

20 REASONS STARTUPS FAIL





NO MARKET NEED (42%)

FOCUSING ON INTERESTING PROBLEMS RATHER THAN MARKET NEEDS WAS THE TOP REASON FOR FAILURE IN 42% OF CASES. MANY STARTUPS HAD GREAT TECHNOLOGY AND EXPERTISE BUT DIDN'T ADDRESS A SIGNIFICANT MARKET PROBLEM WITH A SCALABLE SOLUTION. ESSENTIALLY, IF YOU'RE NOT SOLVING A REAL PAIN POINT, YOUR STARTUP IS LIKELY TO FAIL.



RAN OUT OF CASH (29%)

MANAGING MONEY AND TIME WISELY IS CRUCIAL FOR STARTUPS, AS 29% OF FAILURES CITED POOR ALLOCATION. RUNNING OUT OF CASH OFTEN LINKS TO ISSUES LIKE POOR PRODUCT-MARKET FIT AND FAILED PIVOTS. WITHOUT SECURING ADDITIONAL FUNDING, MANY STARTUPS ULTIMATELY RUN OUT OF RESOURCES AND FAIL.



NOT THE RIGHT TEAM (23%)

A DIVERSE TEAM WITH DIFFERENT SKILLS IS KEY FOR STARTUP SUCCESS. MANY FAILED FOUNDERS WISH THEY HAD A CTO OR BUSINESS-SAVVY CO-FOUNDER FROM THE START. IF THE TEAM CAN'T BUILD THE PRODUCT WITH MINIMAL HELP, THEY SHOULDN'T START A STARTUP. IT'S ALSO CRUCIAL TO HAVE PARTNERS FOR CHECKS AND BALANCES.



04

GET OUTCOMPETED (19%)

STARTUPS OFTEN HEAR TO IGNORE THE COMPETITION, BUT ONCE AN IDEA TAKES OFF, MANY WILL ENTER THE MARKET. WHILE OBSESSING OVER COMPETITORS ISN'T HEALTHY, IGNORING THEM LED TO FAILURE IN 19% OF CASES. STAYING AWARE OF COMPETITORS ENSURES YOUR PRODUCT REMAINS USER-FRIENDLY AND COMPETITIVE.

05

PRICING / COST ISSUES (18%)

PRICING IS A TRICKY ART FOR STARTUPS, REQUIRING A BALANCE THAT'S NEITHER TOO HIGH NOR TOO LOW. THE KEY IS TO ALIGN THE PRICE WITH CUSTOMER EXPECTATIONS AND THE PRODUCT'S VALUE. USING A MODEL BASED ON USAGE, LIKE ACCUMULATED TIME, OFTEN LEADS TO BETTER RESULTS AND MORE SUBSCRIPTIONS.

06

POOR PRODUCT (17%)

IGNORING USER WANTS AND NEEDS, WHETHER INTENTIONALLY OR ACCIDENTALLY, CAN LEAD TO FAILURE. PRODUCTS THAT DON'T QUICKLY ENGAGE OR RESONATE WITH A BROAD AUDIENCE OFTEN STRUGGLE. REFLECTING ON THIS, IT'S CLEAR THAT SIMPLIFYING THE PRODUCT TO ENHANCE IMMEDIATE ENJOYMENT AND USER ENGAGEMENT IS CRUCIAL.



07

LACK BUSINESS MODEL (17%)

FAILED FOUNDERS OFTEN EMPHASIZE THE IMPORTANCE OF A FLEXIBLE BUSINESS MODEL. RELYING TOO HEAVILY ON A SINGLE CHANNEL OR FAILING TO SCALE FINANCIALLY CAN DETER INVESTORS AND LIMIT GROWTH, ESPECIALLY WHEN COST-EFFECTIVE STRATEGIES LIKE SEO BECOME VULNERABILITIES AS THE BUSINESS EXPANDS.

08

POOR MARKETING (14%)

MASTERING HOW TO CAPTURE AND CONVERT YOUR TARGET AUDIENCE INTO CUSTOMERS IS CRUCIAL FOR SUCCESS. HOWEVER, 14% OF STARTUP POSTMORTEMS REVEAL THAT FOUNDERS OFTEN STRUGGLE WITH MARKETING, ESPECIALLY THOSE WHO PREFER CODING OR PRODUCT DEVELOPMENT. HITTING A USER GROWTH CEILING WITHOUT MARKETING SKILLS CAN BECOME A MAJOR ROADBLOCK.

