IP Telephony in the Real World
Cisco Hosted vs. Mitel Premises Total Cost of Ownership Comparison

	Mitel 3300 IP Phone System	Cisco Hosted VoIP Solution
Total Cost equipment	$39,000	$20,000
Total # of Hand sets	55	55
Total Cost Installation	$6,900	$8,000
Yearly License Fee	$750	$0
Monthly Network Services:		
Internet	$575	$575
Seat Costs	$0	$2,750
Local Line Costs	$680	$0
Total Monthly Recurring	$1,255	$3,325
TCO Year 1	$61,710	$67,900
Year 3 Licensing	$750	
Monthly Recurring	$1,255	$3,325
Year 3 Costs	$15,810	$39,900
TCO Year 3	$93,330	$147,700
Year 5 Licensing	$750	$0
Monthly Recurring	$1,255	$3,325
Year 5 Costs	$15,810	$39,900
TCO Year 5	$124,950	$227,500
How much more Hosted will Cost over 5 years		$102,550

A Request for Help

An association based in Washington, DC began looking at VoIP solutions to communicate with their members nationwide. Undecided about which approach would best serve their needs – a hosted service from Cisco or a premises system from Mitel – they turned to Chesapeake for help. CTS calculated a TCO for both approaches, so the association could make a more informed choice.

Invest vs. Lease

With a traditional premises system offered by Mitel, the association would invest in and own the IP Telephony server and the data switching equipment.

The hosted service offered by Cisco is based on a subscription model where the system is housed at and managed by a service provider. The association would "use" a small portion of a shared platform and lease premises data switching equipment. The monthly price, determined by number of seats, includes local and long distance at a fixed charge and covers the system, features, management tools, and upgrades.

In addition, phones need to be accounted for in any TCO calculation that compares a hosted service with a premises system.

Other Hosted System Considerations

CTS advised the association to consider several factors when evaluating any proposed hosted solution, including:

- Some providers struggle with service quality. If a change of provider becomes necessary, there is no assurance that their IP phones can be reused with the next service provider.
- IP Hosted solutions may not provide Caller ID with NAME.
- For some IP hosted solution providers, 911 remains an issue.
- IP hosted solutions have limited feature sets, whereas a premises solution offers all the features an organization will ever need – right out of the box.
- In the case of this association, the incremental monthly/annual expense for adding an employee could be as high as $600 per year – the addition of 10 new employees would increase annual operating expenses by $6,000.

The Results

CTS determined the difference in TCO between a Mitel and Cisco solution over a five year period was over $100,000. TCO calculations are essential for any type of public or private organization interested in getting beyond all the marketing hype. Only with a thorough quantitative analysis can decision makers really know the true long term costs of the VoIP solution they select.