

# Migrating from a Premises-Based PBX to the Cloud: The Tide Has Turned

White paper



# Introduction

The choice today is clear: When it comes to business phone systems and communications solutions, the direction forward is the cloud.

Industry watchers and pundits all agree that in the cloud-versus-premises PBX debate, the cloud has won. Cloud-based “as a service” solutions are taking off as companies look to the cloud for their unified communications (UC), collaboration, and contact center needs.

Organizations of all sizes and across all verticals are choosing cloud-based unified communications—also known as unified communications as a service or UCaaS—for bringing together voice, text, messaging, video, conferencing, meetings, and more. With UCaaS, workers can seamlessly communicate over voice, instant messaging, and video from any device and location, improving worker productivity and effectiveness.

The market for cloud-based business telephony services is growing quickly. According to MZA’s 2018 “Global Cloud/Hosted Business Telephony” analysis, end-user revenue is expected to grow to \$10.4 billion by 2023, with the installed base of users almost doubling between 2018 and 2023.<sup>1</sup>

Businesses with outdated premises-based PBXs, many of which are being end-of-lifed and no longer supported by their manufacturers, are moving to UCaaS to improve internal and external communications, modernize their communications systems, and access new capabilities and functionality.

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North American cloud UC licenses are increasing by 20% annually, while new premises-based licenses are declining by 5%.”

– BCStrategies

## Shift to the cloud for innovation and flexibility

Until recently, businesses had one choice when it came to PBX and UC technology: spending lots of money on premises-based solutions. Unfortunately, those solutions are expensive and resource intensive, requiring a significant amount of IT staff to deploy, manage, and maintain the system. Compared with cloud-based services, premises-based communications solutions are also more difficult to upgrade or scale, requiring new hardware and software. Because of that, premises-based solutions are slow to take advantage of newer advanced capabilities in the market.

The drawbacks of on-premises communications systems continue to create considerable challenges for today’s modern workers. A more distributed and mobile workforce demands flexible solutions for communicating and collaborating across locations and time zones. As a result, in the past few years, cloud-based communications and collaboration services have seen tremendous growth as companies recognize their many benefits, including

reduced complexity, lower operational overhead, and minimal IT requirements.

In many ways, the tide has turned. Cloud solutions have overtaken premises-based solutions as organizations look to replace outdated legacy PBXs. According to BCStrategies, North American cloud UC licenses are increasing by 20% annually, while new premises-based lines/licenses are declining by 5%. Expect to see cloud communications solutions take over as the most popular implementation method by 2020. According to an IHS Markit study, revenue for the worldwide UCaaS market grew 8% in 2018 and is expected to grow an additional 8% in 2019. Meanwhile, the worldwide on-premises PBX/UC market declined 1% in 2018, with expectations for a 3% decline in 2019.

The shift to the cloud becomes even more clear when you look at where investments are being made, as today’s innovations are taking place in the cloud. From artificial intelligence to advanced

<sup>1</sup>MZA’s 2018 edition analysis, “Hosted/Cloud Business Telephony 2018 – Global,” [mzaconsultants.com/research-services/subscription-services/hosted-cloud-telephony-services/](https://mzaconsultants.com/research-services/subscription-services/hosted-cloud-telephony-services/) (published November 2018) provides insight and analysis on the global-, regional- and country-level evolution of the hosted/cloud business telephony user base, market, and revenue with insight by size of deployment and technology type. For further information, please visit [mzaconsultants.com](https://mzaconsultants.com).

mobility and video capabilities, essentially all vendor investments are directed at cloud solutions. In fact, new solutions, such as team collaboration, are entirely cloud-based, with no on-premises options being developed. Speed to innovation takes place much faster in the cloud since open cloud-based platforms make it easier to add new capabilities, from persistent chat to video conferencing to omnichannel contact center, enabling organizations to digitally transform.

## The many benefits of UCaaS

The growth of the UCaaS market is in large part due to the many benefits the cloud provides to organizations, including:

### Simplicity

Deployment, management, and maintenance of communications solutions are greatly simplified, saving time and money while enabling your IT staff to focus on other things that may be closer to your core business. Without the need for servers or ongoing maintenance and upgrades, cloud services are generally much simpler to deploy and manage, with built-in scalability, redundancy, security, and disaster recovery.

