The Top 9 Reasons Hardware Startups Fail by CB Insights 2017
Here are more details on the top reasons for failure.

#9 – Regulatory uncertainty
Regulation can help turn the tide of favor in either direction for a startup, and with a lot of consumer hardware products focused towards health/leisure, they can be caught on the wrong side of regulatory changes.

#8 – Investor/founder misalignment
Discord between co-founders or between founders and investors was a fatal issue for multiple consumer hardware startups.

#7 – Consumer adoption barriers
Consumer hardware startups often launch a product equipped with cutting-edge technology, flawless design, and awe-inspiring marketing. A common issue we found with failed consumer hardware products was the lack of a "Why?" Access to funding avenues like crowdfunding have made it easier for an idea to become a product, but there is often a lack of product vision to attract and retain customers, differentiate from competition, or to update the product in the future. Sweden-based Narrative launched a one-of-its-kind wearable camera in hopes of sparking a trend of "life-logging." Narrative created buzz having raised over $500K in a 2012 crowdfunding campaign and they went on to secure over $11M in additional equity funding. But life-logging never became mainstream. Late last year Narrative ceased sales and sold its assets, raising questions about the underlying utility of it's product.

#6 – Too much competition
The consumer hardware space has historically been one in which first-mover advantage is soon wiped away by tech giants following suit with the launch of a similar competing product. Startups looking to gain market share usually struggle against established brand names.

#5 – Manufacturing setbacks
Overestimating production capacity and expecting to scale sooner than supply chains or manufacturing bandwidth will allow was a common reason for failure. Manufacturing problems rooted in issues with materials, technology, or intellectual property were all identified as a factor for failure.

#4 – Product strategy mistakes
Some consumer hardware failures we evaluated made smartphone accessories and for that reason it was crucial for their products to align with the reference smartphone/tablet. In such cases, updates to both major smartphone platforms, iPhone and Android, might create unexpected challenges for the product. iPhone accessory company Popslate faced issues when it discovered that the design for its e-ink display iPhone case meant the product was not working as expected, and they would need major product change before they could ship. Increased R&D expenses coupled with a high burn rate proved it unsustainable for Popslate to continue operations.

#3 – Lack of interest after initial crowdfunding
Crowdfunding platforms like Kickstarter and Indiegogo have been a blessing for consumer hardware startups, and have enabled firms to acquire funds on thin evidence of real capacity to produce a polished product. The project's promise is often based on prototypes or pictures so it's not surprising that many startups fail to deliver, with some failing to even offer a refund to backers

#2 – High burn rate
Money and time are finite and need to be allocated judiciously. In our research of failed consumer hardware startups, spending available funds too quickly was identified as a frequent problem. In

this space, unexpected expenses can be triggered by factors like change in market dynamics or hurdles in product development.

#1 – Lack of consumer demand

Creating products that are interesting but do not serve a clear market need was identified as the number one reason for failure of consumer hardware startups, given that it was a problem identified in a notable 39% of cases.