
DO YOUR RESEARCH FOR A NEW BUSINESS



Have An Idea?
Start It Off With Your
Due Diligence!

TSI DIGITAL DIGEST



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TSI DIGITAL DIGEST
an RPE Publication

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Due diligence is part of a phrase that you, as an investor, will hear most often. But what is it, and what does it entail?

Within the pages of this DIGEST, we will explain clearly and concisely what an entrepreneur '**Due Diligence**' is and what you must do to accomplish it before proceeding with your **new business**.

The Idea

Have a good idea for a new business, or have you been thinking about it for a while and want to implement it NOW? Great, but hold that thought and answer a question?..... Have you thought this out, put it on paper, and prepared for the leap?

In other words, have you completed your due diligence?

Due Diligence, What Is It?

Now that we have emphasized this phrase, let us explore what it is. Due diligence generally means reasonable care and caution, or the proper actions that a situation calls for, especially those that help avoid harm or risk.

To simplify the phrase **due**, it means proper or required. In legal contexts, **diligence** implies the degree of care needed in a given situation. In this way, **due diligence** is the level of care or caution that a specific situation calls for.

Why is Due Diligence Required?

Your due diligence is required because opening a new business always involves risk. And what we want to do is minimize risk as much as possible, so it is negligible. Due diligence also entails value, such as:

- The considerable **value** engaged in starting or buying a company both in time and money.
- The **value** of researching and unveiling relevant information before entering into an agreement or deal.
- The quality of financial information obtained can vary and have substantial **value**.



Note: according to the Merriam-Webster dictionary:

"Due diligence has been used since at least the mid-fifteenth century in the literal sense "requisite effort." Centuries later, the phrase developed a legal meaning, namely, "the care that a reasonable person takes to avoid harm to other persons or their property"; in this sense, it is synonymous with another legal term, ordinary care. More recently, due diligence has extended its reach into business contexts, signifying the research a company performs before engaging in a financial transaction. This meaning may also apply to individuals: people are often advised to perform their due diligence before buying a house, signing a loan, or making any important purchase.

Every business starts with an idea. No matter if your idea is for a new product or a service that will revolutionize an industry, your inspiration is a great start. But the question is, how do you plan to bring your idea to life? Building a thriving business takes more than a great idea and a vision; it takes planning, discipline, research, and money.

The Process of Starting A Business

Starting a business involves planning, making financial decisions, and completing a series of legal activities. The following steps will help to guide you in this endeavor.

1. **Conduct Your Due Diligence** - market research will tell you if there is an opportunity to turn your idea into a successful business. It is a way to collect information about companies already functioning in your local area. Use this information to find a competitive advantage for your business.
2. **Formulate and Write Your Business Plan** - your business plan is the foundation of your business. It is a roadmap on how to structure, run, and grow your business.
3. **Choose Your Business Name** - it is not simple to choose the perfect name. You must be confident that your business name is not already in use, that it will reflect your brand and captures your spirit.
4. **Choose A Business Structure** - the legal structure you choose for your business will impact your business registration requirements, how much you pay in taxes, and your liability. Choose well!
5. **Fund Your Business** - your business plan will help you understand how much money you will need to start your business. If you do not have the required amount, you will have to raise or borrow the capital.
6. **Locate Your Business** - your business location is one of the most important decisions you will make. This decision will impact your customers/clients, taxes, legal requirements, and revenue.
7. **Register Your Business** - once you have chosen the perfect business name, it is time to make it legal and protect your brand. If you are conducting business under a name different than your own, you will need to register with the federal government and maybe your state and local government, too.
8. **Get Federal and State Tax Ids** - you will use your (federal) employer identification number (EIN) for essential steps to start and grow your business, like opening a bank account and paying taxes. Your EIN is like a

social security number for your business. Some, but not all, states require you to get a tax ID as well.

9. **Apply for Licenses and Permits** - keep your business running smoothly by staying legally compliant. The licenses and permits required for your business will vary by industry, state, location, and other factors.
10. **Your Small Business Bank Account** - a small business checking account can help you handle legal, tax, and day-to-day issues. The good news, it is effortless to set one up if you have the proper registrations and paperwork ready.



Note: consult with your licensed legal and accounting professionals on the above items to ensure that everything is complying with applicable rules, regulations, and laws.

Benefits of Your Business Plan

Throughout the path of performing your research, you will get a more realistic idea of how much funding your business will need. Even if you find a way to fund the startup yourself, the costs of running the various aspects of the company can go way beyond your initial capital.

Capital Needs

In addition to knowing how much money you will need to get your business off the ground, you will also need to show potential investors how you intend to use it. You can do that with your business plan. While writing a business plan may seem intimidating. It does not have to be, as long as it contains the essential components, such as your target market, product information, financial plan, and the metrics to be used. The plan needs to be concise.

Before you look for investors, it is crucial to have a solid idea of how much money you need to start and develop your business. There are several different factors to contemplate, including:

- Initial Operating Capital (includes Salaries)
- Business Organization (legal formation, licensing/fees banking, etc.)
- Deposit and Security (business space/utilities).
- Required modifications to space.
- Equipment purchase/rental.
- Office supplies.
- Product/Services.
- Marketing strategy.

