and raise their companies to greater heights of success.**

Cloud services are the new normal for businesses, with **market revenue expected to surpass $49 billion by 2023**.[1] As IT teams opt to host less hardware on-premises, SMBs and enterprises are increasingly diverting more budget dollars to cloud apps and platforms—and **phone and communication systems are no exception**. The motivation to move phone systems to the cloud is quickly becoming a necessity rather than a trend.

In some European countries, telecom providers have already started to switch off PSTNs. Globally, the target switch-off date is by 2030.[2] Service providers looking to future-proof their product offerings and retain end users should take heed and prioritize establishing a long-term communication solution strategy.

Amongst the challenges this presents, service providers must assess and prioritize numerous (sometimes conflicting) priorities, such as:

- Increase revenue in a saturated market.
- Onboard net new customers and upsell to existing customers.
- Continually expand a solutions portfolio while supporting commercial longevity.
- Decrease time and effort on manual processes, including deployment and end user management.
- Automate provisioning efforts and customer maintenance to ensure solution and IT resource scalability.
- Protect and leverage the initial infrastructure investments.
- Gain a competitive edge over larger and more resource-rich competitors.
- Offer market relevant price points and protect internal margins.

In developing a long-term communication solution strategy, service providers have the difficult tasks of keeping their solutions suite up to date with emerging technologies, balancing their investment while maintaining existing infrastructure, and continuing to enable the development of next-gen solutions to stay competitive. The most effective and efficient method to address these challenges is to leverage a mature cloud-based phone solution with a full-stack provider.

EXPAND YOUR SOLUTION SUITE WITH ZERO CAPITAL INVESTMENT

Developing a new solution for an existing suite is extremely time and capital intensive. Development alone can take years of engineering and product resources, not to mention the actual product launch which can require countless marketing and sales assets, cross-departmental coordination, budgeting, timed market releases, and more.

An on-premises system is capital intensive, starting around $20,000, which is not typically feasible for most organizations and may even restrict investment strategies for larger organizations. On the other hand, **setup costs for a cloud phone system can be as low as $0**.[3] In addition, a significant capital expense is required every few years to refresh hardware since the average lifespan is only 3–5 years (see Figure 1).

While the end-point device lifecycle is an industry-wide concern, it's yet another issue for service providers to manage for their end users. As a user's business expands to other locations, they must work with their service provider to coordinate interoperability, device compatibility, coordinate deployment dates, and maintenance expectations. Another crucial factor is that once the initial investment is made and the system is installed, any maintenance or repairs required during the **system's lifespan frequently trigger support calls** to the service provider, even if the issue doesn't originate with the service provider's solution.

FIGURE 1

Recommended Asset Refresh Timeline

	Servers Traditional and Virtual	Network Equipment Routers and Switches	Workstation Devices Desktops and Kiosks	Mobile Devices Tablets, Smartphones
On-Premises	4 Years	5 Years	3 Years	2 Years
Cloud Environment	Cloud provider maintains services. Removing the asset refresh burden.	Cloud provider maintains services. Removing the asset refresh burden.	4-7 Years*	2 Years

*Workstation devices have a longer lifespan when using cloud services because no data is left on the local machine.

Source: NetGainCloud — Asset Lifespan

Service providers who expand their product suite to include a full-stack cloud communications platform eliminate most of those hurdles. There's still a PBX or VoIP server involved, but it's maintained off-site by the cloud provider who also handles all the time and knowledge intensive system maintenance and software updates.

Businesses that utilize Unified Communications (UC) solutions save an astounding average of 191 hours daily and 49,660 hours yearly (see Figure 2). In most cases, the only in-office hardware required for a cloud-based phone system are cloud-compatible* phones and a business-class router. With the absence of extensive hardware demands, it's **easy to sell these solutions to end users.**

WHAT IS A CLOUD-COMPATIBLE PHONE?

*A cloud-compatible phone transmits calls over the internet rather than a traditional Public Switched Telephone Network (PSTN). This is accomplished by converting the audio signals of a call into data signals. A cloud-compatible phone is also known as:

- Internet phone
- Internet Protocol (IP) phone
- Voice over Internet Protocol (VoIP) phone
- Session-Initiated Protocol (SIP) phone

With a mature cloud communications solution provider, any device can become a cloud-compatible phone. A bring-your-own-device (BYOD) program can provide a significantly greater range of flexibility for service providers to pass on to their customers.