### Cost and scalability

The cloud's pay-as-you-go model means you only pay for the communication services and licenses you need, providing an immediate return. Businesses can be more flexible and easily add users as needed. This is especially important for seasonal businesses, such as florists or tax accountants, that have high-volume communication needs at certain times of the year. With little or no capital expenditures, organizations pay only for what they need and can scale up or down to best meet their needs.

### Reduced risk

Companies can be guaranteed to get the latest and greatest communication features as they're introduced while automatically staying current with new releases, reducing the risk of technology obsolescence and sunk costs. As new capabilities and functionality are added, such as AI, enhanced video, or mobility, organizations can access them right away.

### Global reach

Multinational organizations can more easily access services around the globe at lower costs, making it easier for geographically dispersed workers to interact seamlessly. Workers around the world, regardless of geographical location, can be on the same platform, enhancing communications and collaboration throughout the organization.

In addition, competitive pressures and the need to “disrupt or be disrupted” are driving the push to UCaaS solutions. Businesses need to be nimble and flexible while accessing the latest technologies and innovations—however, this is only possible with cloud solutions such as UCaaS.

### Business continuity

Based on capabilities such as mobility, conferencing, web collaboration, single-number reach, and others, UCaaS allows workers to work from any location and remain productive. In addition, cloud providers offer off-site backup, redundancy and disaster recovery, which is too expensive or hard to do on premises.

### Mobility

With no software to download to the desktop, workers just need an internet connection and headset, and they're good to go! On-the-go workers can receive calls, send and receive IMs, and have web and video conferences from anywhere.

### Advanced capabilities

Organizations can access advanced features and capabilities, such as video conferencing, that may otherwise be cost-prohibitive with a premises-based solution.

### Integration with third-party applications

Open cloud platforms allow companies to connect communications to a wider set of business applications by leveraging APIs and integrations. These include integrating with CRM, ERP, productivity applications (such as Google G Suite and Microsoft Office 365), and other third-party applications. It also includes integrating best-of-breed capabilities, including messaging, video, and analytics.

### Flexibility

Perhaps the biggest benefit of a cloud-based service is its flexibility, which makes organizations more nimble and agile. When it comes to flexibility, premises-based solutions don't hold a candle to cloud-based services, which make it easy to add new functionality in minutes. Changing at a rapid pace, much of today's on-premises communications technologies will be outdated or even obsolete within the next two to three years. As new services and functionality are developed, whether they are artificial intelligence or enhanced mobile or video capabilities, cloud users can access these capabilities immediately without having to deploy new servers or software.

## Successful cloud migrations

There are many reasons businesses have quickly turned to the cloud, as illustrated in the following examples:

- **B&R Auto Wrecking** of Corvallis, OR, was using a premises-based phone system when it experienced a structural fire at its main location. As Director of IT Richard Nelson noted, “We went to the cloud because we wanted to make sure we had a stable phone system that was not centered in any one of our locations.” As Nelson explained, having a UCaaS provider such as RingCentral, with a decentralized architecture and multiple data centers, provides the business continuity his business requires.
- **Motion Recruitment Partners**, the parent company to a group of leading talent acquisition solution providers, turned to RingCentral’s cloud solution after several acquisitions resulted in a hodge-podge of different premises-based products. According to Bill Corwin, Vice President of Technology, “In recruitment, the phone is the cash register. It has to work all the time, and reliability is key.”

Motion’s previous phone system couldn’t scale and integrate well and was becoming burdensome to the IT staff. Corwin explained, “Our company is growing organically and through mergers and acquisitions. As a company with changing business needs and geographies, we have more flexibility with a cloud-based solution and can adapt to our changing business requirements without the sizing and investment you would have with an on-premises solution.” Corwin added, “Cloud services are easier to support and don’t have the equipment point of failure.”

With RingCentral’s cloud service, Motion Recruitment Partners was able to “move off of sheet metal to a cloud solution” and no longer has to worry about a single point of equipment failure. According to Corwin, “We need something lean and simple. The less equipment the better.”

Moving to RingCentral also meant Motion could consolidate its disparate collaboration and meeting tools onto one solution. The company hopes to reduce its costs by more than 20% based on related costs while reducing maintenance needs.

## The time to move to cloud UC is now

Nothing lasts forever, including PBXs. Technology changes quickly, and legacy PBXs are no longer up to the task of today’s workplace. Lifecycles for PBXs have gone from 10 to 15 years, to 7 to 10 years, and then down to four years or less. With resources being focused on newer cloud solutions, many vendors are ending older legacy PBXs at a rapid pace. When a PBX system is no longer supported by the vendor, it becomes challenging to get the proper service, replacement parts, and expertise needed. Challenges such as fewer trained resources to support legacy equipment make maintaining aging PBXs even more costly. Adding new capabilities such as messaging, video, and collaboration become more

daunting, and upgrading older systems is often more costly than replacing them.

