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Reasons You & Your Customers Should Switch to Hosted



Reap the benefits of
having hosted customers
rather than on-premise customers



Introduction

The premise vs hosted debate has been heating up for years, but many vendors feel they have compelling reasons to continue selling on-site solutions without too much consideration. Whether due to resources and investments being too tied up to pull out or a reluctance to lose control and switch to a new and unfamiliar system, the reasons are valid and worth discussing.

However some interesting new statistics have emerged that make it worth taking a second look at the hosted option.

According to a market research report from MarketsandMarkets, the global Hosted PBX Market is expected to double from \$4.73 billion in 2018 to \$9.5 billion by 2023, growing at a CAGR (Compound Annual Growth Rate) of 14.9%.



And leading research company Gartner, Inc. reports that “the transition from premises-based UC to cloud-based UC is accelerating.” The future is in hosted, and specifically in cloud-based Unified Communications.

While simply following the crowd is never reason enough to change your business strategy, these statistics do suggest there is some merit to considering a hosted model. Let’s discuss a few of the reasons that your PBX business and your customers may benefit from a move to hosted:

You will attract more customers with more marketable features

You will win more customers with more competitive prices

You will keep your customers for longer with a relational solution

You will get more direct profit from your revenue

You will be able to make changes with easy and inexpensive scalability

You will gain the peace-of-mind that comes with a real MT solution

You will future-proof your business with UCaaS

1

You will attract more customers with more marketable features

Time-saving features

In today's busy world, everyone wants to save time. From modern household appliances to online shopping to drive-through restaurants, everything is designed to take less of the customer's time.

Wouldn't it be great if your product offering followed the same trend?

Selling hosted telephony brings with it features that are guaranteed time-savers for both you and your customers. For example, desktop and mobile communication apps make it possible to work from anywhere with Internet. Your customers will love hearing that their the days of being unavailable while traveling, or missing calls when out of the office, are over.

Going one step further, Unified Communications means so much more than just staying in contact.

The Bottom Line

The benefit to you: One more marketing message for your repertoire ("it saves time!"), plus you save precious time on installations.

The benefit to your customer: They save time in their business operations and do not have to wait long for you to do the installation or alterations.



But we are getting ahead of ourselves. Before your customers even think about working from the road, they will have to adopt the hosted solution, starting with installation.

Good news: hosted telephony installations can be done remotely in a matter of days or even hours. With no hardware to install and no physical problems in the way, implementation is done virtually with a keyboard and mouse.

Advanced UCaaS apps will put all of the capabilities and intricacies of your office right into the palm of your customer's hand.

Features for the little guy

Offering an on-premise solution means you serve only two types of customers: those that are able to pay the big bucks for all of the features; and those that are willing to make do with only the features they can afford.

The first is a limited population.

The second will only remain satisfied for a time before they look for greener pastures.

But with hosted, you can offer the same features across the board without taking a hit to your bottom line. You can take on nearly any customer and let them pick and choose relevant features that fit their budget.



Does a smaller customer need that one high-end feature but not the whole slew of expensive add-ons that typically come with it?

No problem, add just that feature for a competitive price instead of losing them to a competitor.

Along the same lines, hosted technology removes the burden of IT maintenance and support from your customer. Where smaller customers without much staff have to shy away from bigger on-premise solutions, they can jump right in to a hosted solution knowing that you will take care of the tech side.

You can offer the same features across the board without taking a hit to your bottom line

The Bottom Line

The benefit to you: You can win a greater range of customers and keep existing customers from straying to greener pastures.

The benefit to your customer: They get the features they need to be successful.

Customizability

One of the greatest things about selling hosted versus on-premise solutions is the ability to customize. Far from a one-size-fits-all product, with hosted telephony every package is pieced together based on the customer's needs. That may sound like extra work for you, but in reality providing hosted telephony is such a piece of cake compared to premise that a little customization is a breeze.

Think of it in terms of a cheeseburger. If you are a restaurant owner and working on your menu, which of these sounds most simple and most profitable?

Offer just one burger on the menu, let people ask for customizations based on allergies and personal likes and dislikes.

Put together a handful of burger variations, knowing that some people will still ask for customizations.

Have a create-your-own-burger on the menu with a list of the ingredient options and let people pick and choose what they want.



As your customers sign-on they will create their package and get right to work. The best part? It will be easy for you to add or remove features at any point. Maybe your customer wants to start out with the basics, but after experiencing rapid growth is ready to add more options. No problem, just press a few buttons and it is done.

