


Why do startups fail? 7 reasons tell you

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Statistics show that 9 out of 10 startups fail. I don't know how this statistic affected you, maybe you thought your company might be one of those companies that fail, or maybe you think about how the company that survived this deep sea of failure would be

In both cases, one can never ignore this high percentage, which indicates that all companies fail, and it is necessary to understand the reasons for this to take advantage of it and learn the lesson. That is why we will tell you about 7 reasons why startups fail

The first reason is that there is no need in the market for the product

Startups fail when they don't solve a market problem. We've had great technology, lots of data on shopping behaviour, and a great reputation as an industry leader, with an impressive group of experts. But what we don't have is a technology or a business model that solves a public pain point, in a scalable way

Treehouse Logic founders report their failure —

The first reason for the failure of many startups is to provide a product that is not currently needed in the market, as a result of not focusing on and listening to customers, or because they presented their product at an inappropriate time, and were unable to achieve a compatibility between their product and the aspirations of users in the market

That's why the company's founders described their failure to talk about this point. The company relied in its work on providing solutions in order to help individuals to jointly collaborate in online shopping. Which used to solve a problem that people don't have now

The main reason this happens is that the market research process has been ignored , or the results in it are wrong. This issue also occurs due to the lack of interest in developing MVP Minimum Viable Product to test the idea before its full market launch

The second reason: out of cash

It is not possible to talk about the reasons for the failure of startups without addressing financial problems. There are different forms of financial problems faced by companies, but they agree in the end result is the company's depletion of liquidity, and thus its inability to continue its operation again. This happens due to the following reasons

1. Failure to secure a new financing round

Some companies rely on continuous funding rounds to manage their business, and when they are unable to secure a new round, this causes them financial problems. The main reason companies rely on financing rounds is that they double their spending, and therefore they are not able to control the finances except through these rounds. And when you don't succeed in securing a new one, that leads to failure

This is what happened with Anki, which started its work in the field of artificial intelligence to produce robots in 2010. During nearly a decade, the company succeeded in securing 5 investment rounds worth \$182 million. In 2019, the company's CEO, Boris Sofman, announced that the company could not secure a new round, after the deal was disrupted at the last minute, as he described it, with the end result being the closure of the company

An infographic showing what happened with 1,119 startups from the first round of funding to the sixth round, which saw only 3% of the total companies remain
[CBInsights website](#) /

Error in financial management .2

One of the things that lead to a financial problem is the error in its management, whether because of poor planning, or a problem in sales as a result of a flaw in the forecast, or due to the presence of funds owed to the company but not yet received from external parties

Founded in 2011, Zirtual has successfully served many companies, providing them with virtual assistants that perform certain administrative tasks, such as scheduling meetings. The company decided to expand its operations, but it did so early

This burned a lot of money in order to implement the growth plan, but it did not follow a good planning of things. To find the company itself required to pay the salaries of nearly 500 employees in the company, as a result of estimating the accounts incorrectly, and the result was bankruptcy, and later the company was sold

Error in pricing .3

One of the most important things that lead to a financial problem is the incorrect pricing of products. Especially when a company decides to rely on price burning as a market entry strategy, it can be difficult to cover costs, with not enough profits to make up for it

The pricing problem may be that the customer sees the price of the product as more than he can afford, or has other products to buy, or because he doesn't see the value he will get for the amount requested. Delight IO, which provided a usability testing service for mobile applications, was exposed to this, and customers did not buy its services because they did not find what convinced them to do so

Watch Video At: <https://youtu.be/UQyxSowePs>

The third reason: the team is not suitable for the idea

If the board was really harmonious, we would have found out 6 months ago. I blame myself for a lot of what happened, not to hire more experienced people. There was no malice but naivety in the act, if we had a financial manager the story would be completely different

Marit Kate Donovan, CEO of Zirtual on his company's bankruptcy —

No matter how great the ideas are, having the right team capable of implementing them is a must. Some ignore this fact as a result of their desire to save costs; He works alone or with a limited number of partners, without thinking about hiring managers or getting more partners in influential positions, or he chooses unsuitable employees just to save cost

This problem may cause the end of the company as it happened with Zirtual. Of course, the desire to save costs is completely understandable and must be pursued, but in a way that maintains quality. That is why companies are now resorting to hiring freelancers, this gives them the right quality, while bearing the lowest cost. Companies can find the best professionals in various fields, by hiring them through an independent website

