



Hosted VoIP vs. VoIP PBX: Which is Better for Your Business?

Before you can choose the right VoIP service for your company, you should know about the key differences between hosted VoIP and VoIP PBX.

By: Kalpana Ettenson

Hosted VoIP vs PBX

If you're considering installing a VoIP phone system at your business, then you've likely considered both hosted VoIP and VoIP PBX. But which solution would be best for your company?

Before you can decide, it helps to know the key differences between hosted VoIP and VoIP PBX phone systems. This information should help you decide which solution will best suit your company.

What's Hosted VoIP?

In a hosted VoIP setup, an outside company manages the phone system. Your company simply needs to download any necessary software. In addition to any initial setup and activation costs, you will also need to purchase IP telephones for use with VoIP. The phones can also be leased, if that is more suitable to your needs. All other hardware is provided and managed externally by the VoIP provider.

Once all the pieces are in place, the VoIP provider takes the reins and handles all call management.

What's VoIP PBX?

A VoIP PBX system differs from hosted VoIP in that all hardware is purchased, managed and maintained by your business. Instead of an outside VoIP provider taking care of all call maintenance, that responsibility falls on your company.

An IP-PBX setup is a much more elaborate phone system than hosted VoIP service, but it is also much more robust. An IP-PBX setup can be added on to an existing phone system, using a VoIP gateway.

What are the Main Differences?

Most to all of the features that a hosted VoIP system offers can be found in a VoIP PBX system. Whether you need toll-free numbers, email integration, or faxing software, for instance, either technology will provide those services. The main difference between the two types of phone systems lies in the upfront costs, as well as ongoing costs.

With little to spend on aside from the initial setup and IP phones, a hosted VoIP system usually can be pretty manageable, cost-wise. And with an outside company managing the phone system, there are no ongoing maintenance fees. You also don't need to employ an IT person to manage your phone system.

However, fees can crop up if you wish to add additional services, or new users. Changes might also not be implemented immediately. Some providers might not be able to fully customize VoIP features to your liking. Additionally, some VoIP providers don't offer brand new features as they are developed. And lastly, if a VoIP provider goes under, you're left without a phone system.

With IP-PBX VoIP, your company must front all initial costs--for phones, a server to host the system, and any necessary cards necessary to bridge your existing phone setup with the VoIP PBX system. Those costs can be considerable, often in the thousands of dollars. And with the phone system on-site at your

Hosted VoIP vs PBX

business, you'll need an IT person to manage the setup and ongoing maintenance. The high cost of these aspects of VoIP PBX might deter a company that doesn't have the funds to make that initial investment.

However, because the phone system is on-site, an IP-PBX system is highly customizable. Adding users and changing numbers can be done quickly and efficiently, without having to go through an outside provider, and at no extra cost. But there is a catch—all that hardware must be moved if your company moves. In a hosted VoIP setup, moving the phone system is as simple as unplugging the phones and plugging them in to a new broadband connection.

Here's a quick summary of the pros and cons of each type of VoIP service.

Hosted VoIP Pros:

- *Outside management of the phone system, decreasing need for extra resources
- * Initial costs are low
- *Few ongoing maintenance fees
- * Moving the phone system is quick and efficient

Hosted VoIP Cons:

- *Adding new users or features can incur fees
- *Customized features might be difficult to implement
- *No phone service if your VoIP provider goes under

VoIP PBX Pros:

- *Highly customizable
- *In-house management allows more control over features and uses
- *Adding new features doesn't require going through an outside company

VoIP PBX Cons:

- *Considerable up-front costs, for investing in hardware and setup
- *Requires a dedicated IT person to manage the system, which can be expensive
- *Moving the phone system is a formidable task that includes relocating the server

Which Setup is Best for Your Business?

Because an outside provider manages a hosted VoIP setup, it is usually appealing to small businesses that lack the resources to invest in an elaborate phone system, but want the varied features and simple usability that VoIP can provide. Furthermore, with all services managed by an outside provider, a hosted VoIP setup enables a small business to rely on a comprehensive phone system without the need to worry about ongoing maintenance.

Hosted VoIP vs PBX

Larger companies with an existing infrastructure and the money to invest will likely find IP-PBX VoIP to be appealing. A larger enterprise will likely also have an existing staff or the money to hire an IT person to manage the phone system.

Kalpana Ettenson is a San Francisco-based journalist who has written about technology for PC World and other publications.