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Penny Wise and Dollar Foolish

The other day a customer balked at our fee and asked "how come you charge this much? Can't you just do a quick walk-through and tell me how to cut my energy bills?"

Wow, what a question.

"John, let's look at this from a different point of view. I can see that you are concerned, but by any measure my fees tend to be quite reasonable. My fee is a drop in the bucket when you look at the hundreds of thousands of dollars I'm saving you each year. Also, I know I charge less than most of my competitors, so you are getting great service at a the best price."

"Let's consider this from a purely logical perspective. We always make sure we save our customers at least five times our fee, and in your case we are able to guarantee that you'll save at least 13 times our fee."

"And you'll keep receiving those savings year after year but you only have to pay us once."

I'm going to remove the numbers and look at it in relative terms.

Facts:

- Scoping Audit costs less, but the potential savings is less as well.
 - Scoping audit: we can typically cut energy spending 5% – 10% for a scoping audit.
 - Comprehensive audit: we typically cut energy spending 15% – 40% (the average savings is 27%).
- Minimum savings: 5 times my fee
- Typical savings: 10 times my fee

Simple Payback

If you don't want the details feel free to ignore this part....

One of the simplest (and most common) ways to evaluate an investment is simple payback. You divide the cost by the savings. This gives you the time it takes to recover your investment costs.

In evaluating the payback of the energy audit fee, you divide the cost to perform the energy audit by the amount saved.

Worse Case Payback: 2.4 months after implementing the recommendations

Typical Payback: 1.2 months after implementing the recommendations

Where else can you get guaranteed results that give you perpetual savings?

What other service has a payback of less than 90 days with such impressive results? In other words, my fee is a bargain.

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