FIGURE 2

With a Full-Stack Unified Communications Solution, a Company with 100 Employees Can Save:

191

hours/day company wide

27

Equivalent to more than 27 employees/year

6,207

8-hour days

Source: GoTo — Raise Your Business

SCALABILITY TO EFFORTLESSLY MEET CUSTOMER DEMANDS

Businesses grow. Businesses shrink. And so do their needs. In the past, scaling concerns have been predominately relegated to seasonal growth companies, but the industry-wide disruption of COVID-19 has taught us that **no organization is exempt from being impacted due to unplanned, rapid changes.**

Aside from unpredictable disruptions like COVID-19, it's rare for any business to operate at the same size for long. While an organization may need only a small staff of permanent workers for most of the year, they may also have a busy season during which they have to hire, onboard, communicate, and coordinate with a large influx of temporary employees (see Figure 3).

Adding a new office also requires the business to adapt their existing phone system to accommodate the need for more lines. This is **harder to accomplish using traditional on-premises telephony systems** due to the advanced planning required, **higher setup and maintenance costs, the need for hardware on-site, and reliance on IT support**. A new office usually requires its own phone system, resulting in another huge capital investment and separate PBXs to manage and maintain.

For all the above reasons, having a **scalable cloud-based phone solution is not a trend but a necessity.** Dissimilar to on-premises solutions, which lock end users into stringent multi-year agreements for a defined threshold of end users, a cloud-based solution provides the ability to scale seats up and down as needed, so end users can receive a best-in-class experience and still afford to remain with their service provider.

FIGURE 3

Industry Seasonality — Mean Deviation in %

No matter your industry or size, all businesses experience growth and decline. Making a scalable solution a necessity.

Professional Services		Finance and Insurance		Information Industry		Health Care and Social Assistance		Civil Engineering	
Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %
-1.6	1.2	-1.3	2.2	-2.5	2.5	-1.3	2.0	-19.4	20.7
September	July	November	August	September	July	September	July	February	August

Source: Statistics Canada, Labour Force Survey — selective industries, 1987-2004

INCREASE CUSTOMER LIFETIME VALUE

Customer lifetime value (CLV) is a measure of how profitable a customer is to an organization over the course of their relationship and is used to determine if the **cost of acquiring customers is worth the expected revenue**. The two primary variables are cost of acquisition (such as marketing spend) and revenue gained from the customer. CLV decreases with higher churn because the relationship with the customer, and their associated spend on company products, is cut short. Customer acquisition costs may equal more that the profit from the initial purchase, but **is your organization still making a profit from that customer in the long run?**

An integrated cloud phone solution allows service providers to increase CLV by providing end users with seamless, satisfying experience at a lower cost. By utilizing the technology, automation, and marketing assets of an established full-stack cloud communication solution, **service providers can cut down their customer acquisition costs** including marketing asset creation, deployment, and maintenance. The combined savings increase the service provider's profits, which increases CLV. In addition, next-gen technology lets end users leverage carrier-grade solutions regardless of the scale of their business, which means service providers can lower their upfront costs and reduce ongoing effort with a more diverse portfolio of services.

Focusing on CLV is key for long-term, company-wide growth. It's a competitive market, and price isn't the only determining factor in a customer's decisions. **A cloud-based phone service provides a powerful base to retain valuable customers, increase revenue from less valuable customers, and improve the customer experience overall** (see Figure 4).