At the start of your hosted journey you will create a comprehensive list of available features, decide which ones are part of the core package, and put a price on the others.

For example, a few interesting features you could offer are:

Drag-and-drop conferencing

Click-to-call

Status presence

Voicemail-to-text

Screen-sharing

Video conferencing

CRM integration

The Bottom Line

The benefit to you: You can meet more customer requirements with less hassle.

The benefit to your customer: They get what they want, when they want.

2

You will win more customers with more competitive prices

In the same way that your hosted features will immediately translate to more interest in your solution, your hosted prices will translate to more and faster buy-ins. Not only will you be able to offer a lower price, you will be able to offer a variety of prices to meet a variety of budgets.

As we discussed previously, hosted technology allows you to offer a very customizable solution so that your customers can pick and choose their services based on what they can afford. Whereas on-premise providers are out-of-reach of many businesses, hosted providers can meet companies and organizations where they are at.

Specifically, costs will be reduced in the following areas:

Up-front costs

Unlike on-site solutions, hosted solutions require little or zero payment for your customer get started. Selling a premise solution means asking the customer to purchase the hardware and server, pay for the installation, buy or rent the space to hold it, and so on. Hosted solutions may have some sort of training cost to get started, but in general the cost will be a fixed month-to-month payment.

IT costs

In the same way, selling an on-premise solution means looking for customers with a dedicated IT budget. An on-site PBX and the necessary hardware mean the customer must have knowledgeable staff to manage it. Not so with hosted. If you offer a hosted solution, you will take care of the IT side and can sell to anyone capable of managing the solution via a simple User Interface. (So, anyone.)

