



Is Your Due Diligence Doing Its Job?

Don't let challenges with small businesses
get in your way

Did you know that 99.9% of the businesses in the United States are small businesses?¹

Chances are at least one of them is your partner or supplier.

And that can be very good for your business. Because when you partner with small companies, you widen your options to a larger pool of resources that can offer considerable advantages. For example, if you only work with large companies, you could be subject to higher charges for the same services; more rigid, long-term contracts; and having to adapt to another company's workflow.

Small businesses are a significant part of the economy, and it makes good sense to consider them as your business partners. The question is, do you have the capabilities to know who you're doing business with?

With the right approach to due diligence your answer can be a resounding **“yes!”**.

1. 2018 Small Business Profile, U.S. Small Business Administration, Office of Advocacy, <https://www.sba.gov/sites/default/files/advocacy/2018-Small-Business-Profiles-US.pdf>



What you need to know about your small business partners

Don't take your business partner's word that things will go smoothly.

Before you onboard a small business, you need two kinds of information:

1. **Information about the business.** Is this a real business with a real financial track record?
2. **Information about the people behind the business.** Are they who they say they are?

What to look for when vetting a small business and its owners

- Adverse financial history that could be predictive of risk
- Delinquencies or other indicators of financial insolvency
- Signs of potential problems among the principals of the business

A DERAGATORY EVENT LURKS
IN THE BACKGROUND OF

1/3

of small businesses and/or the
individuals related to them



The good news

Due diligence is about getting the whole picture—on the business and its principals. Effective due diligence can help you vet your small businesses partners with confidence.

Fill in the blanks with alternative data sources

Performing due diligence on business partners can be complicated, and even more so when it involves a small business partner.

Small businesses don't have the same data "footprint" as large businesses. This means you'll need to look for alternative data sources to get all the information you need to fully assess a potential partner.

In addition, assessing a small business means assessing its principals or owners. While business information is public domain, personal information can be harder to find—or protected by privacy laws.

These special circumstances create an additional level of vulnerability and risk for your business. By leveraging alternative data sources, you can get the information you need to find your next great business partner.

Small business data sources can include identity verification sources, court filings, financial data, assets and transaction histories, watch lists, sanctions, negative news, social media and customer feedback.

The good news

When you're equipped with the right information to make informed decisions about your small business partners, you can protect your company and take advantage of new, potentially profitable relationships.

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Did you know...

- Most U.S. small businesses don't have a traditional credit profile.
- Of those who do, many only have a single, low-limit credit card on file.
- Personal financials can impact small business solvency.



Due diligence is an ongoing process

What's true about your business partner one day might not be true the next.

In 2018, more than 89,000 U.S. companies filed for bankruptcy.² If one of them were your supplier, would this have been on your radar?

Onboarding is only one part of the due diligence process. Ongoing monitoring keeps you in the know about your business partners and helps ensure your company won't suffer from any unexpected surprises.

By implementing regular, automatic checkpoints, you can make sure you're on top of any changes that might have an adverse impact on your business.

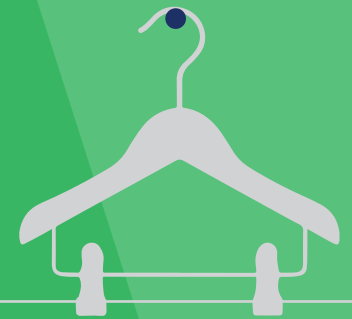
The good news

Robust ongoing monitoring across a deep, wide breadth of data resources allows you to detect problems and quickly intervene if there's an issue.



2. United States Bankruptcies, Trading Economics, <https://tradingeconomics.com/united-states/bankruptcies>

3. U.S. clothing company drops Chinese supplier over Xinjiang forced labour concerns, The Guardian, January 10, 2019. <https://www.theguardian.com/world/2019/jan/11/us-clothing-company-drops-chinese-supplier-over-xinjiang-forced-labour-concerns>



Keep tabs on
your partners to
keep your good
reputation

When U.S. clothing company Badger Sportswear learned about possible forced labor in its supply chain, it chose to drop a supplier. The decision was in line with Badger's global sourcing policy, which is published on its website.²

Create relationships with confidence

Doing business with small businesses is a good thing to do—as long as you do good due diligence.

Comprehensive due diligence helps protect your business against three main vulnerabilities:

- **Regulatory.** Are your business partners meeting all regulatory requirements? If not, your business could be fined.
- **Financial.** Are your business partners financially sound? If not, when they falter financially, your business could too.
- **Reputational.** If your business partners behave badly, will your customers think less of you? Your partners' behavior could have devastating financial and reputational consequences for your organization.

There's plenty of good news when it comes to performing comprehensive, effective due diligence on small businesses.

We offer solutions to help you vet potential business partners throughout the relationship, so you can make the right choices at the right time.

Our third-party screening solutions include:

- Integrated, automated risk management workflows that make vetting potential business partners easy.
- Robust data sources that can help you better assess the financial health of third parties.
- In-depth due diligence at the start of a business relationship, and throughout, so you can take proactive steps to protect your organization.

We give you the advantage

LexisNexis® Risk Solutions has the most complete data sets available on small businesses in the industry.

We constantly update our database, applying 10,000 alternative data sources in our small business due diligence and lending products. And we add value to that data by accurately linking information on businesses and the people behind them.

Our suite of solutions can help you identify, monitor and assess risks and opportunities for your business throughout the entire due diligence lifecycle. And that means you can spend more time doing business—and less time on due diligence.

Optimize your business and reduce risk

Evaluate and assess business partners more quickly, efficiently and consistently. Gain a competitive edge with our market-leading capabilities:



Coverage on 25% more businesses than any other provider.



Extensive, curated, up-to-date data sources not accessible from free tools.



83 billion records from more than 10,000 sources.



Advanced linking technology that uncovers insights at the legal-entity level.



Let's talk.

To find out how we can deliver better results for your organization,
contact us at 800.897.1644 or risk.lexisnexis.com/SMBRisk.

About LexisNexis Risk Solutions

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