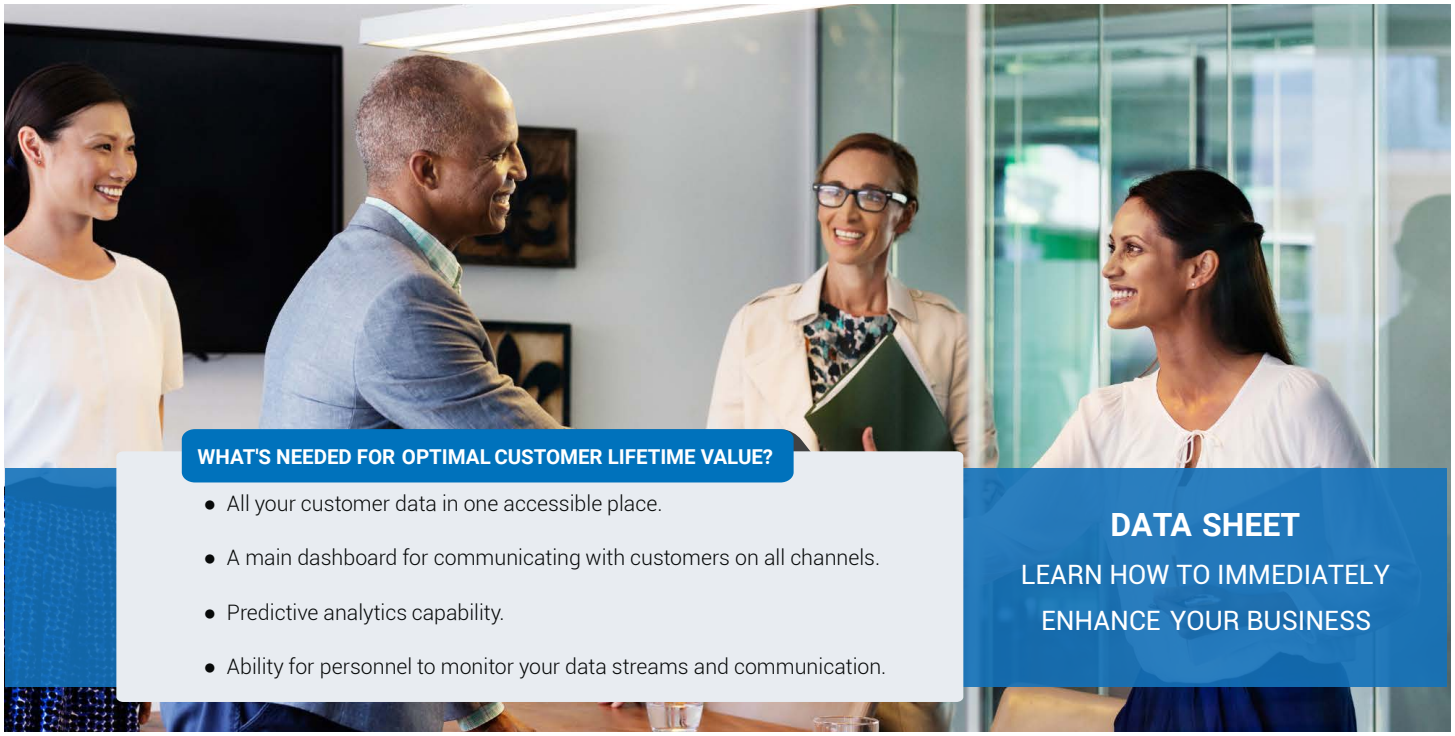

FIGURE 4

Customer Lifetime Value Analysis

$25
Average Order Value (AOV)

1.67
Customer Lifetime Period (Years)

2.67
Average Purchase Frequency (F)

60%
Churn Rate

41%
Gross Margin (GM)

AOV * F * GM * (1/Churn) = LTV

$45.7
Customer Lifetime Value Per Customer

Source: Exponea CLV Guide

Accommodating the fluctuating needs of end users can be complicated, requiring mid-contract negotiations, early cancellation penalty fees, and on-premises technical support. A scalable solution provides flexibility for the end user and service provider to help mitigate these complications.

VIRTUALIZED DEPLOYMENT & ONBOARDING REDUCES ERRORS AND EFFORT

Opportunities for human error are everywhere. With an on-premises deployment, end users and service providers must coordinate multiple locations and numerous personnel, all with different training, education, and proficiencies. Then, once the hardware and system requirements are in place, end users must download the application, log in with their credentials, and learn how to use it. These are all pivotal moments in which human error can have both short- and long-term implications.

Perhaps unsurprisingly, **90% of data breaches in 2019 were caused by human error** as opposed to hardware or software security vulnerabilities.[4] End user mistakes are often either a cause or catalyst in most breaches, making the deployment of a new solution a crucial time for accuracy.

A cloud-based communication solution is deployed remotely, which means the precise number of applications and pre-defined configurations can be provisioned across the organization or more **granularly, based on location, department, or team**. This streamlined, automated approach mitigates the possibility of human error without the cost of an expensive capital outlay or a white-glove approach from the service provider.

Mature cloud-based phone providers typically offer solutions with an **intuitive and consistent interface across mobile and desktop devices**, which decreases end user training time and increases the speed of adoption. With end user technical proficiencies ranging from beginner to advanced, a cloud-based communications solution makes it easy for everyone. **Literally within minutes of joining the team, a new hire can get their own phone number, send and receive instant messages** (instead of yet another email), and reach out to any colleague — regardless of where they're located.

