



**AN INTRODUCTION TO
CLOUD PHONE
SYSTEMS**

(888) 289-4742
partners@nextiva.com

Cloud Phone Systems

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As the nature of business continues to push beyond the office walls, company executives face new challenges. Now more than ever, they face the demands of managing multiple locations throughout the country, call centers abroad, customers seeking assistance 24/7, and more. Businesses are constantly under pressure to expand, offer more, produce more, innovate—all while reducing costs, working at lightning speed, and most of all, making meaningful connections with consumers.

Developed by computer hobbyists in the mid-1990s,¹ the cloud phone system has rapidly become the preferred choice for many businesses in recent years. Executives are beginning to realize that in addition to the economic advantages, the system is more powerful in many ways than traditional phone lines.

Cloud phone systems leverage broadband Internet connections instead of the standard phone line. The technology transforms voice signals into a digital form that can travel over the Internet, which enables a low-cost but powerful way to make and receive phone calls from a variety of devices.

According to market research by IBISWorld, cloud phone systems have experienced “massive growth” in the last five years, while residential customer growth has stalled. “Over the 10 years to 2017, industry value added (the industry’s contribution to the economy) is expected to increase at an annualized rate of 15.3 percent,” according to an IBISWorld report quoted in Forbes.²

The Benefits of Cloud Phone Systems

What is it about this new technology that has led to its growing popularity in the business world? Company decision-makers who’ve never used a cloud-based communication system may be intrigued, but skeptical. *If it ain’t broke, why fix it?*

According to the Infonetics report, business users “see cloud-based PBXs as the best option for bringing all the pieces of voice communication under one provider for a seamless system deployed across an entire organization.” Although business customers tend to have very specific and varied communication needs, cloud phone systems are proving to be valuable to industries across the board.

¹Jeff Green, “Voice Over IP Market Trends,” October 2012, Faulkner Information Services.

²T.J. McCue, “Google Voice Stays Free in 2013 but VoIP is \$15 Billion Industry,” Forbes, December 27, 2012, forbes.com/sites/tjmccue/2012/12/27/google-voice-stays-free-in-2013-but-voip-is-15-billion-industry/.

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The History of Cloud-based Communication

Back when traditional phone systems were the only option, small and medium-size companies had no choice but to swallow the sometimes hefty costs of landlines. Today, landlines can cost up to \$60 per line per month, and features such as long distance, three-way calling, and voicemail can tack on additional fees in every bill, but cloud phone systems radically changed the pricing landscape.

In its infancy stages, the technology was known as VoIP, which stands for voice over Internet Protocol. The first VoIP calls were made in 1995 and required a microphone and headset. The technology was limited to computer-to-telephone connections and later progressed to allow telephone-to-telephone connections. The early days of VoIP suffered from issues such as echoes, delays, lost connections, and overall poor sound quality.³



Residential customers became the first market for cloud phone systems because they were more willing to tolerate blips in sound quality in exchange for the dramatic cost savings. Vonage was the most well-known provider of cloud-based phone systems for residential customers in the early 2000s. Businesses, on the other hand, were not willing to sacrifice quality for cost.⁴ However, as the technology became more fine-tuned, sound quality and connectivity improved. (In fact, many cloud phone system providers today offer high definition voice quality.) As the technology stabilizes, the systems continue to gain credibility.

Small and medium-size businesses were the first to take the leap into the cloud primarily due to the cost savings it offered. Nextiva, a unified communications provider established in 2006, was one of the first providers to usher businesses into the cloud phone system.



According to a 2014 report by IBISWorld, businesses using cloud-based phone systems grew at a rate of 12.9 percent between 2009 and 2014.⁵ Market researchers at Infonetics Research report, “Cloud-based PBXs are winning more and more installations in larger and more distributed businesses.”⁶

³Green, “Voice Over IP Market Trends.”

⁴Green, “Voice Over IP Market Trends.” PBX is the acronym to private branch exchange, a system that typically connects internal phone lines in an office.

⁵Green, “Voice Over IP Market Trends.”

⁶Sarah Kahn, “IBISWorld Industry Report 51711e, VoIP in the US” August 2014, IBISWorld.com

⁷Green, “Voice Over IP Market Trends.”

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1) Cost Savings

For most people, the primary lure of cloud phone systems is the affordable price. Anyone who has ever had to make international calls before Skype existed can fully appreciate the new era of inexpensive calls to any country. International calls made through the Internet cost a fraction of the cost from major landline providers.