The Recipient and Competition Marketplace

Key to your new business is the marketplace that you propose to serve. Knowing the following is a part of your due diligence:

- **Product** - knowing about your product's recipients, whether physical or virtual, is essential to the business's success. These recipients (buyer, client, customer, purchaser, shopper) require research to embrace the FACT that you will have a market, what the market wants, what it needs and most likely will trend too. The finalization to this is how you will satisfy this niche and do it better than their existing server.
- **Competitors** - increasing competition (of which you are a part) and tight margins make researching the trends of your new business's marketplace crucial. Knowing what you need to do to succeed is essential.

Note: on the following pages, you will receive insight into how you can perform this research on your own. Knowing how to research your competitors, their operations, prices, and how they provide product value will give you the advantage an upstart needs.



Funding Your Business

Startup Fundraising What Is It?

It is the process of generating the money you need to turn your company from an idea into reality. This DIGEST will only cover bootstrapping and startup fundraising. Now, the how:

- **Bootstrapping** - this is where you commit your funds towards your startup. In doing this, your ledger will show proof to potential investors that you are serious about your business and that you helped to capitalize it.
- **Startup fundraising** - if, like most entrepreneurs, you do not have all of the funds required for your startup business, the solution is to raise the required capital. This can be accomplished by:
 - Seed capital - this is the initial funding that your business receives to get started. Typically, seed capital will come from personal savings, friends, or family members. The amount that investors are willing to contribute will depend on several factors. Those factors include your business, financial history; professional skill; track record of your business management; quality of services provided, and so on.

Note: seed capital is usually used to conduct product development, market research, and any necessary steps for planning the smooth launch of the business.

Other Fundraising Methods

There are other ways to fund your startup, which are discussed in the following publication:

Mouchette, P. (2021). YOUR BUSINESS – The Ultimate Guide to Getting Started: The Dynamics of Planning, Preparing, Managing, and Implementing Your Road To Success. Independently published.

Competitive Research

Research Cannot Be Overstated

Increasing competition (of which you are a part), and tight margins, make researching the trends in your new business's marketplace essential. Within the following pages, you will receive insight into how you can perform this research on your own. Knowing how to research your competitors, their operations, their prices, and how they provide value to their clientele gives you an advantage when it comes to your work. Always make time to do your '**competitive research.**'

Competitive Research

This involves identifying your competitors, evaluating their strengths and weaknesses, and evaluating their products and services' strengths and weaknesses. In looking at your biggest competitors, you can see how your products and services will measure up and what kind of threat the competition will pose to your business.

Benefits from competitive research are:

- **Understanding your market** - competitive research will uncover trends in the market that may have otherwise been overlooked. The ability to recognize and predict developments is a considerable asset and improves customer value.
- **Improved marketing** - customers care about how your product or service is going to make their lives better. Suppose they leave one company to go to a competitor it has to be beneficial to them, such as a better product or service, or the same quality at a lower price. Competitive research helps you understand why consumers will choose to buy from you rather than the competitors and how your competition is marketing their products.
- **Identifying market gaps** - through identifying these gaps, you are analyzing the strengths and weaknesses of your competitors. In looking at the data, you may find a segment of the market that is being underserved. This research could put your business in a unique position to reach those customers.

- **Planning** - the most important byproduct of competitive research is that it will help you create a strategic plan for your business. This includes improving your product or service, using more strategic pricing strategies, and improving your products' promotion.

The How for Competitive Research

To do this, you must identify who your top competitors are and then segment them into the categories of direct and indirect competitors.

- **Direct competitors** - are companies that are targeting the same customer base as you. They solve the same problem that you are trying to solve and sell a similar product or service.
- **Indirect competitors** - may sell something similar to your product or service but target a different audience, or they may target your same customer base but have a slightly different product or service.

Note: it is essential to understand your market segments because it could provide you with growth opportunities. It could also highlight a threat to your business of which you would otherwise be unaware.

Using the Internet

- **Free information** - most companies maintain a website and keep a presence on popular websites like Yelp, Twitter, and Facebook. If you look at keywords and phrases, you can Google them and ascertain the words' facts.
- **Tap into social networks** - many businesses use social media to engage with their customers and promote their services. When looking for insight into how your competitors talk about themselves to their customers, social networks like Facebook, Twitter, and LinkedIn are the place to look. You may also use social media to research what customers are saying about your competitors. i.e., how and why your competitors are not meeting their customers' expectations. Any negative feedback will help you identify areas where you can improve your product or service.

- **New hires** - track your competitors' hiring activity. Often, a new type of position opening up can indicate something in the works that may help your business. i.e., new construction, factory, distribution center, business expansion, and so on. Be careful not to make too many assumptions!

Working Within the Community

Getting involved in the community where you intend to operate your business will put you face to face with real people who can offer valuable insight into the competitive landscape.

Public records - document past and present lawsuits, liens, and other legal actions against a competitor.

Local organizations - like the Chamber of Commerce, Better Business Bureau, or regional building owners and managers associations usually track local businesses to keep their members up to date on problematic organizations.



Featured Book

YOUR BUSINESS – The Ultimate Guide to Getting Started

Starting a business involves planning (for now and future operational development), preparations (for the financial startup and continuation of the company), the ability to manage (critical operations), and the implementation of all necessary legal and managerial decisions. This publication will serve to take you through the steps of making your dream become a reality.

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