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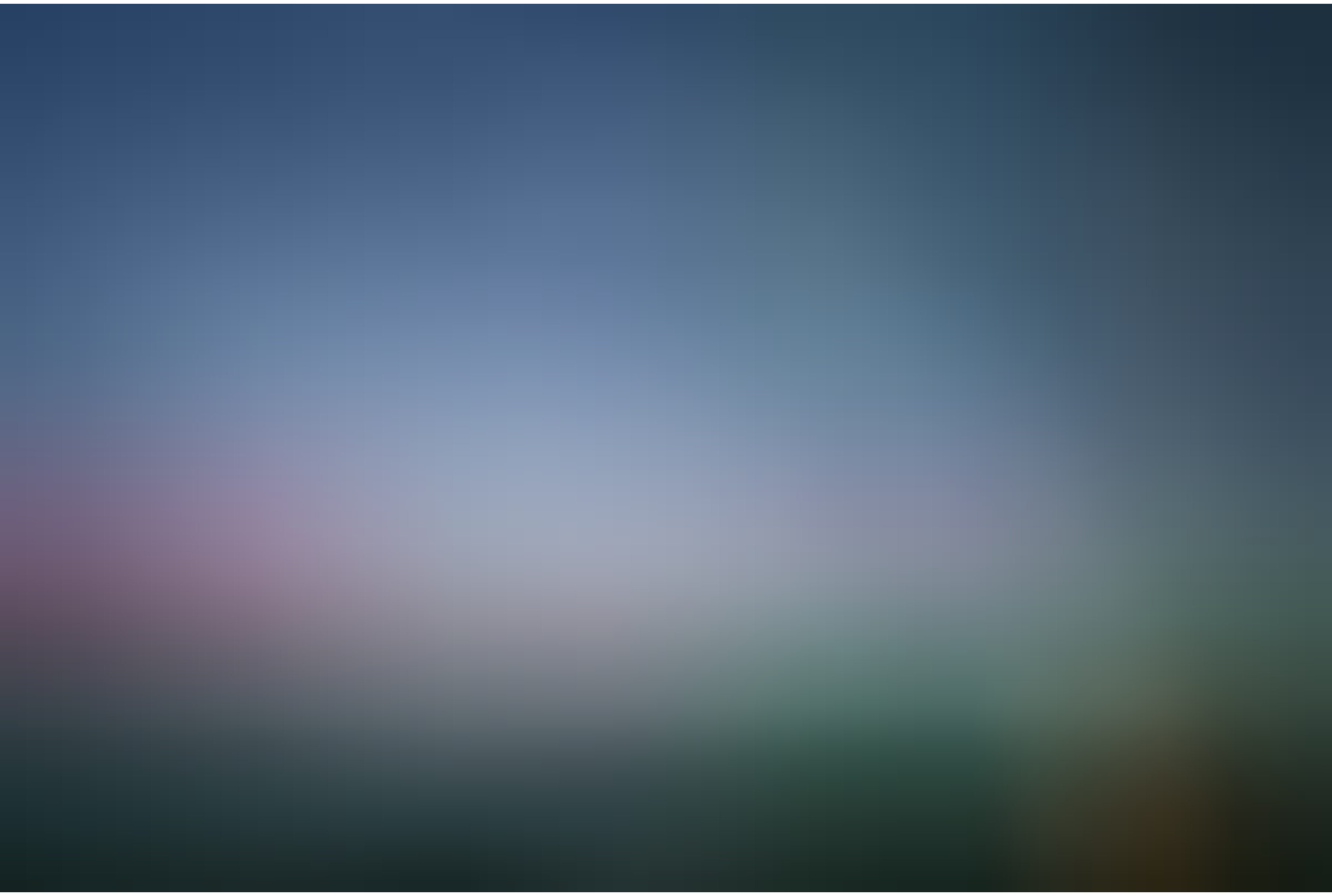


Successful Rocket Launch

Why 90% of Startups Fail, and What to Do About It

Most entrepreneurs think they’re building the next big thing.

In reality, over **[90% of them fail](#)**.

But you’re not one of them right?

That’s what I thought. I thought my startup made complete sense. It would revolutionize the way entrepreneurs build their business.

I was like most entrepreneurs: **I never thought I would be one of the failures**. And I never expected it to be as lonely and isolating.

That's why I'm writing this: to help you prevent this from happening.

A bit of background

Looking back, when I started my startup fresh out of university, I was extremely ignorant and had no idea what I was doing. All I knew was that I wanted to solve the problem I personally ran into: I have a brain full of ideas but no way to turn them into reality.

I've worked closely with the founding teams of over 20 startups, and have seen them work or not work. Combining that experience with my current work with startups, it gets clearer and clearer you CAN build the kind of business that does highly meaningful work.

You CAN solve huge problems and make other people's lives better.

You CAN turn your ideas into reality, and it's completely within your control.

However, most people fail because they make mistakes **they could have prevented.**

Once you're aware of those mistakes, you can pursue success by averting them. Preventing them will allow you to work on things that actually create value.

Want to build a successful startup?
Prevent these mistakes.