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REDUCED DOWNTIME SAVES YOU TIME & MONEY

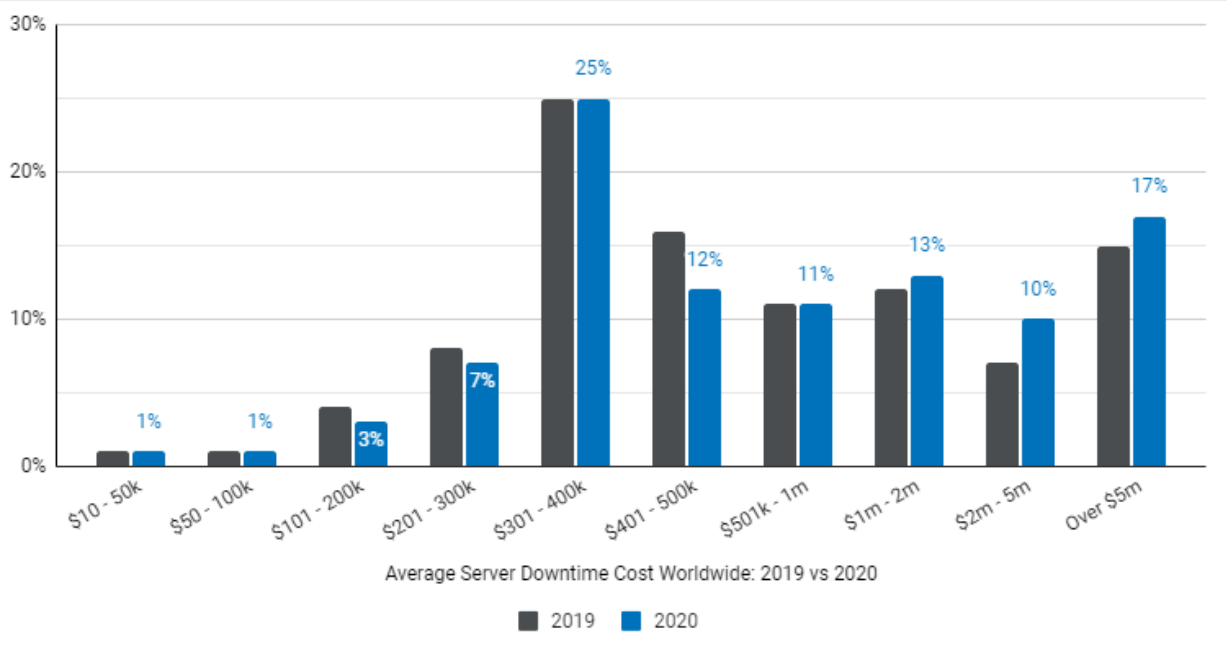
When technical issues arise with a traditional phone system, if a dedicated staff member can't fix it, the only option is to schedule and pay for on-premises support. **Odds are that the technician is unavailable on the same day**, which means the end user could be without vital services for an unknown amount of time. The delay may be further exacerbated if the end user's business is not centrally located, there is high seasonal demand for support, or the outage is large scale.

Of a poll of nearly four hundred businesses, 99% said they had experienced a hardware failure.[5] But what does this actually mean for your business and end users? Gartner reported an **average cost of $5,600 per minute, and over $300k per hour, due to systems downtime.**[6]

FIGURE 5

Worldwide Increase In YoY Server Downtime Costs: 2019 vs. 2020

YoY decreases in cheaper outage, have increased YoY frequency of more expensive outages.