If your PBX system is being end-of-lifed and no longer supported by the vendor, it’s time to look at new options that meet today’s business needs while taking advantage of new UC capabilities that may have been previously out of reach. Rather than simply replacing an old phone system with a new phone system, use this transition to provide enhanced unified communications capabilities, including messaging and meetings, that make your workers more productive and effective.

## UCaaS—more than the sum of its parts

Unified communications are more than its parts or components—it’s about bringing the various functions together, including voice/telephony, conferencing, messaging, collaboration, video, and more on a unified platform to provide a holistic experience.

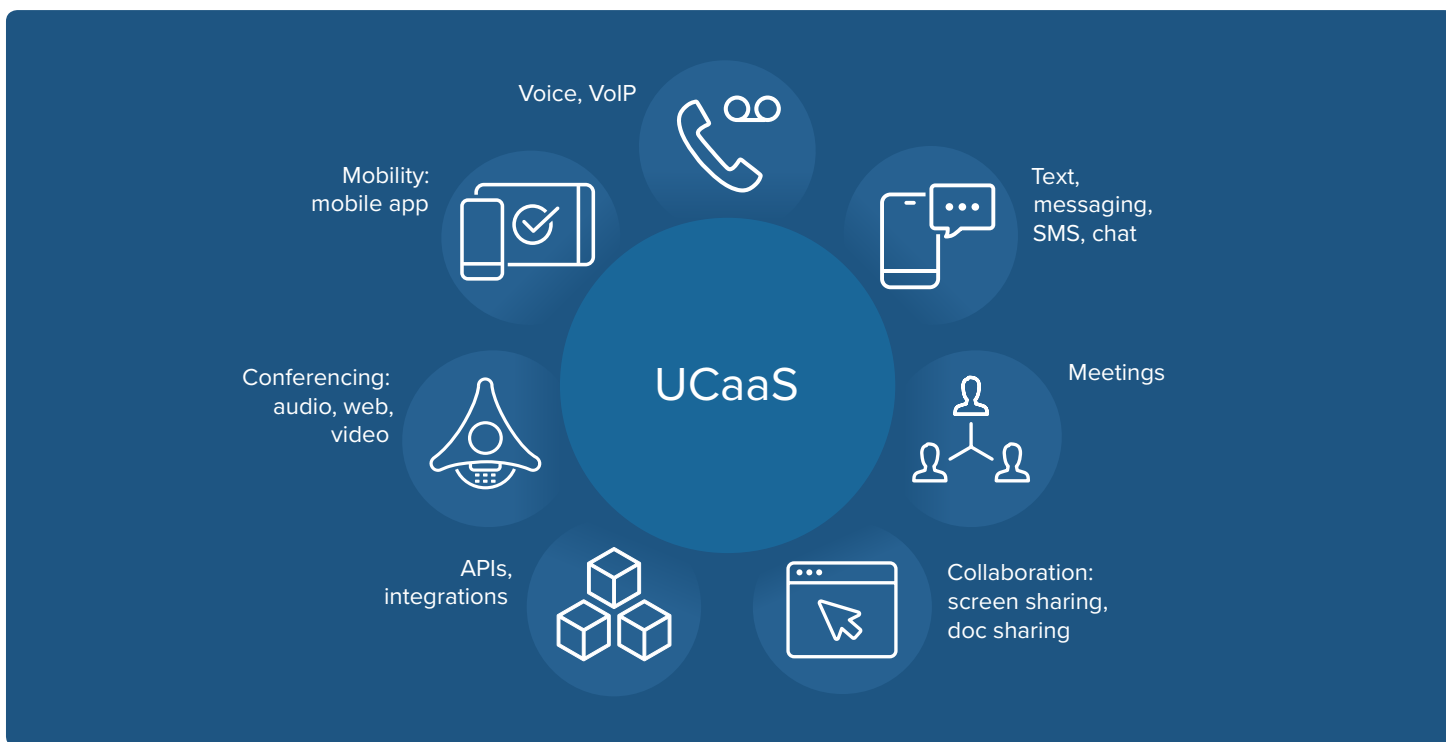
Today’s workers are more collaborative, requiring tools that make it easy to share information. A complete UCaaS solution should go beyond telephony, including conferencing and collaboration capabilities, such as messaging, document sharing, and screen sharing. It should also include web, audio, and video conferencing while enabling workers to connect from any device and any location to access data, applications, and other critical business tools in one place. Going the next step, the right UCaaS solution should allow for integration with an organization’s line of business productivity and CRM tools, providing seamless integration.

