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Phone system fable

Four bids, \$115,093 price difference

[Small Business Technology Newsletter](#) By James E. Gaskin, Network World, 08/30/07

You may remember me talking about Brian Padden last October in [A Free Telephone Consultant](#). I touched base with him the other day and he told me about a recent project for a financial services company looking for a new phone system that would support 65 phones in two locations (60 in Dallas, five in Fort Worth). Padden organized presentations from four phone system vendors and three carriers. The final quotes covered an amazing range: \$29,078, \$39,970, \$48,500, \$66,335, \$92,921, and \$144,171. Yes, that's a \$115,093 difference between low and high bids. Have you ever seen a better justification for serious comparison shopping?

Vendor 3 (the names are hidden to protect the gougers) provided three system variations to cover what it considered important upgrades and future growth options. Yet if the future is so critical, why did it offer only a one year parts and labor warranty, compared to the three and five year hardware warranties with one year labor included from the other vendors? Vendor 3's proposals were \$66,335, \$92,921 and \$144,171. Even the lowest priced option cost nearly \$18,000 more than the next highest quote.

After months of wrangling back and forth, the buyer decided to choose the telephone system vendor and carrier Padden recommended at the beginning. Does this mean you should trust your consultant? Certainly, if you also verify by looking at the submitted proposals.

Padden recommended the second least expensive vendor, at \$39,970, over the least expensive. Part of the reason was the quality of proven hardware (the lowest cost option includes a brand new model) and partly because of the differing experience levels of the local suppliers. Installation experience and dealer reputation makes a big difference in something as critical as your voice communications. Do you want to say "the phones will probably be back up next Thursday" to your boss?

Three data carriers bid on the job, and the prices for dual T-1s were \$1,182, \$1,216, \$1,554, \$1,839, and \$1,966 (two carriers included two options). These numbers don't reflect straight data line pricing because of variations in 800 lines, Direct Inward Dial numbers and the amount of phone minutes included per month. Still, a \$784 per month difference between the high and low bids again justifies comparison shopping.

What can we learn from all of Padden's hard work? The first lesson jumps right out, doesn't it? You can, if not careful, pay way too much for systems. I was astounded by the swing of \$115,093 between the low and high bids, as was Padden.

Take this to heart: no matter how wonderful a vendor appears, and how often they tell you their system does the most for the least, get more bids. One bid is too few, 10 is too many, but three or four is just about right.

Recognize that a project like upgrading your phone system will take some time. Padden spent several months researching the needs of the company and gathering vendors to give presentations to the committee. Now if Padden was the regular technology consultant for this firm, rather than helping them with a one-time project, they would likely rely more on his advice rather than having the committee sit through multiple vendor proposals. If you have a trusted technology advisor rely on their expertise.

Financial services companies like spreadsheets, so Padden made spreadsheets for all the various bid options and permutations. I'm not a big spreadsheet person, but seeing \$115,093 difference between two final pricing cells got my attention.

How do vendors who charge as much as five times the prices of their competitors stay in business? Being flip, it doesn't take many sales to really fill the cash register when you charge that much more than your competitors. Sometimes, a vendor bids on jobs a bit outside their normal area of expertise, and they charge more to cover anything they missed (although not normally this much more).

The biggest variable in bid pricing? Telephone handsets. Plain, functional VoIP phones range from around \$100 now to over \$1,000. Fancy phones like you see on TV, with big color touch screens, still cost a premium. If you need or want those types of phones with those features and price tags, that's your business. Just realize that modern network-based phones now come in all price ranges, unlike a few years ago when all IP phones cost many hundreds of dollars.

Here's another good reason to shop around: the money you save may be your own.