Mistake 1.
Focus only on building and not on the customers

> *"Life's too short to build something nobody wants. "- Ash Maurya*

The problem

Your one and only goal should be to solve a meaningful problem **FOR OTHER PEOPLE.**

This is crucial, because 42% of startups fail because they didn't solve a market need.

They failed because they didn't put **others** first.

What generally happens is this:

> *A founder gets an idea >> builds the solution >>tries to sell it >> nobody buys the solution >> the founder runs out of money >> the startup dies.*

When I joined my first startup, this happened to us too. The founders thought they had a brilliant idea, and thought that if they put enough features in the software, their customers would buy it.

We focused only on building, and were terrified of one thing in particular—negative feedback. We were terrified of failure and rejection.

Because of that, we only sought praise—not criticism.

As a result, the business never took off, and eventually failed to meet its milestones.

The solution

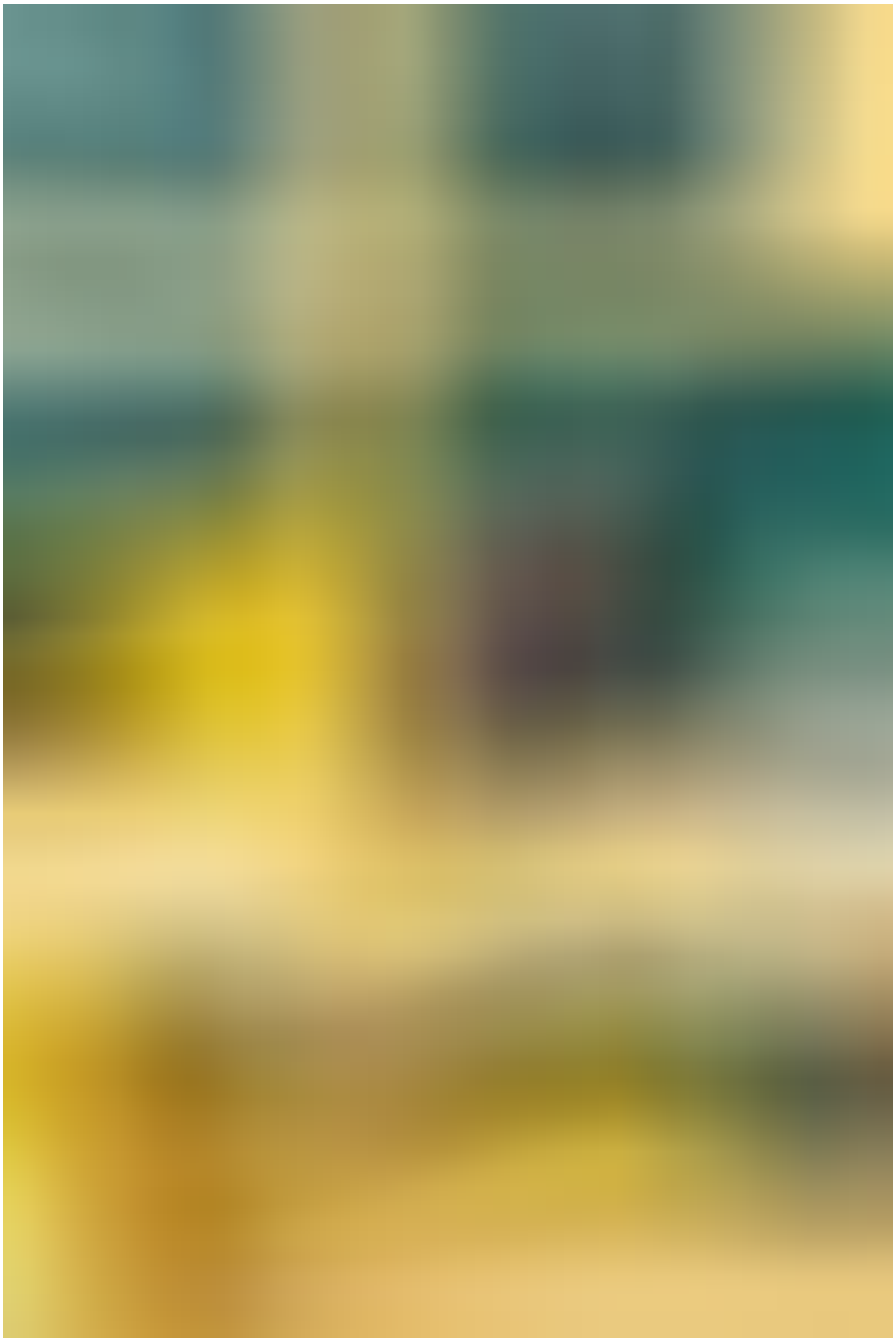
One of the top-tier entrepreneurial masterminds, Steve Blank, has developed a method to increase the success rate of startups. He calls it customer development. The principles of his method are:

- **There are no facts inside the building.** You need to talk to users as much as you can to move forward, even if that means doing things that don't scale.
- **No business was built on nice-to-have features.** The most important thing is to make your customer more successful by solving their biggest struggles, challenges and frustrations. Something nice-to-have won't lead to a big business.
- **No plan survives its first contact with the market.** So don't spend months drawing them up. Take 5 minutes to put your ideas on a business model canvas, and go test them.

