

Top 10 Reasons Why Startups Fail

You've just come up with a great new business concept. Your closest friends think it could be really big and some even want to back you. You do your homework and build a small but capable team. You make compelling pitches to the investment community and get some decent funding. You launch your concept with enthusiasm, promise, and a plan.

But 18 months later you're dead in the water. Kaput. What happened? While every startup failure is unique, there are some common pitfalls. According to a report from CB Insights that analyzed 101 startup flops, here are the top 10 reasons why startups fail.

1. No Market Need. Some entrepreneurs are challenged with solving an interesting problem, only to find out later that it does serve a market need. Not solving a market need was cited as the No. 1 reason by 42% of the startups that went out of business. You can have great technology, great data on shopping behavior, great reputation as a thought leader, great expertise, great advisors, etc., but what you really need is a technology or business model that can solve a market pain point in a scalable way.

2. Ran Out of Cash. Money and time are finite, and both need to be allocated prudently. The question of how should you spend your money was a frequent conundrum and reason for failure cited by nearly one-third of startups. You need money to find that elusive product-market fit. You can pivot but your chances for success run out when your cash runs out.

3. Not the Right Team. You may be a talented and hard-working founder but you cannot do everything. A diverse team with different skill sets (e.g., marketing, finance, operations, product

development, etc.) are critical to the success of a company. A diverse team also provides different perspectives and checks and balances. Without them, you may be speeding in the wrong direction and not see the cliff before it's too late.

4. Got Outcompeted. Despite the advice that startups shouldn't pay attention to the competition, the reality is that once an idea gets hot or gains market traction, there may be many entrants in your newfound space. These newcomers may be bigger with more resources, enabling them to solve a problem faster and build a better mousetrap. And while obsessing over the competition is not healthy, ignoring them was also a recipe for disaster in 19% of the startup failures.

5. Pricing and Cost Issues. Finding the right price point for your product is especially difficult for startups because the product or service may not have any comparable offerings in the marketplace. You need to price your product high enough to cover operating costs and make a profit for some cash flow while keeping it reasonable to attract customers. It's a delicate balancing act.

6. User Unfriendly Product. You need to understand how your target consumer is going to use or benefit from your product. If they have a poor or less than satisfying experience during their interaction, they will not come back. Bad things can happen when you intentionally or accidentally ignore what a user wants and needs.

7. Lack of a Business Model. A great product will attract customers initially. But you need a strong business model and plan that provides a strategy for scalability, marketing, distribution, monetization, partnerships, flexibility, and more to be successful and build value.

8. Poor Marketing. Knowing your target audience and knowing how to get their attention and convert them to leads and ultimately customers is one of the most important skills of a successful business. But an inability to market their product was a common failure especially among founders who liked to code or build product but who didn't relish the role of promoting it. If you're strength is inventing, then find a partner equally strong in marketing who can tout your innovation to investors and capture customers.

9. Customer Ignorance.

Entrepreneurs love their new products. It's their babies. But for some, they are blinded by their baby's beauty and can't see or refuse to acknowledge the blemishes that their customers can spot. Ignoring users is a tried and true way to fail. Tunnel vision and not gathering user feedback are fatal flaws for many startups.

10. Bad Timing. Launching your product before it is ready may lead to customer dissatisfaction and a negative reputation that may be hard to overcome even with cogent product improvements. But the flipside of launching a product too late is equally distressing because you may have missed your market opportunity that has been exploited by someone else.

Additional reasons why startups fail include team disharmony, lack of focus, legal issues, and inability to pivot or adapt. To download a copy of CB Insights' report, *Top 20 Reasons Why Startups Fail*, please visit <https://bit.ly/2GRr8yg>. **FT**

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