



The Pros and Cons of Hosted Services

By Wayne Scaggs

Hosted services or SAAS (software as a service) is an up-and-coming technology concept; it's the integration of licensed software running on local computers connected via the Internet. The software is no longer purchased but leased, and you are connected to a larger system that is able to share the available resources. Driving this technology is the economics of paying only for what you use. Many on-premise systems are underutilized, yet the complete system must be maintained by the end user. Hosted services eliminate that waste.

I recently had a chat with Cathi Farber regarding hosted services in the telemessaging industry. Cathi and her husband Brad own A-B Communications in Lafayette, California, and the Farber family was one of the early pioneers of the industry. They do not use hosted services for their business.

Wayne: Cathi, what are some of the things that concern you regarding hosted services?

Cathi: I like the privacy of our closed system. Another customer can't try to login to our system to see what I have, or inadvertently do something that will crash the system.

Wayne: Any good hosted service provider must provide you with the security and privacy you would have on your own system. Secret information concerning your clients or your business should be as secure as in your premise-based system. No one other than you, and of course, the technician who maintains the system (on a need-to-know basis) should have access to your customer information. Your information is completely secure. Subscribers never have permission to access the system in such a way that they gain access to any other subscriber or to do anything that will harm the system.

Cathi: I like that I own the equipment; it can't be changed without my approval, and I decide the level of technology we are working on.



Wayne: Every service provider wants to provide the best service possible. When a system falls behind in technology it costs more to support that system, and often the cost to bring an out-of-date system current is more than if the system had been kept current right along. Most updates make the system operate more efficiently and provide easier maintenance. If there is a feature you do not want, you can ask if it can be disabled. Or you can choose not to pay for unwanted technology.

Cathi: I like that I own the equipment, and I like the fact that no one can raise my rates to run that equipment.

Wayne: Rates for hosted services must always reflect a savings to the subscriber. Hosted services are only successful when the subscriber gains benefits from the hosted services, which must include monetary gains for that subscriber. The rates to operate your own system include your service contracts. When the service contracts are up for renewal, the rates can be raised; it is the same in a hosted service environment.

Cathi: It would cost a ton of money to give up the current system, and then have to try and put one back together or buy another one if I choose to go out on my own again.

Wayne: The decision to move to a hosted system or services should be based on a need to make a change in the status quo. Perhaps your profits have dropped, your technology has become outdated, your operating costs have sharply increased, there's conflict with your vendor, or you no longer want the headache of maintaining the system you have.

Now the question becomes: "How much will a mistake cost me?" If you buy another premise-based system, along with all the infrastructure costs needed to make it work, and later realize it was a mistake, how much will *that* cost, and how long will it take to recover? If you select hosted services and later decide to make a change, you have spent a lot less money and time from which to recover.

(Continued on page 24)

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(Continued from page 23)

Cathi: I think that the value of selling my business is higher if I have everything in place for the buyer to take off running. They will have everything they need to be in business without paying someone else or having to buy a completely new system.

Wayne: The value of your business is not based on your equipment; it is based on the revenues your customers generate. When a business buys equipment, they often pay top dollar for good equipment. When a business is sold, however, the client accounts are often moved to the buyer's existing system. In other cases, the old equipment is used for as long as that equipment continues to produce the revenues the buyer contracted for in the purchase of the business. This is also true for the business that uses a hosted service provider; the new buyer will continue to use it if the expected revenues are generated. The buyer will use whatever produces the desired results.

Cathi: I don't like the idea of having system outages that are beyond my control, and I don't like the idea of my (or someone else's) ISP/Internet connection determining if I am up and running on given any day. I also have a backup power system, which means that we have zero problems due to power outages. I like being set up for that. I would not want

to give that up.

Wayne: Hosted services (systems) are housed in professionally run "collocations," which are located in data centers or phone companies. They have redundant power, air-conditioning, and backbone infrastructure; plus, they are manned twenty-four hours a day and have secured entry.

Cathi: I like being in control of the contract between our company and the phone company. I like being able to deal directly with phone company regarding problems and changes.

Wayne: One of the benefits of hosted services is that the infrastructure is shared, which provides more services for less money. This is accomplished through the wholesale purchase of infrastructure, which lowers the cost of service, and this means that the savings are passed on to the subscribers. Also, because the accounts are larger, providers of hosted services have direct access to the NOC (Network Operations System), and the technicians that know what they are doing.

With all these advantages, hosted services can be the best option for many call centers. ☛

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