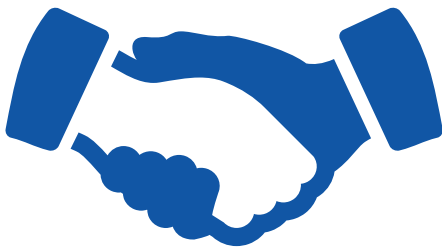
For businesses, the cost savings are evident from day one. New customers aren't hit with the same sticker shock as they are with traditional business phone systems, which require a large upfront capital expense for the physical system—sometimes called “the brains”—stored on-site. When users switch to cloud, there are no major startup expenses. And each user can easily customize the system from their own computer.

From there, companies benefit every month from the inexpensive monthly rates. Nextiva customers, who pay as little as \$19.95 per line, per month, typically report a savings of up to 65 percent after switching from their previous, traditional phone providers.

While a 10-person office might spend about \$800 per month for a basic plan with a traditional phone provider, the same size office would likely spend between \$120-\$250 per month using a cloud phone system. The cloud system would most likely include additional features like caller ID, call forwarding, virtual faxes, and conference calls, for which traditional phone providers would typically charge more.

2) Optimum Flexibility

As cloud phone technology has evolved, its features have progressed to meet the growing and diverse needs of companies in any industry. Here are just a few examples:



- Executives can manage their teams in remote locations.
- Call center agents can offer live support 24/7 to U.S. customers.
- Employees can telecommute from home.
- Businesses can typically choose their own phone numbers. If they intend to demonstrate their presence in a certain region, they can easily choose the appropriate area code.⁷

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3) Increased Productivity

Unified communication systems inherently streamline certain tasks. This ends up saving time and money in the long run. As early as 2006, researchers were studying the efficiency of using cloud phone systems over traditional phone lines. Intel conducted a pilot program for one of its medium-size sites with 650 users in Parsippany, New Jersey. According to the report, “repetitive tasks, like accessing voicemail or looking up a contact’s phone number and then placing a call were two and four times faster, respectively, than using the non-VoIP solution.”

The same 2006 study quantified the drastic increase employee productivity:

<u>Time gain per user</u>	<u>2.7 days per year</u>
<u>Productivity gain per user</u>	<u>\$480</u>
<u>Productivity gain at 650-user site</u>	<u>\$312,000</u>

4) Constant Innovation

Inevitably, traditional business phone systems become outdated when newer models enter the marketplace—these upgrades alone can cost businesses thousands of dollars for each upgrade. Cloud phone providers, on the other hand, are constantly developing new bells and whistles in the software, which update the system automatically in the cloud. It’s common for unified communication system providers to add new features monthly—at times, even weekly—such as iPhone or Android integration, CRM integration, or social plug-ins.

5) Built-In Management

Traditional business phone systems need to be managed. Typically, companies rely on their on-site IT staffers to troubleshoot problems or make periodic adjustments such as adding or deleting users. For small businesses that typically don’t have an IT staff, they have no choice but to contact their phone providers to send their technicians. The grueling process typically requires opening a customer service ticket, scheduling the tech to come on-site, and an appointment time that could be anywhere from 8 a.m. to 5 p.m.

Cloud phone systems don’t have that extra hassle. They come with an online management portal easy enough for anyone to use from their own desktop.

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6) Adaptability during emergencies

In severe emergency situations, any physical hardware stored on-site could be rendered useless. A simple power outage or an event as catastrophic as a hurricane or fire could easily put a company out of reach for an extended amount of time. The cloud phone system allows business communication to continue uninterrupted thanks to built-in features like call forwarding to mobile or off-site phones.



John Lepore, a New York insurance agent and Nextiva customer, learned how crucial his cloud phone system was during Hurricane Sandy in October 2012. His home and office had been destroyed, and in that critical period, his customers desperately needed to file claims. Fortunately, all he had to do was plug his phone into the Internet from another location. Lepore was ready to help his customers in no time.

100,000 Businesses Trust Nextiva
for Cloud Phone Systems

Telephone systems remain the lifeline to their customers for many companies. Nothing replaces live interaction with fellow humans.

As cloud phone technology has gained popularity in recent years, hundreds of providers have sprung up. Nextiva is one of the few to rise above the pack to consistently outrank its competitors as a business provider that is 100% dedicated to customer service.

“In the beginning, I was a little bit tepid about making the change [to cloud-based phone systems],” states Nextiva Customer John Lepore. “Being hardwired, we were told by some people there were horror stories, but I’m very happy to say that our call quality has been great.”