



Owning vs. Outsourcing: A Total Cost of Ownership Comparison

This is a brief comparison of the costs of ownership of a traditional PBX solution to Appia's managed services. The comparison uses two office examples, with 25 and 75 users. The focus of this comparison is on costs alone; other benefits of managed services are not considered.

Assumptions

Under both solutions:

- Equipment is purchased outright
- The opportunity cost of capital is assumed at 20% per year
- Annual equipment maintenance is provided
- Usage (local and long distance calling) averages 250 minutes per user per month
- The 25 user office requires one T-1 and the 75 user office requires two T-1s of Internet access
- An average of 10% of users require moves, adds and changes each year
- Taxes and surcharges are assessed at 10%.

Under the PBX solution:

- Standard PBX with voicemail and handsets, based on quotes from PBX vendors
- A ratio of one phone line for every two users

Under the Appia solution:

- A mix of IP phones based on typical Appia customers
- New router and switches
- Appia IP-CTX services.

Appia has a tool you can use to draw your own conclusions – just ask and we'd be happy to provide it.

Conclusions

The tables on the next page show the comparison. As they indicate, the Appia solution provides a savings over five years of:

- \$21,000 for the 25 user office
- \$66,000 for the 75 user office

As noted, this comparison does not include the other benefits of a managed solution. These include:

- Having a single, responsible vendor for voice, video and data services reduces the time required for vendor management and invoice review
- A managed solution is scalable; all that is required are additional IP phones for new employees. PBX systems often require major upgrades
- With a managed solution, customers can justify an upgrade to their data networks, which improves network performance and reduces network downtime.

COMPARISON TABLES

25 Users	Year 1	2	3	4	5
PBX					
Capital outlay	\$27,500	\$0	\$0	\$0	\$0
Opportunity cost of capital	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500
Equipment maintenance	\$688	\$688	\$688	\$688	\$688
PRI	\$4,800	\$4,800	\$4,800	\$4,800	\$4,800
Usage	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Internet access	\$4,800	\$4,800	\$4,800	\$4,800	\$4,800
Moves, adds and changes	\$375	\$375	\$375	\$375	\$375
Taxes and surcharges	\$1,260	\$1,260	\$1,260	\$1,260	\$1,260
Total	\$47,923	\$20,423	\$20,423	\$20,423	\$20,423
Appia					
Capital outlay	\$14,657	\$0	\$0	\$0	\$0
Opportunity cost of capital	\$2,931	\$2,931	\$2,931	\$2,931	\$2,931
Equipment maintenance	\$733	\$733	\$733	\$733	\$733
Appia phone services	\$7,575	\$7,575	\$7,575	\$7,575	\$7,575
Usage	\$1,125	\$1,125	\$1,125	\$1,125	\$1,125
Appia site services	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Adds and changes	\$20	\$20	\$20	\$20	\$20
Taxes and surcharges	\$413	\$413	\$413	\$413	\$413
Total	\$33,454	\$18,797	\$18,797	\$18,797	\$18,797
Difference	\$14,469	\$1,626	\$1,626	\$1,626	\$1,626
Cumulative	\$14,469	\$16,095	\$17,720	\$19,346	\$20,972

75 Users	Year 1	2	3	4	5
PBX					
Capital outlay	\$82,500	\$0	\$0	\$0	\$0
Opportunity cost of capital	\$16,500	\$16,500	\$16,500	\$16,500	\$16,500
Equipment maintenance	\$2,063	\$2,063	\$2,063	\$2,063	\$2,063
PRI	\$9,600	\$9,600	\$9,600	\$9,600	\$9,600
Usage	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000
Internet access	\$9,600	\$9,600	\$9,600	\$9,600	\$9,600
Moves, adds and changes	\$1,125	\$1,125	\$1,125	\$1,125	\$1,125
Taxes and surcharges	\$2,820	\$2,820	\$2,820	\$2,820	\$2,820
Total	\$133,208	\$50,708	\$50,708	\$50,708	\$50,708
Appia					
Capital outlay	\$39,225	\$0	\$0	\$0	\$0
Opportunity cost of capital	\$7,845	\$7,845	\$7,845	\$7,845	\$7,845
Equipment maintenance	\$1,961	\$1,961	\$1,961	\$1,961	\$1,961
Appia phone services	\$22,575	\$22,575	\$22,575	\$22,575	\$22,575
Usage	\$3,375	\$3,375	\$3,375	\$3,375	\$3,375
Appia site services	\$9,600	\$9,600	\$9,600	\$9,600	\$9,600
Adds and changes	\$60	\$60	\$60	\$60	\$60
Taxes and surcharges	\$818	\$818	\$818	\$818	\$818
Total	\$85,459	\$46,234	\$46,234	\$46,234	\$46,234
Difference	\$47,749	\$4,474	\$4,474	\$4,474	\$4,474
Cumulative	\$47,749	\$52,223	\$56,696	\$61,170	\$65,644