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Top 5 Reasons Startups Fail and What to Do About It

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About 90% of startups fail, which is an unsettling statistic, especially for those who plan to strike into big business. However, trading is a merciless thing, so In order not to lose cash down to the last dollar, there should be a few ideas available that can literally conquer the world. It is crucial to soberly assess the market situation, approach investments smartly, and be a counselor on your team rather than simply a manager. In addition, possessing a good amount of entrepreneurial and personal skills is crucial for the profitability of your start-up.

As a rule, everything hinges on the specific project or current market situation. Ultimately, the reasons behind business closures can vary radically. This article is based on the top five common reasons for project failure and how to stay afloat through tough times.

Reason #1. Partners perceive business matters in a highly different way

It probably seems to be a banal reason, but many startups fail primarily because of poor business networking. Most people consider an effective partnership just from a functional point of view, which can lead to trouble. For instance, "I know how to make reports + you know how to communicate with clients = we will succeed together." However, it is vital to consider whether you are on the same page when setting up a joint startup. There should be shared values and interests beyond the sphere of business.

We strongly recommend drawing up a detailed partnership agreement to decrease the risks of coming across entrepreneurship cessation. This contract will precisely highlight the terms of relations between the founders and point out the responsibilities of each partner, especially in the case of disagreement. It is crucial to keep this aspect in mind from the very start.

Reason #2. Lack of demand for the product/services in the market

Unfortunately, a lot of startups fail to study market demand properly. Business owners frequently focus on solving problems that matter to the founders. To embark on a venture, each issue should be perceived through the eyes of consumers otherwise, the project will die down from the beginning. Prioritize users' needs, expectations, and product perceptions. Keep in mind that innovation is not always the most prolific approach.

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Another essential factor is studying your competitors. Underestimating them can unexpectedly lead to harmful consequences. It means that any idea can spring to your competitors' minds. As the saying goes, "Forewarned is forearmed." Engage with potential customers, analyze the latest company reviews, respond to positive and negative issues, study user needs, and work on product enhancement.

Reason #3. Wrong selection of team members

It is paramount to recognize that the team members of your future project cannot be just nominal participants who perform their responsibilities like robots. The team should be united by more unique features than a brand name. Adding qualified specialists is beneficial, but other human qualities can also promote the future of your business.

When assessing the attractiveness of a startup, an experienced investor considers the viability of the team. He will never invest in a start-up venture if he determines that:

- the co-owners have opposite goals and ambitions;
- the owner is indifferent to the business concept;
- the project is developing, but the approaches to management remain unchanged;
- the CEO ignores routine processes.

By the way, Mark Zuckerberg once mentioned: "The most impressive accomplishment for an entrepreneur is a strong, united team. That is where I dedicate all my efforts."

Reason #4. Insufficient marketing

New entrepreneurs often underestimate the importance of marketing. Some founders narrow the definition of marketing to product promotion, associating it with advertising only. Consequently, they tend to develop efficient marketing strategies only in the final stages, after the product has already been created. A startup needs a marketing invasion plan from the fetation stage. Leverage software development services for startups to test your idea visibility and implement a successful software solution to your start-up concept.

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Developing a go-to-market strategy, choosing priority communication channels, planning a roadmap for product improvements based on customer needs, allocating a budget, and helping with pricing are all marketing assignments in a nutshell. To perform these tasks, you need to bring on a marketing guru who will shape how your business grows.

Reason #5. Incorrect distribution of finances

One of the most critical tasks for startups is forming a budget and securing appropriate funding possibilities. Planning how to spend money is vital to benefit the business. Several key factors can hinder your startup's prosperity, including a lack of investment, irrational use of financial resources, and low revenue in the early stages.

To sum up, we recommend prioritizing the costs of introducing the product to the market. An office downtown with expensive furniture and corporate-branded items can wait for the brighter times.

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