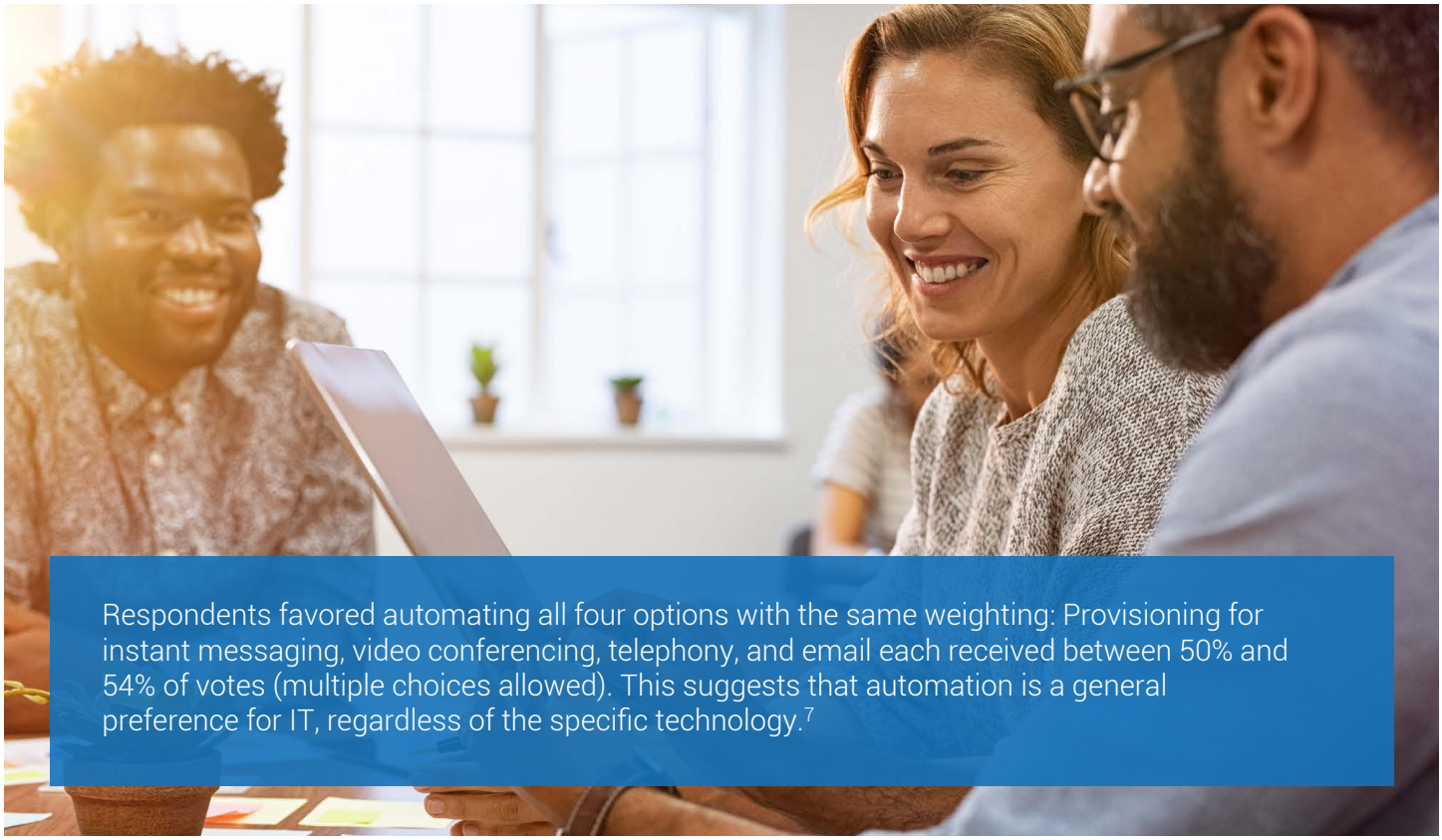
Source: Statistica

AUTOMATION & IT SUSTAINABILITY FOR A SELF-MANAGED SOLUTION

On-premises telephony infrastructure traditionally struggles to keep up with emerging automation technology and requires a significant amount of knowledge, time, and effort to maintain or change. For example, with an on-premises solution, end users must synchronize with their service provider to coordinate interoperability and device upgrades, compatibility, deployment dates, end-of-lfe, and maintenance expectations.

With a cloud communication system, service providers are freed from the time and effort needed to facilitate those changes. Automatic distribution of new software updates through multiple channels ensures end users always have the latest security updates, compliance measures, and next-gen technology — without the need for intervention and maintenance from their service provider. Mature solutions providers may also allow end user IT Administrators to instantly deploy new features to all employees or target changes to a specific subset of the employee population, resulting in end users having the necessary tools to self-manage their communication solution, rather than the burden being placed on their service provider.

Automation and IT sustainability are not just a concern for large enterprises. One survey asked more than 300 IT professionals, 87% of whom work at organizations with more than 1,000 employees, **"What part of your communications user setup/provisioning would you automate if you could?"**



Respondents favored automating all four options with the same weighting: Provisioning for instant messaging, video conferencing, telephony, and email each received between 50% and 54% of votes (multiple choices allowed). This suggests that automation is a general preference for IT, regardless of the specific technology.[7]

THE FULL-STACK COMPETITVE ADVANTAGE

LEVERAGE AN ESTABLISHED CLOUD COMMUNICATIONS SOLUTION

Turnkey solutions are ready-to-go, comprehensive packaged products that are easily deployed or implemented. They offer end users **a lightweight, digital strategy to gain the functionality their business needs quickly and in a cost-effective manner**.

A turnkey cloud communication solution is the perfect choice for SMBs with limited budgets and those who require rich functionality and quick implementation. **Full-stack cloud-based providers have evolved** by pairing their solutions with transformational customization capabilities so end users can modify it to their specific needs.

Customizations may include custom dashboards for real-time call reporting and data collection, which can alert service providers to potential security breaches, and sophisticated operational tools like client logging, so administrators can quickly pinpoint issues, measure frequency, and gain insight.

