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6 Reasons Why Your Startup Fails

We know it might sound harsh but let's face it, **most startups fail**. According to CBInsights (2019), it was estimated that almost 90% of startups fail.

Surprisingly 97% of those startups were seed or crowdfunded consumer hardware startups, yikes! In terms of upstart tech companies, the failure rate is around 70%, which is still quite high.

Now, we don't want your startup to fail so we have curated a list of ways you can avoid failure.

Don't crash and burn, read and learn.

1. There is no market for your product.

"We're the next Facebook!" Are you? Are you sure? Really? We love enthusiasm but you need to be realistic. What is your unique selling point (USP)? What makes you different? Know your chosen market like the back of your hand. If you can get online, you can do your research. You'll need to come up with a brilliant marketing strategy and a customer acquisition strategy to prove that you know what you're doing. Can you answer the following questions?:

- Have you learned from early versions of your product?
- Have you learned from your competitor's mistakes?
- Are there any key features you want to add to make your product different from the rest?
- Why should anyone care about your product?
- Are your product milestones in place?
- How often do you intend to update your product?

Top Tip: There's no excuse for laziness. If you really don't know where to start, hire someone who does. Market researchers are always looking for exciting new challenges.

2. Your bank account is empty.

Approximately 29% of startups run out of money. Also, if you can't afford to hire people, don't. **Pricing and cost issues result in 18% of all disasters.** Make sure you have two founders. Two heads are better than one by significantly increasing your odds of success. Based on relevant data (2019), companies with two founders raise 30% more than those with one, they are 19% less likely to prematurely scale and they have around three times the amount of user growth. If you know what the market looks like, you can implement strategies to make a profit! Even breaking even for a while is OK as long as you have a plan in place to improve. Funding might be available, search for it, apply for it, try to get yourself an investor! There are so many options available such as:

- Angel investor
- Online lender
- Venture capital (VC)
- Crowdfunding (Kickstarter, Indiegogo)
- Personal funds
- Bank loan
- Borrowing from family or friends
- Other funding
- Donations from family or friends

Top Tip: Investors aren't interested in good ideas, good ideas are everywhere. Actions speak louder than words. Being able to grow a little bit on your own before seeking investment can go a long way, investors like to see evidence of traction. This evidence can be found in press visibility, sales metrics, website traffic, app downloads etc. The more traction, the better.

3. The team doesn't work.

You've got funding and now you need to build up a team of people to help your business grow. This is quite tricky because hiring the wrong people, or hiring people for the wrong reasons is probably a mistake. Remember that even though your family member or best friend knows X, Y and Z, they might not make a good employee. **Not hiring the right team members accounts for 23% of all startup failures.** Proactive individuals are able to organise themselves and deal with issues which may escalate quickly. The more self-motivated your teams are, the faster the success rate. We've written more about hiring the right people here and here. It's worth noting that hiring a lot of managers all fighting for attention is a bad idea, you need people willing to step up and do the work, leaving their egos at the door. If you hear the phrase "that's not my job" uttered at any point, then that's probably not a good sign. Most managers in startups do a lot of different tasks, before more employees are hired to help, without complaining.

4. Your business model doesn't exist.

Imagine starting a business without a plan. Why would anyone do that? The sad fact is that it happens, a lot. That's might be the reason **why your startup fails**. **Products without a business model equal 17% of failures.** There are so many business models to choose from such as the Ecosystem Model, On-Demand Model, Freemium Model, Experience Model, Subscription Model, "Free" Model, Access-Over-Ownership Model etc. If you need advice, there are venture builders and consultants out there who would be willing to help you. If you don't know what you're doing, it's crucial that you find people who do! Nobody wants to read your boring 50 page business plan either. Be aware of your competitors and think outside the box, the startup world and the corporate world are very different environments. One is a jungle, the other is a zoo. If you have written a really long winded business plan, that's OK, keep it for internal use, it won't go to waste and it's likely a lot of work was put into it. However, it means nothing if you can't sum up your ideas in a concise manner. Choose a business model, make sure you have a solid executive summary (three pages maximum) and that your pitch deck is on point (15 pages maximum). No spelling mistakes, no grammatical errors, no low quality images, etc.

5. The users don't like it.

Products with no user experience (UX) testing tend not to work, **un-friendly products cause 17% of failures, ignoring customers and not listening to their feedback leads to 14% of failures and poor marketing also leads to 14% of failures.** Did you survey the competition? Every business has competitors. Investors (and venture builders know that you're not ready if you think your startup has no competition. Analyse your competition, write down why you're better and know your market. Caring more about press releases than your customers is a definite no-no. Marketing teams should always work with the product or development team so as to avoid any miscommunication too.

Vanity metrics are OK to get a company started but they're useless if you're relying on them to keep the company afloat, unless you're an influencer who gets work based on vanity metrics (followers mainly), social media accounts should exist solely to communicate with potential partners, clients, investors, team members and leads etc., to show them what you're doing and to share relevant content. Identify metrics that mean more and you'll be able to target your product to the right people. Never underestimate and always know your audience.

6. Someone else did it better.

When startups get outcompeted, they account for 19% of failures and simply mistiming your product accounts for 13%. If you don't stay on top of trends, you're unlikely to know when to launch. If you release a product, especially a digital product, in the right place at the right time, you'll be so much better off. If you don't release it at all, or if you wait until the trend has blown over, or if you're too ahead of your time, you might not see the results you want.

Top Tip: Thinking “we’re not ready yet” isn’t good enough, consider this: launch first, fix later. We wrote about this in our blog post ‘Brace Yourself: Competitors Are Coming’.

If you’ve founded a successful business in the past, your chance of success is 30% in terms of the next venture. When founders fail to make their previous business work, they have a 20% success rate and for first timers looking to become successful entrepreneurs, it’s 18%.