COMPLIMENTARY WHITE PAPER

The Entrepreneurial Advantage

How to Test a Service Business Idea Before You Invest

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Executive Summary

A sound service business starts with a problem people already need solved, a skill you can use responsibly, and an offer customers will pay enough for you to deliver. Before buying equipment, leaving a job, or taking on fixed expenses, talk to the people who have the problem. Find out what they did the last time it occurred, how they chose a provider, and what they still found difficult. Then test one clearly defined offer on a small scale. The first month can give you enough evidence to decide whether to continue, change the offer, or stop.

Look Where People Are Already Spending

Opportunity can be easy to miss when you already know the work. A tradesperson may take for granted the ability to explain an estimate; a supervisor may overlook what years of organizing jobs taught them about missed handoffs. Watch for recurring problems that cost customers time, money, or confidence. Competition can be useful evidence that people pay to solve a problem. The opening may be in how the work is delivered: a clear arrival window, an estimate that explains what is included, or a report the customer can actually use. See which improvement matters enough for people to choose it.

What the Customer Is Trying to Decide

Consider a buyer looking at a used RV. The buyer may be deciding whether to proceed, ask the seller for more information, or walk away. An independent inspector can help by documenting the vehicle’s observable condition, reporting what could and could not be checked, and explaining the findings without making the decision for the buyer. The same principle applies to a contractor explaining a repair or a consultant sorting out a complicated process. Define the customer’s decision or problem first. It will help you describe the value of the work and set an honest limit on what you can promise.

A Service Customers Will Pay For

A Defined Customer and a Clear Scope

“I help anyone who needs it” is too broad to test. Identify a customer you can realistically reach, the situation that prompts them to look for help, and the result you can deliver. Put the scope in plain language, including what the fee covers, what it excludes, and when the customer can expect the work. Ask for a decision on an actual offer when you are ready to deliver it. A compliment is encouraging, but an appointment, deposit, or paid job is stronger evidence that the offer matters. Before taking paid work, verify any licensing, insurance, and other requirements that apply to the service.

A Price That Pays for the Whole Job

Count travel, scheduling, preparation, on-site work, reports, cleanup, and follow-up. Those hours come out of the same week even when a customer only sees the appointment. Track the costs that rise with every job, then account separately for fixed expenses like insurance and software. Assign a value to your own time so you can tell whether the service can pay you and support the business. Compare the resulting workload with the time you actually have available. A price that works for four jobs in a month might not work if only two are likely.

Example of the Numbers

Suppose you quote $250 for a service that uses $45 in direct costs and four hours of your time. At a target value of $35 per hour, the time allowance is $140. After direct costs and that allowance, $65 per job remains to cover overhead and any profit. With $260 in monthly fixed costs, four similar jobs cover those costs in this example, but leave nothing beyond the allowance for your time. The numbers are illustrative, not suggested rates or an earnings forecast. They exclude taxes and assume the jobs are completed and paid as quoted.

A Process Customers Can Trust

Write down how you will answer inquiries, explain terms, confirm appointments, document work, and handle changes. A simple process is useful before you have anyone to delegate to. It gives you a consistent way to serve customers and a record of where the work takes longer than expected. If a test job goes poorly, examine the cause: the offer may be too broad, the customer may not be a fit, or the instructions may need to change. Make one adjustment and see whether the next job goes better.

FIRST MONTH PLAN

Your First 30 Days

Week 1 Find a Recurring Problem

Choose one kind of customer and have five conversations as a starting point. Ask each person to describe the last time the problem occurred, what they tried, and what happened. Listen for details that repeat without suggesting the answer. At the end of the week, write down the problem in the customer's words. If the answers point to unrelated difficulties, narrow the group or keep listening before you settle on an offer.

Week 2 Write One Offer

Define a service you can deliver with the skills and resources you already have or can reasonably obtain. Write the deliverable, estimated turnaround, exclusions, and price. Estimate all the time and costs, including the work people will not see. Decide what you can afford to spend or lose on the test without disrupting household obligations. If the service requires credentials or coverage you do not yet have, keep testing demand through conversations rather than taking work you are not ready to perform.

Week 3 Test a Small Number of Jobs

Present the same offer to a few people who fit the customer profile. Where you are qualified and ready, take on one to three paid pilot jobs at a clear price. Record the time, out-of-pocket costs, and customer response. Give the customer the deliverable you described, then ask which part was most useful and what remained unclear. Observe whether they would buy again or refer someone, without treating an encouraging answer as a commitment.

Week 4 Decide What the Evidence Supports

Compare what people agreed to pay with what delivery actually took. If customers paid, valued the result, and the numbers fit your capacity and cost target, repeat the test before adding expenses. If people want the service but it takes too long to deliver, try narrowing the scope, changing the process, or adjusting the price. If conversations do not uncover a recurring need or people consistently decline a clear offer, pause or pick a different problem. A small test has done its job when it helps you make a better decision, including the decision not to proceed.

Keep the worksheet on the next page. Use it for one offer, then revisit it after your first conversations.

TAKE HOME WORKSHEET

Test One Service Business Idea

Fill in the first pass today. Replace assumptions with what customers actually tell you and what your first jobs cost.

1 Name the customer and the recurring problem

Who has it, when does it come up, and what does it cost them in time, money, or uncertainty?

2 State the service you can deliver

Write one sentence that describes the result, what is included, and one important limit.

3 Identify evidence of demand

Who will you speak with, and what would count as meaningful evidence beyond interest?

4 Check the economics

Quoted price $_____ Direct costs $_____ Total hours _____ Target hourly pay $_____

Price − direct costs − (hours × target hourly pay) = $_____ per job before fixed costs and profit.

5 Set a limit and choose the next action

What can you spend or risk on the test? What will you do this week, and by what date?

6 Define the decision

What would make you continue, revise the offer, or stop at the end of 30 days?

Adapted from *The Entrepreneurial Advantage* by Bill Riggs.

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