TURNKEY SOLUTION ADVANTAGES

- **Substantial Cost-Savings:** Turnkey solutions are far less costly than custom-built solutions and offer greater speed to market and larger margins for service providers.
- **Tried and Tested:** Turnkey solutions from established industry providers have countless resources, like case studies and data sheets, that help facilitate end user education and reduce the service provider's marketing costs. For tentative customers, an established solution helps placate their concerns.
- **End user Agnostic:** Turnkey solutions are intended to service virtually any business, regardless of industry, allowing service providers to target any range of customer with assurance their solution infrastructure will integrate with the end user's applications and infrastructure.
- **Full-Scale Cloud Transformation Is Not Always Possible or Preferred:** End users may be seeking their first cloud-based solution and may not be ready to fully digitalize their infrastructure. A turnkey solution allows end users to confidently deploy a ready-to-go product by a trusted industry leader and scale later as needed.

TURNKEY SOLUTIONS ARE USEFUL FOR

- Keeping data secure when using public cloud services and data centers.
- Unified communications applications to improve collaboration within a business.
- Transferring an email service to a cloud-based system (particularly useful for supporting the onboarding of end users).
- Organizations that use applications for customer relationship management (CRM) or enterprise resource planning (ERP).

"Unified communications enable information sharing through screen share, virtual whiteboards, webcams, chat, and more. Increasing the need for full visibility into what is said, shown, shared, or typed to detect employee misconduct, data leakage, acceptable use, regulatory, and compliance risks."

Anthony Cresci, VP of Business Development at Theta Lake.[8]

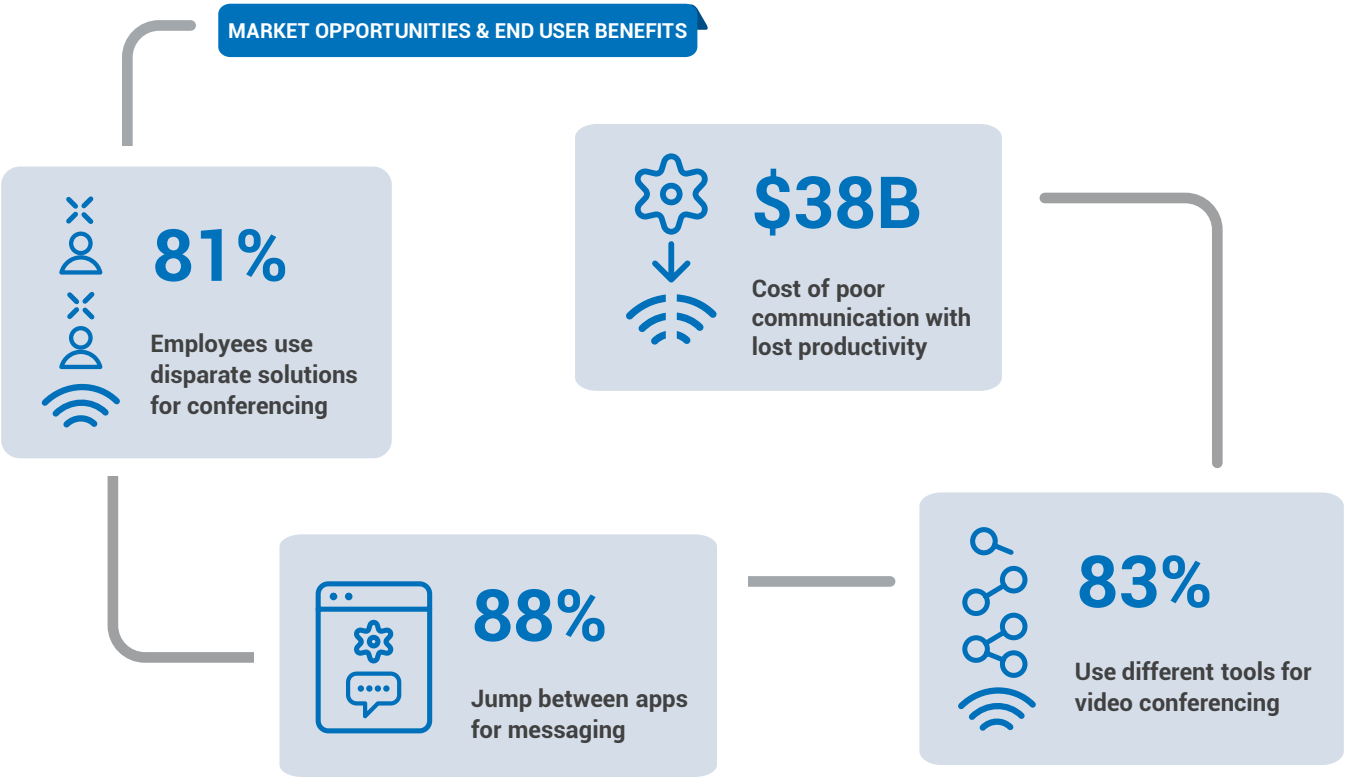
INTEROPERABILITY PROTECTS & FUTUREPROOFS YOUR INVESTMENTS

Service providers who mindfully incorporate a full-stack cloud-based phone system that works in conjunction with adjacent tools and technology are **well-positioned for growth opportunities and unexpected industry disruptions** (like COVID-19.