Mobile devices have changed the way we work and communicate; the global mobile workforce is expected to increase to 1.87 billion people, or 42.5% of the global workforce, in 2022. UCaaS solutions provide mobile workers with the communication applications that fit their mobile work styles by seamlessly integrating multiple locations and connecting mobile workers with advanced call forwarding, single number reach, desktop extension, and mobile clients.

With an open platform that integrates UCaaS and brings various cloud services together, including contact center and team collaboration, organizations can enhance internal and external communications and collaboration, increase efficiency and effectiveness, and better serve customers.



## UCaaS—a total solution



## Cloud approaches and options—not all clouds are created equal

Hopefully by now you're convinced that UCaaS is the way forward, but what's the best cloud approach and migration strategy?

First, it's important to understand that there are various cloud options. Is it private or public? Are there multiple instances? Does it accommodate multiple tenants? Is it a hybrid deployment?

Depending on the configuration, here are some key considerations:

- Multi-tenant or “pure cloud”:** Multi-tenant cloud services, considered “pure cloud,” are the fastest-growing architecture. As the most economical option, a multi-tenant architecture takes advantage of the true benefits of the cloud, including economies of scale, fast deployment, business continuity and redundancy, automatic updates, and more. Most experts agree that a “true” cloud is a multi-tenant, shared, on-demand platform providing scalability and elasticity based on a shared pool of resources that are rapidly provisioned with minimal IT requirements. Organizations benefit by leveraging shared resources, capacity, and costs within the service provider's data center.
- Multi-instance cloud:** With a hosted or multi-instance architecture, each user has its own virtualized software instance on shared hardware. This option may be able to offer greater levels of customization, but at higher costs for software licenses and professional services. Deployment and activating services take longer than multi-tenant services.
- Private cloud:** Private-cloud services leverage virtualized software in the company's own data center, which means they can provide a higher level of customization. This is the most expensive option and doesn't provide economies of scale, flexibility, and other cloud benefits. Private cloud is generally seen as an option for regulated businesses and businesses requiring the highest levels of security, although this is changing as public cloud services have become more secure and are increasingly used by government agencies and regulated businesses.
- Hybrid cloud:** Hybrid cloud services combine elements of on-premises and cloud services, with some core functionality remaining on-premises. This model is often used as a way of transitioning to the cloud from older legacy PBXs, where a segment of workers continue to use the premises-based PBX, while others move to the modern unified communications cloud service. Hybrid systems may also be useful for regulated businesses that require some on-premises equipment in order to meet security requirements or for large organizations with many branch locations that can't migrate to cloud services all at once.

## Architectural options—source: COMMFusion LLC

Private cloud	Single-tenant public cloud (multi-instance)	Multi-tenant public cloud	Hybrid cloud
Virtualized software in company's own data center.	Company has its own virtualized software instance of app on shared hardware.	All users share a common (single) software instance on common hardware platform.	Mixture of on-premises and cloud-based platforms or apps.
Most expensive, longest deployment time, not as scalable, requires significant IT staff.	More expensive than multi-tenant, not as scalable, longer deployment than multi-tenant, may require more professional services.	Most cost-effective, scalable, requires less IT staff than other options, easiest to deploy globally.	Gives up some benefits of the cloud but leverages customers' existing solutions.
Provides high level of reliability, security, customization, control over operations.	May provide more customization, security, and privacy.	Least able to customize and integrate with apps and systems.	More expensive to manage than multi-tenant.

## Migrating to the cloud—start with a strategy

As you prepare to migrate to the cloud from a premises-based PBX, having a migration strategy is essential.

First, define your goals and priorities. The new solution must meet your unique business needs, which requires understanding of why you're moving to the cloud. Prioritize what's most important, whether it's flexibility, scalability, cost management, advanced functionality, etc. From there, it's easier to identify the right solution and potential providers.

Next, determine the best migration approach based on business priorities and/or strategic locations. There are many options, and working with a professional services organization can help identify the best approach for your specific needs.