09

IGNORE CUSTOMERS (14%)

IGNORING USER FEEDBACK IS A QUICK WAY FOR STARTUPS TO FAIL. IT'S IMPORTANT TO TEST YOUR PRODUCT WITH POTENTIAL USERS EARLY AND KEEP LISTENING TO THEIR FEEDBACK. GETTING TOO CAUGHT UP IN YOUR OWN IDEAS WITHOUT CHECKING IN WITH CUSTOMERS CAN LEAD TO MISSING THE MARK. ALWAYS STAY TUNED TO WHAT YOUR USERS NEED.





PRODUCT MIS-TIMED (13%)

LAUNCHING YOUR PRODUCT TOO EARLY CAN TURN USERS OFF IF IT SEEMS UNFINISHED, MAKING IT HARD TO WIN THEM BACK. CONVERSELY, RELEASING TOO LATE MIGHT MEAN MISSING YOUR MARKET OPPORTUNITY, AS TRENDS AND TECHNOLOGIES COULD HAVE MOVED ON.



LOSE FOCUS (13%)

DISTRACTIONS SUCH AS SIDE PROJECTS, PERSONAL ISSUES, OR A GENERAL LOSS OF FOCUS WERE CITED AS CONTRIBUTING TO STARTUP FAILURE 13% OF THE TIME. ONE FOUNDER NOTED THAT AFTER AN EVENT, THEIR TEAM'S INTEREST WANED, LEADING TO DOUBTS ABOUT THE STARTUP'S DIRECTION AND THE DESIRE TO HANDLE RESPONSIBILITIES LIKE MANAGING EMPLOYEES AND INVESTORS.



DISHARMONY ON TEAM (13%)

CONFLICTS WITH COFOUNDERS OR INVESTORS CAN BE DISASTROUS FOR STARTUPS. FOR EXAMPLE, ONE CASE INVOLVED SPENDING EXCESSIVELY WITHOUT GROWTH, REJECTING KEY PARTNERSHIPS, PREMATURELY PHASING OUT OLD PRODUCTS, AND INFLATING COSTS WITH HIGH SALARIES AND A SHIFT TO A LESS COMMITTED WORK CULTURE. THESE ERRORS COMBINED TO STRIP THE STARTUP OF ITS MARKET LEADERSHIP.



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PIVOT GONE BAD (10%)

Pivots can sometimes lead to huge successes or start a journey down the wrong path. As one post-mortem puts it, pivoting just for the sake of change doesn't work. It needs to be a thoughtful process where you adjust the business model, test new ideas, and measure the outcomes to truly learn and benefit from the shift.

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LACK PASSION (9%)

Many startups have promising ideas, but 9% of founders report that a lack of passion and knowledge in their chosen field contributed to their failure. For example, one founder developed a product aimed at newspapers without a real interest in journalism, ultimately realizing they couldn't build a product they weren't passionate about or regularly engaged with.

15

BAD LOCATION (9%)

Location is crucial for startups in two main ways. First, the concept must fit the location, as success in one city doesn't guarantee success in another; some ideas don't scale well geographically. Additionally, for remote teams, strong communication is essential. Without it, administrative hassles and poor teamwork can lead to failure.



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NO FINANCING / INVESTORS (8%)

Many startup founders have pointed out that running out of cash, often due to a lack of investor interest either during the seed follow-on stage, known as the Series A Crunch, or entirely, is a common reason for failure.

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LEGAL CHALLENGES (8%)

Startups start simple but can run into legal troubles that might shut them down. For example, one faced closure over compliance issues that hit their main revenue, while music startups struggle with high legal costs and tough negotiations with record labels, draining funds and limiting growth abroad.

18

DON'T USE NETWORK / ADVISORS (8%)

Startup entrepreneurs often lament lacking network or investor connections, but surprisingly, many fail because they don't use the networks they have. The advice out there is to involve investors early & ask for help, rather than trying to manage everything solo when you're new and unsure.





BURN OUT (8%)

Startup founders often lack work-life balance, leading to a high risk of burnout, which accounts for 8% of startup failures. Recognizing when to cut losses and pivot, along with having a solid, diverse team, is key to success and preventing burnout.



FAILURE TO PIVOT (7%)

Failing to swiftly pivot away from a poor product, a bad hire, or a misguided decision was identified as a reason for failure in 7%. Persisting with a bad idea can drain resources and funds, and also lead to employee frustration due to a lack of progress.

SOURCES

BASED ON AN ANALYSIS OF 101 STARTUP POST-MORTEMS
CONDUCTED BY CB INSIGHTS

SINCE MANY STARTUPS OFFERED MULTIPLE REASONS FOR
THEIR FAILURE, YOU'LL SEE THAT THE DATA HIGHLIGHTING
THE TOP 20 REASONS DOESN'T ADD UPTO 100%

(IT FAR EXCEEDS IT).

ANALYSIS BY CB INSIGHTS

101 STARTUP POST-MORTEMS

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