In the Unified Communications space, interoperability is the process of making sure that services work perfectly alongside other systems — it includes ensuring a **newly adopted cloud-based communication services work with a service provider's existing cable operator, internet service provider (ISP, or devices**.

As your end users grow or optimize their operations, they will integrate new applications and systems that offer improved worker productivity, sales and marketing automation, data entry and record keeping. While there are thousands of solutions and applications out there that will likely help end users manage their company and improve employee performance, **introducing too many tools can create more friction** in the workplace for several reasons.

By incorporating a full-stack cloud-based communication solution into their product portfolio, service providers can offer an **all-in-one-solution that guarantees interoperability** with not only their existing infrastructures but also their end users' infrastructure. Additionally, **34.3% of businesses have reduced IT spending by an average of $161k a year by eliminating redundant apps and shifting to cloud-based unified communications as a service (UCaaS) solution.**[9]



Source: UC Today— UC Statistics

COMPETE WITH OTT SERVICES AT A FRACTION OF THE COST

Cloud phone solutions hold a natural advantage in the business-communications ecosystem because they're delivered through an internet connection instead of a copper-wire phone line. This provides immense flexibility, as the voice features aren't limited to the type of server and number of ports available through in-office systems — any number of auto attendants, extensions, voicemail boxes, and conference bridges can be set up as needed for an end user's organizations.

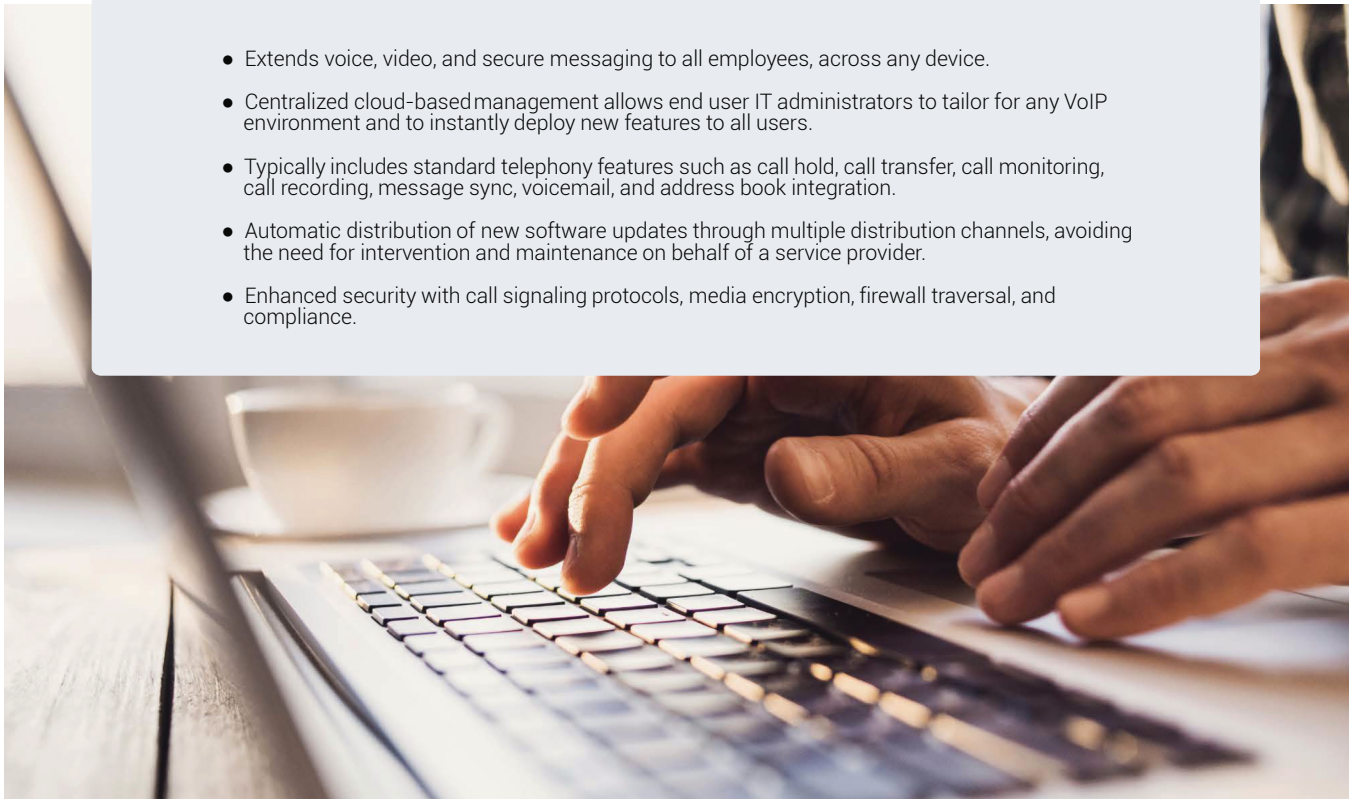
With on-premises solutions, **equipment upgrades and maintenance requirements** can create a **negative customer experience**, particularly if rigorous expectations were not set when the end user was onboarded. In comparison, UC can lead to **50,000 hours in saved time and $920,000 gains** due to higher productivity and efficiency.[10] Since software upgrades and maintenance are managed by the solutions provider, there's no need for the end user to replace their costly system with a newer version to take advantage of newly available features as they are rolled out.