The problem of the inappropriate team for the idea may occur as a result of the founders not being aware of this. This is what happened with Lumos, which had to close in less than a year, as the founders realized that they “were not the right team to build a company.” With their admission that there were at least seven major problems that led to the company's collapse

Fourth reason: competition

Even with the strength of the company and the completeness of all the elements of the product or service provided, strong competition can bring down some companies and cause them to fail. In the end, the customer is looking for someone who gives him the choice that suits him, he does not have to feel belonging to a particular brand, unless this brand gives him a reason to do so

The principle of competition emphasizes that no one can guarantee the continuity of his success, except with continuous work and effort. It is not possible to be satisfied with previous achievements, and to believe that they are the safety key to staying within the successful companies, and we often find that failure happens to companies years after starting their work, which confirms the importance of permanent work

Rdio emerged as one of the first music streaming service providers in America. The app developers wanted to offer a product that had a different competitive advantage, showing its user preferences for what their friends were listening to, and giving them suggestions for listening based on their playlists

The company has raised \$125 million in the 6 funding rounds it has been involved in. However, when Spotify came on the scene, it managed to outpace Rdio, as it offered a better competitive advantage to customers. Finally, Rdio ceased operations in 2015

The fifth reason: poor product

One of the main reasons startups fail is that they offer a poor product in the eyes of customers. Maybe it's because it doesn't care enough about user experience, and doesn't meet customer needs well. Although this is obvious, some companies forget about it, and .think marketing campaigns are enough to convince the customer of the product

But the fact remains that the customer does not buy the ads, but the products or services offered. This is what happened with the giant Google in one of its projects; Google Plus . The company focused on its desire to compete with Facebook, but it did not use its efforts appropriately to come up with a product that attracts the attention of the public, and the .result was Google's announcement to stop the service in 2018

Reason 6: A product without a strong business model

What is the use of the product for the company if it is not able to make a profit through it? In fact, this is one of the challenges that most start-up companies face, as when they start thinking about the company, the focus is on creating a proposed feature that is actually .useful to customers

But the company's goal is to get profit in the end, it works only for that, and does not want to get costs higher than revenue which means loss. So, she turned her thinking towards designing her own business model . It is also no longer sufficient these days to rely on one source to achieve profit, but with time, choosing more than one profit channel becomes a .necessity for success

Watch Video At: <https://youtu.be/Fy1iWti5N5o>

One of Silicon Valley's most famous educators of entrepreneurship, Steve Blank, defines the startup as "a temporary organization designed to search for a repeatable and scalable business model." Through the model can profit and scale properly. His absence leads to .failure

Maple started its meal prep and delivery business in 2014 in New York. They also used to offer free sugar cookies with every order. The company distinguished itself from the rest in providing a complete restaurant experience, with its own applications, food preparation kitchens, and delivery workers, without having to open an actual restaurant .due to the high cost of that

The product was perfect for customers, but later reports revealed that the company lost money on the meals it delivered, and started making a very small profit margin in 2016 of just 30 cents a meal. The company had raised \$29 million through investment rounds, which helped it cover costs. But this was not enough to continue with the potentially large .losses

Therefore, the company attempted to modify its business model, increasing the price by adding other fees such as delivery and sales tax. As a result, customers switched to other service providers, and the company went out of business in 2017. This underscores the

value of a solid business model from the start, and that if it doesn't help the startup profit,
.its chance of survival is nil

The seventh reason: poor marketing of the idea

The importance of marketing as an influencing factor in the success of companies can no longer be denied. As all the effort in product design and preparation, marketing is directed at reaching customers, by figuring out how to attract their attention and convert them into potential customers, and eventually actual customers. So it's no wonder poor
.marketing can result in corporate failure

: Paul Brodzinsky says of Overt

The fine line between the life and death of an Internet service is the number of users. In the initial period of time the numbers were increasing systematically. Then we reached the ceiling of what we could achieve effortlessly. It's time to do some marketing. Unfortunately,
.none of us were skilled in this area

In conclusion, it cannot be judged that failure occurs as a result of one cause only, but it is the result of a group of causes that occur together, one reason may affect more than others, but in the end this does not mean neglecting the rest of the reasons. The bad experiences of failed companies tell us that we must take care of all the elements of a successful business together, and that this is the only way for our company to become the
.one that succeeds out of the ten companies