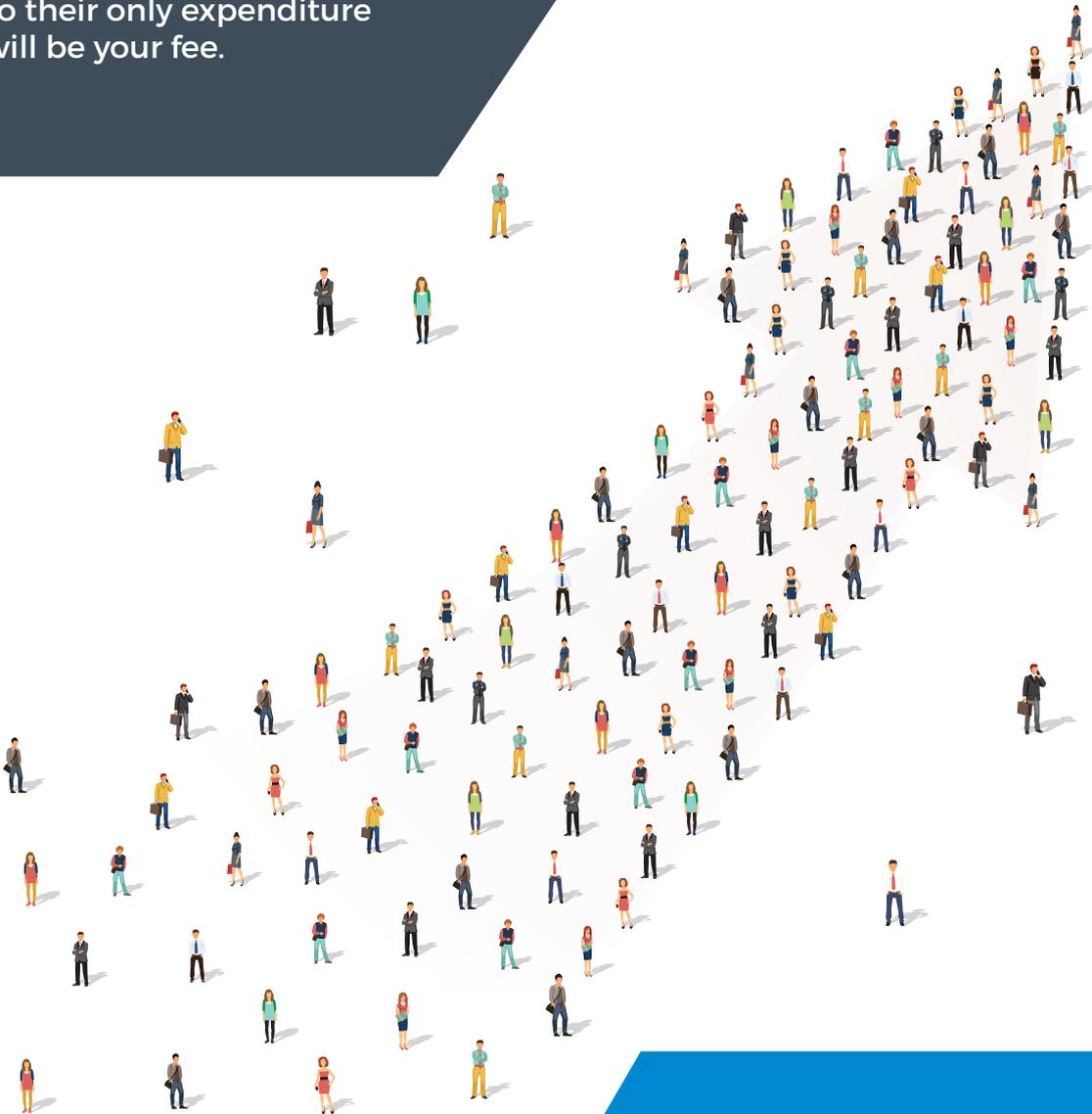
Maintenance costs

Similarly, giving the hardware and server to the customer means they will inevitably need to maintain it. From the mundane aspect of extra cleaning to the more complicated issues of hardware breaking or not working, costs can arise quickly and unexpectedly. This may not be your problem, but surely you will hear about it. Again, if you offer a hosted solution you remove the burden and can approach a greater audience.

Upgrade costs

Finally, when it comes time for your premise customers to upgrade, they will surely need to purchase some degree of new equipment. This cycle of spending and needing more staff does not go over well. On the other hand, you can upgrade a hosted solution remotely and virtually so their only expenditure will be your fee.

In addition to all of these ways of cost-savings, the quote given to a customer will be a fixed monthly rate with no surprises or unexpected costs at any point. This will give your potential customers the ability to examine their budget and make a fully-informed decision.



The Bottom Line

The benefit to you: You can meet a vastly wider range of customers with less concern for their budget.

The benefit to your customer: They get the solution they need at a price they can afford.

3

You will keep your customers longer with a relational solution

On-site PBX vendors typically make one-time sales to buyers and then continue the hunt for more buyers. While the revenue from such a sale will seem impressive, it is merely a one time check rather than an ongoing source of income. Certainly customers will return for upgrades or expansions down the line, but it is simply not the same as the peace-of-mind that comes from long-term customers that are locked-in to a monthly subscription.

Hosted Service Providers will get a lesser immediate gratification from their sales, but the knowledge that a check will be coming in every single month gives just as much, if not more long-term security.

Because of the way hosted technology works, it will be easy for you to design a solution that fosters long-term commitment from customers.

Unified Communications as a Service (UCaaS) is the key to profit, growth, and sustainability



By giving your customers all of the pieces that they need to run their business, they will sign-on and stick with you for the long-haul. What do we mean by all of the pieces? Going beyond telephony. Unified Communications as a Service (UCaaS) is the key to profit, growth, and sustainability in today's telephony industry (more on this in chapter seven).

Other pieces include mobility, security, even marketing tools. With a hosted model it only makes sense to create bundles for your customers that supply all of their needs from one provider at one monthly cost.

If you are not giving your customer all of the pieces, they will certainly be working with other providers to fulfill their additional needs. Do you really want another provider talking into your customer's other ear? Do you really want your customer hearing other sales pitches? Give them everything they need in one comprehensive, fully-compatible package and they will stick with you like white on rice.

Not to mention the relationship itself that can be fostered through a month-to-month hosted partnership. And that is exactly what it becomes: a partnership. Rather than a vendor selling to a buyer, as a hosted provider you will come alongside partners to support and work with them. This is good for both of you: your customer will grow which in turn will translate to upgrades, add-ons, and increased commitment.

Design a solution that fosters long-term commitment from customers.

The Bottom Line

The benefit to you: You will have the security of long-term customers, guaranteed monthly billing, and a built-in market for your upgrades and add-ons.

The benefit to your customer: They will not have to change providers often and will get the latest technology without shopping for it.

4

You will get more direct profit from your revenue

We have discussed a few ways that adopting hosted technology will earn you more, better, and longer-term customers. Let's move on now to some of the more direct benefits to you and your business.

The shift from premise to hosted will also shift more of the incoming funds into your direct profits. After all, that is where the investment should be going, right? You are the one doing the hard work of making sales.

This is done in primarily two ways: spending less to maintain your customers and benefiting from the Accrued Revenue Model.

