

Hosted PBX

Time to Move Your Communications Platform to the Cloud?

Many hotel companies are driving their primary applications to the cloud where they can be centrally hosted and effectively managed and supported. This drive has now moved to property PBX systems. Guest usage of the traditionally premise-based solutions has long been on the decline and properties have struggled to cover the overall costs of communications let alone generate revenues from the service. The downturn in the economy has forced hotels to look at all avenues of saving costs and the potential to save money through lower cost VoIP solutions has spurred a rapid amount of activity with a number of hospitality-focused solution providers emerging to service the industry.

While the initial momentum to move to hosted solutions has been created by the larger hotel companies, a number of smaller and independent properties are now adopting the newer technology. The initial results have shown an ROI of the deployment of the hosted solutions to be extremely attractive, and as a result a number of companies and hotels are looking to hosted PBX solutions as their next big deployment initiative.

While the hospitality-focused, premise-based PBX solutions are somewhat limited to the larger equipment and solution providers such as Mitel and NEC, the newer VoIP technology has spurred a number of application-based providers to enter the marketplace, including Thing5, Defero3, Blue Mountain Networks and Voice Carrier. These newer application providers are somewhat industry specific and are focused on developing applications that meet the needs of the specific marketplace. While companies such as Thing5 have been offering solutions for a number of years, a flurry of new activity from both the traditional

switch manufacturers and new application providers indicate the time is right for adoption of the newer technologies.

For most hoteliers, one of the largest systems capital expenditures has always been the PBX communication switch. In the past, revenues from guest communications typically justified this large capital outlay, but the advent of cellphones and other types of communications have left properties reeling from the costs of providing and maintaining this service. Not only is it expensive to purchase a new switch, but the ongoing expenditures associated with the support and trunking requirements mean that properties typically are losing a percentage of the daily ADR with very little upside to the overall cost. The newer cloud-based hosted solutions may represent a solution to this issue.

So what makes these hosted solutions so attractive and why are so many companies looking at these solution offerings?

Reduction of Capital Investment Requirements and Pricing Models

Due in part to the recent economy, many hotels simply cannot afford to either install or upgrade their current solutions. The capital requirements for a new switch represent a huge hurdle to properties needing to either upgrade or implement a new switch, and in many cases the financing costs come with high interest rates and lengthy contract terms (for those entities that can even entertain the option). The newer solutions are making an attractive alternative with many providers offering little or no upfront capital costs for their solutions. These solutions require low entry points and monthly subscription prices that are very affordable when

compared to that of traditional premise-based solutions. There are a number of interesting pricing models being offered to the market,

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the main one focusing on occupancy-based pricing. Both NEC and Blue Mountain networks are targeting on-demand pricing models that are based on hotels' occupancy levels. While both companies acknowledge that there may be challenges with auditing a hotel's true occupancy counts, they feel that this model will appeal to most hotels and especially those who have struggled the past few years with extremely

Mobile Application Features

The Guestroom Phone Is Checking Out

Companies such as Thing5 are counting on the next generation of guestroom communications being focused on guests communicating at the property level with their own mobile devices. By downloading the hotel-specific app, the guest's phone will in effect become an extension of the PBX and will offer the guest access to the following features: *hotel guest room communication via their room extension, room-to-room dialing, front desk, wake up calls, maps and directions, weather, DND, amenities, messages, nearby - digital concierge, operator, reservations, hotel services and dining menus.*

low occupancy levels in some markets. Most hosted solution providers indicate that their solutions provide a cost savings of at least 30 percent over those of premise-based solutions.

SIP Trunking

A key feature of most of the solutions being offered in the marketplace is the focus on offering SIP trunking to the properties. For many properties, the ongoing costs associated with providing communication circuits has become extremely expensive. Not only is SIP trunking typically more cost effective than the traditional trunking offered by communication companies, but in some cases it can be customized for on demand usage. A few of the providers are focused on offering burstable SIP trunking that allows properties to burst the capacity requirement based on demand. By offering SIP trunking, properties can all but eliminate the need for the premise-based trunking that is typically provided by the phone company. Most SIP-based trunking pricing models provision for flat rate pricing based on the size and complexity of the hotel, and providers are looking to bundle these communication services into the overall cost of the hosted solution. Eventually this will bring us to the question of the role of traditional phone companies in the future.

Bundling

Clearly a key differentiator with regard to hosted solutions is the focus on providing a total communications solution for properties and hotel companies rather than just voice-switching services. In most cases the solutions involve providing switching functionality as well as local and long distance voice communications. There are companies that are taking the bundling aspect one step further by also including the installation and full support and management

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of the high-speed Internet access (HSIA) network along with the overall hosted voice solution. DCI Communications is an example of this and is offering to install and manage both voice and data networks. CEO Robert Torres believes that DCI's redundant Mitel-based VCore hosted PBX solution and fully engineered and supported data HSIA network will provide hotels with cost-effective voice and data solutions without compromising quality for their guests. Given the current technology, it's not inconceivable that these companies could be providing hosted video services to complete the triple-play converged solution offering sometime in the future.