Cloud-based phone features are also more advanced, enabling service providers with speed to market for emerging technologies, data analytics, increased troubleshooting capabilities, infrastructure visibility, and operational automation.

Thanks to the advantages cloud-based phones provide over traditional phone systems, **teams using VoIP instead of landline services can save 50% to 75% on communication costs**.[11]

POPULAR CLOUD-BASED SOLUTION

- Extends voice, video, and secure messaging to all employees, across any device.
- Centralized cloud-based management allows end user IT administrators to tailor for any VoIP environment and to instantly deploy new features to all users.
- Typically includes standard telephony features such as call hold, call transfer, call monitoring, call recording, message sync, voicemail, and address book integration.
- Automatic distribution of new software updates through multiple distribution channels, avoiding the need for intervention and maintenance on behalf of a service provider.
- Enhanced security with call signaling protocols, media encryption, firewall traversal, and compliance.



SIMPLIFIED PRICING = HEALTHY MARGINS & PREDICTABLE BUDGETS

It's virtually impossible to avoid budgetary fluctuations with a traditional on-premises phone system. Fluctuations with leased systems can come from many sources, including monthly data and power usage, annual inflation, and unscheduled on-premises support. Even for systems that are owned outright, there are **significant maintenance and upkeep costs to account for**, on top of the cost and effort to resolve unplanned disasters that impact the infrastructure. To remain viable, system hardware requires regular maintenance, software updates, and eventual replacement. **As hardware ages, its performance will inevitably degrade**, forcing the organization to hire someone to manage it. In addition, the organization must replace hardware as it nears end of life to **avoid business-impacting disruptions**.

The advantages of cloud-based phones over traditional phone systems include substantial savings opportunities which are enticing for end users. VoIP can **decrease** the initial costs for **start-ups by 90%**, **local calls by 40%**, and international calls by 90%.[12] In a saturated market, being able to offer savings like that is incredible!

In most cases, the subscription fee is based on how many "seats" (users) that are needed to be equipped with the cloud phone software. A mature cloud-based communications provider will provide an all-inclusive solution without additional charges for usage, which enables service providers to establish predictable margins and pass on the pricing stability to their end users.

Perhaps most importantly, system updates, security enhancements, and bugs are handled by the supplier, not the service provider, which means reduced costs for on-premises support staff. Additionally, **end users who move their phone system to the cloud experience a 30% reduction in expenses related to conferencing tools.**[13]

WHAT A CLOUD COMMUNICATIONS SOLUTION MEANS FOR USERS

It is clear older phone systems are going extinct, as more businesses are abandoning hardware-centric solutions in favor of hosted models. In 2018, **61% of companies surveyed said they would be switching to VOIP as soon as their other phone contracts expired.**[14]

SMBs and enterprises are motivated to make the change to cloud communication solutions because technology advancements have made cloud-based phone solutions **highly sustainable, cost effective, all-inclusive, and flexible** — all of which is revolutionizing markets and enabling rapid growth that **in-office phone solutions can't keep pace with.**

Cloud communication systems are extremely adaptable and offer the tools end users need to tackle greater demands and higher expectations. By integrating a cloud phone system into their offerings, service providers can elevate their solution suite, circumvent falling behind competitors, and take advantage of substantial benefits, including:

- Easy management through a single platform with an online user interface.
- Remote monitoring for troubleshooting tools and call analytics.
- Reduced administration and maintenance costs.
- Integration and interoperability with mission-critical business applications.
- Expandable operations and solutions suite with minimal hardware.

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Get Started !

These aren't the only advantages a cloud phone system offers your business. To learn more about how a phone system in the cloud could simplify your technology administration and enhance your collaborative efforts, **contact our sales team today**

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