Spend less on your customers

There is simply no denying that premise customers are more expensive than hosted customers. For one thing, you have to travel to them. Whether that means going all out with extra staff, airline tickets, and hotel bookings, or even just losing time and putting mileage on your car by visiting local sites, it is costing you money that could be better spent elsewhere.

Hosted customers latch on to an existing solution. As we will discuss later in this book, Hosted PBX is the only true Multi-Tenant PBX. Once you have your hosted solution up and running, adding more and more customers will cost virtually nothing extra.

And while the focus of this section is financial, it cannot hurt to point out the non-financial savings as well. We can all agree that catering to on-premise customers can be a bit of a headache, right? Hosted customers are just so simple and easy to add.

The Bottom Line

The benefit to you: Money (and even time) previously spent on premise customers can go back into your own resource pool.

The benefit to your customer: They do not have to wait for you to come out to their site.

There is simply no denying that premise customers are more expensive than hosted customers

The Accrued Revenue Model

Now we come to the good part. Without naming any names, some top-tier PBX vendors today run their business by keeping dealers like you in the dark about what we call The Accrued Revenue Model. It is not all that surprising; after all, that is what keeps the money on their side of the table.

But hosted is all about partnership, transparency, and trust through a Reseller Channel. If you move to hosted you will be able to join the Reseller Channel and partake in a partnership where all parties reap benefit from sales and growth.

The value in monthly hosted subscriptions is in the ongoing “accrued” revenue that is accumulated over a period of time. With a traditional CAPEX model, you sell once at a margin and then move on to the next sale. But with the hosted model, you “sell” (or bill) every month.

The following graphic illustrates the benefit of the Accrued Revenue Model:

	Year 1	Year 2	Year 3
Acquisition (Extensions)	263	3,105	31,148
Churn (Extensions)	46	726	7,324
Total Extensions	217	2,379	23,824
UC (Extensions)	43	1,038	14,412
CC (Extensions)	0	0	0
Total Billing	\$11,060	\$140,020	\$1,220,250
Total Costs	\$6,786	\$53,522	\$440,591
Gross Profit	\$4,275	\$86,498	\$779,660
	38.65%	61.78%	63.89%

Hosted is all about partnership, transparency, and trust through a Reseller Channel

The Bottom Line

The benefit to you: The revenue is out in the open and you get your fair share, plus you get it on a monthly basis.

The benefit to your customer: They will benefit from the stability of a provider that is part of a trustworthy revenue model.

5

You will be able to make changes with easy and inexpensive scalability

The question of scalability is important to both you and your customers. Scalability goes beyond just growth - it means the ability to start where you are, to scale up when the going gets good, and the security to scale back down if ever necessary. Yes, we all want to picture the future with boundless growth and zero trouble, but it is foolish not to plan for bumps in the road and future-proof the investment.

In our experience we have found that being open about the ability to grow on our program and to scale back if necessary has done more to develop trust and lessen fears than simply claiming that the future is all sunshine and rainbows.

Hosted technology makes scalability a snap for both you and your customers. A few of the things that can be added, changed, and removed with just the click of a button are:

Honesty is always
the best policy

Locations

As you add customers or their businesses grow, you can add their locations across town or across the world through the same remote procedure. Certainly no server will need to be transported or installed, and depending on the establishment and specific situation, they may require very little hardware. If the customer has an Internet connection and some sort of communicating device - whether handsets or a laptop and headphones - you can get them started.

This will be attractive to not only customers wanting to add new offices, but also remote or temporary workers, consultants, or makeshift offices in hotels for traveling.



A preemptive plan
is the best answer

Extensions

In the same way, extensions are fluid with SIP trunking. Perhaps your customer needs temporary extensions during peak times or seasons; maybe they need extensions in different geographic areas every period; the possibilities are endless. For whatever their situation, adding, removing, or changing new lines will not be a problem for you with a hosted solution.

Services

Once your customers know and trust you enough to pay their monthly subscription, they may be interested in expanding to add other Cloud-based UC services like mobility or integration. With a hosted subscription this can be done (and undone) with no hassle. It is not like with a premise solution where adding an additional service would mean another provider, solution, cost, etc. Will look at Unified Communications in more depth in chapter seven.

Smaller companies in particular will be grateful that this scalability presents little risk. With minimal spending and commitment, it suddenly becomes more plausible to try things out without fear of the consequence. The change can be undone as quickly and easily as it was put in place.



The Bottom Line

The benefit to you: You can offer a scalable solution and never turn away another prospect again.

The benefit to your customer: They will have the flexibility to change and grow without finding a new provider.