Survivability and the Issue of 911

While the stability of data and voice circuits has improved dramatically in the past few years, many hoteliers are still looking for the redundancy features from communication solutions and are not ready to rely fully on the cloud. The issue of survivability is an important concern and is addressed by a number of the providers who have engineered solutions that can still function even if their circuits are disrupted. NEC, Mitel and Defero3 have engineered solutions that provide most of the required internal switching functionality even if the connection to the hotel service is lost. Most hosted services still require some plain old telephone service (POTS) lines to provide backup connectivity should the circuits be disrupted.

From a 911 emergency services standpoint, most companies are ensuring that their solutions can address the problem. The 911 calls are routed over the POTS lines to ensure that the local emergency service calls are handled directly by the property. However, there are some solutions that facilitate this through the hosted PBX which may be counter to local emergency services requirements.

Mobile Applications

While guests continue to rely solely on their mobile devices, it makes sense that hosted solution providers create applications to tie these mobile devices to the guestroom extensions. Not only will it potentially eliminate the need for guestroom phones in the future, but it

Price Savings

One of the key driving factors for considering hosted PBX solutions is the potential cost savings over those of the traditional premise-based switches. A few factors to consider include:

>> *Voice and data services* offered over a single channel. Properties can provide the services over the same data circuit.

>> *Service bundling* SIP trunking packages might include the following:

- Connectivity to the cloud/ Internet
- Phones numbers including DID number
- Local, national and international dialing plans (many with flat rate plans)

>> *Voicemail*

>> *Call accounting*

>> *Reduced support costs*

>> *System upgrades and maintenance* is typically included

>> *Free VoIP communication* through the enterprise

>> *Reduced operational labor costs* through better efficiencies

also provides guests with access to internal communications and other hotel services and amenities. These applications (offered by companies such as Thing5) require guests to download a hotel or chain app. At checkin, the guest enters the hotel's property code into the application and it syncs the phone to his or her room number. The guest has the ability to interact with the property while he or she is onsite or offsite.

Multiproperty/Enterprise Features

Free VoIP communications. A key feature for many hotel companies is the ability to provide free VoIP communication between properties and the corporate entities. With a centralized switch all of the property operations are in effect an extension of the main switch. As such, hotels are able to take advantage of features such as name lookups, four to five digit dialing internal conference calls and other features.

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Standardized brand offerings. Outside of the reduced costs, hotel companies are looking to offer a common voice experience across all properties. By delivering a standardized communications experience, hotels are able to extend the brand experience to the guest experience as well.

Reporting. Some solution providers offer sophisticated reporting tools that allow companies to effectively manage their communication solutions and also manage communications from a companywide standpoint. This includes gaining an understanding of call volumes and usage as well as standardized features such as the wait times before calls are answered and monitoring of standard greetings by operators.

Analog Phone Requirements

Given that most of the hosted solutions rely on IP-based voice communications, in the past providers were challenged with providing service to those hotels who are still provisioned with category 3 copper wiring and operate with traditional analog phones in the guestrooms. Today most hosted solution providers can address the analog requirements through the use of analog to

IP conversion gateways. These gateways convert the IP signals to analog for use with traditional analog phones and work with most hosted IP PBX solutions.

Provisioning of Hospitality Functionality

Of the hosted solutions currently in the marketplace, one key aspect is that they are specifically designed for the hospitality industry. Their unique abilities to interface with other applications, such as PMS, call accounting and voicemail, allow hotels a flexibility to use the products and applications that they prefer. Additionally, providing operations with mobility through call forwarding and “twinning” on mobile devices adds to the overall effectiveness of the operation.

Support

There are some clear advantages to the support models of most hosted solutions. Support is concentrated in strategic areas where specialists are responsible for the overall maintenance and support of the systems rather than having technicians coming onsite to the properties. Not only does this have a significant impact on the cost of support, but the quality is magnified. In addition, all software upgrades and hardware maintenance is managed on an ongoing basis benefiting properties with that latest enhancements. Disaster recovery and backup solutions are also carefully managed by the solution providers, and properties do not have to be concerned with this important aspect.

There is no question that the future of hotel communication resides in cloud-based hosted solutions. In fact, some solution providers are actually predicting that there will come a time where guest phones will be removed completely from the guestroom. Dave Thor with Thing5 predicted that hotels will always require

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some voice communication at the property level but believed that they will play an important role as it pertains to mobile and operational communications. The recent proliferation of industry-specific VoIP solution providers attests that this is the next generation of communication technology and the advantages of the technology point to a strong adoption rate. There is also the question of scalability.

Most of the hosted solutions were designed to service small to medium-sized hotels. As the size and complexity of the hotels increase, the ability to scale needs to be verified. Kevin Ruhman with NEC said while the hospitality industry as of late has focused on software as a service (SaaS), NEC has focused on communication as a service (CaaS).

As with any new technology, it is important that hotels conduct their own due diligence to determine the viability of the various solution providers and their abilities to support operations on a long-term basis.

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