



Due Diligence Checklist: The Market

1. Is the company clear on who their customers and users are and why they will want the product/service? It's important to realise that customers and users may not be the same people, but the company will need to satisfy both.
2. Who is going to pay for the product/service? This may be the customer or user but could be another party entirely. Either way, are they likely to pay for it?
3. What are the USPs (unique selling points? i.e. Why would someone choose this product/service over competitors?
4. How large is the demand/need for this product/service? Is the demand likely to grow in the future? You should check any figures given by the entrepreneur about the market size with trusted sources.
5. Who are the competitors? Gather as much information as possible to evaluate whether the idea is strong enough to beat the competition and succeed.



6. Get to grips with the dynamics of their sales channel. Do they sell to customers or to businesses? Or perhaps through a distributor? The nature of their sales channel will have implications on their cost of sales and the difficulty of their marketing.
7. Has the company identified where it is going to sell its product? Do you think this initial market is big enough, suitable enough and accessible enough?
8. What is the time and cost to market? This will help you gauge how much money the sales need to make to turn a profit. And how likely is it that competitors could do something similar in the same period and for a similar cost?
9. Is the selling price justified? Are customers happy with the price? What's the elasticity? How does the price compare with competitor products/services?
10. Is the market established, emerging or is the company aiming to create a new market? If the former two, then the customers will be educated to some degree about the product/service? If the latter, then the company will need to persuade and educate customers about the product/service – do they have a convincing to do this?