The only way you'll be able to grow your startup is by combining building with user research. By embracing feedback, you open yourself up to enormous success you've never seen before.

Want to know how? You can read more about that in my other posts here and here.

Want to build a successful startup?
You have to know what makes your solution valuable for others.



Talk to your users

Mistake 2.
Lack of focus

> *"Lack of direction, not lack of time, is the problem. We all have twenty-four hour days."-Zig Ziglar*

The problem

This one is really easy. If you find yourself doing one of these things without knowing they're going to move the needle, **STOP!**

STOP:

- "Coffees," whether that's with potential partners, investors or acquirers.
- Networking. Seriously…
- Recruiting a board of advisors
- Doing partnerships without proof of extra revenue
- Spending time on PR and social media before knowing you've got the right product for the right customer
- Going to conferences

These are the silent killers of the potential of your startup.

The solution

Basically, the only two things you need to focus on when you're in startup phase is:

1. Users
2. Product

The only way to stay on track as a startup is to develop the product and talk to users. You just don't have time to get caught up in other things.

Want to build a successful startup?
Stop spending all your time doing stuff that doesn't move the needle.

Mistake 3.
Being a One-Person Team

> *"Individuals don't build great companies, teams do."-Mark Suster*

The problem

Paul Graham, one of the founders of Y Combinator and one of the most successful entrepreneurs around, says there are three essentials things to create a good startup.

1. Good people
2. Make something customers actually want
3. Spend as little money as possible

> *As I wrote in a previous post, I failed because I didn't put point one first.*

I thought I could pursue number 2 first, and then find the people to help me build it. But making something customers actually want will fix itself if you have good people. Spending as little money as possible will fix itself if you have good people.

Research supports this:

- Solo founders take 3.6x longer to outgrow the startup phase.
- A balanced team with a hacker and a hustler (tech and biz) has 2.9x more user growth than an unbalanced team

The solution

My advice to each (would-be) founder is this: find **AT LEAST** one person from a different discipline to join you. Ideally, you have a combination of people that covers the holy startup triangle: hipster, hacker, hustler (aka designer, engineer, marketeer.)

Because if you're with good people from the start, making something your customers actually want becomes 100X easier.

The long hours become way more bearable.

You can pull each other through the lows and celebrate the highs.

Your perspective changes because now you're with a team, working on something you believe in, with people you can learn a lot from. And **that by itself is worthwhile.**

Want to build a successful startup?
Don't be a one-person team.

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Mistake 4.
Premature scaling

> *"Premature scaling is putting the cart before the proverbial horse. The more a company grows, the further away from profitability it becomes." -Michael A. Jackson*

The problem

This one is tricky, because it seems you're doing everything right. You're scaling, you're hiring, you're funded, you're growing.

However, they are out of order, and their impact is huge. According to the Startup Genome Project, up to **70% of startups scale up too early**. They even go as far as saying it can explain up to 90% of failed startups.

> *Premature scaling basically means too much, too soon.*

The main goal of a startup is to not be a startup anymore. This means 1) getting to a good product for a good market, and 2) knowing how you can consistently acquire new customers for less money than the revenue they bring in.

You're not ready to scale when:

1. You don't know the lifetime value of your customers (price * repeated purchase) and your cost to acquire that user.

2. Your business model isn't repeating, meaning you're not yet acquiring customers in a similar way.

3. You're spending more time working in the business than on the business.

The solution

This comes down to a couple of stages with different focus.

First: problem-solution fit. The first phase is about figuring out who your primary customer is, what problem they want you to solve and how you're going to monetize on this customer. This means that you a) find a problem that is big enough, b) for enough people and c) where they will pay you to solve their problem in whatever way. I explain how to do that in 7 steps here.

Second: product-market fit. The second phase is about creating an in-demand product that services a large enough market for your startup to grow. This means you test, validate and determine the core features, and use product feedback to build next version to grow the amount of customers who will pay.

Third: channel fit. The third phase is about lowering acquisition costs and increasing revenue so you can reach profit. This means you optimize your conversion funnel and find ways to retain more customers.

Once you know that your cost to acquire a user will be lower than their lifetime value, you can step on the gas and scale up. This is because you will know that 1 dollar will equal lots of more dollars.

Want to build a successful startup?
Don't scale up when you're not ready to.

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In Conclusion

> *"All I Want To Know Is Where I'm Going To Die So I'll Never Go There. "- Charlie Munger*

90% of startups will fail.

The entrepreneurs behind them will continue fighting huge wars for average results.

Average results **at best.**

That doesn't have to be you.

You can reach way higher. The road there is free and open.

Choose success over failure.

Choose customers over products.

Choose focus over external validation.

Choose a balanced team over going at it alone.

Choose predictable growth over "too much, too soon"

If you're able to prevent these mistakes, then you're setting yourself up for major success.

. . .

Two last things...

Liked the article? Please do 👏 and share it with your friends. Remember, you can clap up to **50 times**—it really makes a big difference for me.

And if you want to read more of my "Oh Shit"s and "Aha"s, subscribe here.

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