6

You will gain the peace-of-mind that comes with a real MT solution

As mentioned previously, the only real Multi-Tenant solution is found in a hosted model. While some on-premise vendors will piece together a MT-look-alike, they are fooling you if they claim it is the real-deal. The reason is simple: that makeshift MT solution will be complicated, costly, and a bit of a headache. All things that a true multi-tenant product is designed to avoid.

The only real Multi-Tenant solution is found in a hosted model

The benefits of multi-tenancy are all things that we have discussed in the previous pages: it is very marketable, it lends itself to competitive prices, it fosters scalability, and it supports the ability to forge long-lasting partnerships.

The bottom line is that a Multi-Tenant solution - a hosted solution - gives the most benefit to all parties involved. This is the only way to go if you are seeking a sustainable solution to take you and your customers into the future.

The Bottom Line

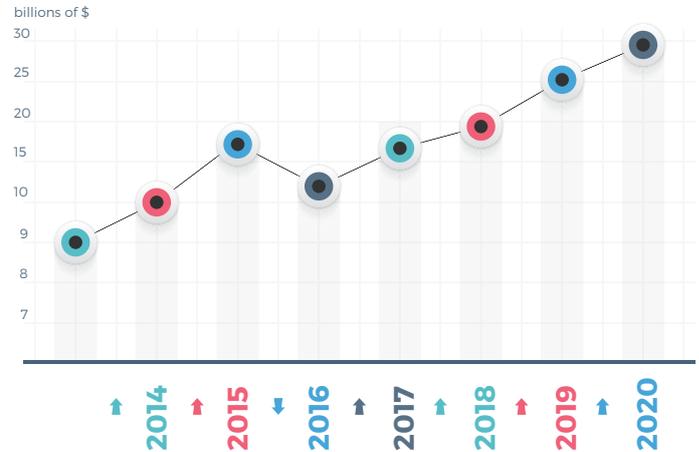
The benefit to you: It will make business operations, marketing, and customer maintenance easier for you and future-proof your business.

The benefit to your customer: It will make business operations easier for them and give them a path into the future.

7

You will future-proof your business with UCaaS

The Unified Communications as a Service (UCaaS) market is projected to grow in North America at a compound annual growth rate (CAGR) of between 25 to 30 percent until 2020, with a total user base rising from 11.6M (2016) to over 27M by 2020.



In the face of these and other staggering statistics on the growth of the UCaaS market, there is simply no denying that the future is in UC. Industry trends have proved time and again that new technology brings two options: come aboard or get left behind. So how to come aboard and prepare for your future via UCaaS?

It starts with hosted. Technically you could try to add UCaaS to a premise solution, but you may end up with a massive headache. It is simply too difficult to mesh contemporary technologies with the fading trends of yesterday.

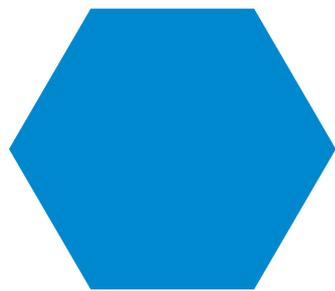
Nearly all of the benefits and features of hosted telephony that we have discussed thus far are somehow connected to Unified Communications. It is the key that opens all of the doors to things like marketability, scalability, and long-term customer relationships. UCaaS will help you reach more customers, more markets, and grow freely.

Hosted has developed alongside UCaaS and the two fit together like peas in a pod.

The Bottom Line

The benefit to you: You will secure future sales with a higher-value, longer-lasting solution.

The benefit to your customer: They will not be left in the lurch by an antiquated solution a few years down the line.



Conclusion

At the end of the day, the best solution for a PBX vendor is less about hosted or premise, multi-tenant or not, trendy top-tier provider or lesser-known entity; the best solution is the one that:

- Meets your current needs
- Paves a path for your future
- Adds new and sustainable value to your business
- Comes from a transparent, trustworthy source
- Is part of a partnership and reseller channel

Our belief is that all of the above - particularly in the face of an ever-advancing and changing industry - can be best met through a hosted model. While change may be daunting, the benefits are self-evident and partnering with a hosted provider will mean an experienced team to come alongside and support your new hosted business.

If you are interested in such a partner, Xinix World is a hosted and on-site PBX and UC provider with all of the pieces to manage and grow comms businesses. We have already helped thousands of partners grow and evolve from a number of existing situations, many coming from premise providers. We believe strongly in supporting our partners from beginning to finish and beyond. Your success is our success.



Your success is
our success



To learn more, visit
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