

Top 20 Reasons Startups Fail

Source: Adapted from CB Insights post September 27, 2017 <https://www.cbinsights.com/research/startup-failure-reasons-top/>

<u>Reason</u>	<u>Explanation</u>	<u>Likelihood up, flat or down?</u>
1. NO MARKET NEED (42%)	A solution looking for a problem? Big & urgent problem for enough customers?	
2. RAN OUT OF CASH (29%)	Ran out of runway and hadn't baked out enough risk to raise more capital (see #16)	
3. NOT THE RIGHT TEAM (23%)	Lacked domain expertise, or a CFO or CTO. Could not build an MVP on its own	
4. GET OUTCOMPETED (19%)	Hot market but team too busy to track new products and pricing by the competitors	
5. PRICING/COST ISSUES (18%)	Client Acquisition Cost versus Life Time Value issues; Low loyalty/high churn	
6. A "USER UN-FRIENDLY" PRODUCT (17%)	Could not scale because product, while far superior, was too cumbersome to use	
7. NEED/LACK A BUSINESS MODEL (17%)	Never figured out the sales channels, channel partners, and client profitability	
8. POOR MARKETING (14%)	Failed to refine the target market, get their attention so enough would buy swiftly	
9. IGNORED CUSTOMERS (14%)	Never routinized ways to gather customer feedback so rolled out wrong features	
10. MIS-TIMED PRODUCT RELEASE (13%)	If too early inferior product disappointed customers, or if too late now "me too" product	
11. LOSE FOCUS (13%)	Got sidetracked on distractions, or personal issues, or team lost laser focus	
12. CO-FOUNDER/INVESTOR STRIFE (13%)	Co-founders or VCs disagreed, VCs spent too much too fast (grossly high burn rate)	
13. PIVOT GONE BAD (10%)	Pivoting for pivot's sake, hoping some new vertical or product will work better	
14. LACK PASSION & DOMAIN (9%)	Founder/team did not have a passion for the industry needing their product	
15. BAD LOCATION (9%)	The locals loved & bought the new product, but it didn't sell well elsewhere	
16. LACK OF INVESTOR INTEREST (8%)	The pre-seed/seed rounds did not dispel enough risk/gain momentum for more investment	
17. LEGAL CHALLENGES (8%)	Daunting legal challenges regarding regulatory compliance, infringement, other litigation	
18. CONNECTIONS NOT LEVERAGED (8%)	Did not adequately get investors, advisors and network involved in helping	
19. BURN OUT (8%)	Total lack of life/work balance eventually took its toll	
20. FAILURE TO PIVOT (7%)	Too slow to pivot away from a bad product, decision, or losing strategy	

Instructions: When asked to make a follow-on investment review each of these Top 20 Reasons for Startups Failing. Simply mark an arrow for each (pointing up, sideways, or down) to indicate your sense of how the likelihood of failure due to this cause has changed since your last check.