For small- and mid-sized businesses, a flash-cut approach is generally best, providing fast access to the benefits of the new cloud solution. For large organizations, a phased approach is generally recommended. Options for a phased approach include deploying based on user type, geography, or technology/features. For example, B&R Auto suggests "ripping the Band-Aid off all at once," while Motion Recruitment Partners suggests a phased approach based on location or department. MRP began the initial migration with its corporate office, followed by their most concentrated campus sites, and then the more remote sites. Corwin noted, "Some people like to start with the smallest sites, but we moved the opposite direction and started where we had the highest surface area and highest concentration of workers and moved out from there."

Migrating a group of users, such as the C-suite or IT organization, is a way to understand the features and functionality of the new service and set the stage for company-wide user adoption.

Alternatively, starting with specific locations, such as branch offices or regions, may make sense. Look at when PBX service contracts for different locations expire and migrate those first. Another option is to roll out a set of features, such as messaging, collaboration, or contact center, in the cloud, while other functions remain on-premises.

Some organizations opt for hybrid cloud solutions as an intermediary approach. While the hybrid-cloud approach lets organizations leverage their existing communications technology while migrating to the cloud, it's often seen as a stop-gap approach, and there are some challenges that organizations need to consider. Managing hybrid solutions and getting them to work effectively is often difficult, as cloud and premises-based communication platforms have different security and administration models, different dialing plans that need to be integrated, and different compliance and security methods. With a duplication of costs, hybrid options generally end up being more expensive. Without feature parity, employees on different systems will have different user experiences, making it more challenging to effectively collaborate.

To attain the scale and cost benefits of the cloud, a coexistence approach that includes migrating to an open platform in the cloud is often the right approach.

Taking advantage of an open platform and a solution that provides APIs to integrate and interoperate with other applications and third-party software can provide the most long-term flexibility.

## Finding the right UCaaS partner

The next step in the migration process is to select a vendor and cloud service. Here are some key attributes to look for in a platform vendor:

- **Unified platform:** Working with a vendor that offers a full solution, including telephony/PBX, unified communications, team collaboration, meetings, and contact center, makes it easier to get the capabilities you need without having to interact with multiple vendors. Using the same vendor and platform for contact center, team collaboration, and UC reduces management requirements and provides end-to-end support with no finger-pointing between vendors. In addition, a single vendor has more control over the product, including new feature releases and the ability to keep features current on both platforms.
- **Reliable and secure:** It goes without saying that reliability, security, and support are crucial, so look for a vendor that can provide high availability and quality of service. For international organizations, working with a company that has global reach with geographically dispersed data centers and support centers is an important consideration.
- **Integrations:** UCaaS doesn't exist in isolation, and integrating well with third-party business applications has become a key area of differentiation. APIs are today's building blocks for integrating a wide range of applications and capabilities that your organization utilizes. Look for a vendor with an open platform that offers out-of-the-box integrations, as well as APIs that will make the UCaaS solution a part of your business's day-to-day workflows.
- **Experience:** Choose a vendor that has lots of experience migrating organizations from premises-based PBXs to the cloud. In many cases, a professional services engagement will be necessary, providing industry expertise and experience in network assessment, as well as designing, developing, and architecting the right solution. Don't take chances with a new player without a long track record or strong financials—look for a provider with the experience needed to help you succeed today and with the vision to prepare you for tomorrow.

## Conclusion

Many organizations are facing end-of-life issues, as their premises-based PBXs need to be replaced with next-generation technology. Business communications technologies such as unified communications, team collaboration, and contact center are now available “as a service,” making organizations more flexible and adaptable. Accessing unified communications capabilities from a cloud provider enables today's mobile workforce to work, communicate, and collaborate from anywhere.

## About the Author

Blair Pleasant is President & Principal Analyst of COMMfusion LLC and a co-founder of BCStrategies. As a communications industry analyst, she provides strategic consulting services and market analysis on business communication applications, technologies, and markets, aimed at helping end-user and vendor clients both strategically and tactically.

Making the transition to UCaaS will help your employees and organization be more effective and productive than ever before. Selecting the right vendor, platform, and migration strategy will help your transition from yesterday's outdated technology to today's modern innovative solutions—and prepare you for tomorrow's challenges.

She is a frequent speaker and participant in industry conferences, webinars, podcasts, and other events to help educate others about the evolving unified communications and collaboration and contact center markets. Blair's blogs and articles can be found on: [bcstrategies.com](http://bcstrategies.com) and [commfusion.com](http://commfusion.com), as well as [nojitter.com](http://nojitter.com).

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