

15 Common Reasons for Business Failure

1. Overestimated market size, or there is insufficient demand

- SOLUTION: Obtain market data such as Mintel
- Review trade magazines
 - Discuss with the trade
 - Use different volume scenarios in your models
 - Never estimate market sizes using adjectives e.g. huge. Always quantify

2. Incorrectly priced—too high and too low

- SOLUTION: Check pricing options with target consumers
- Set up cheap website to test
 - Thoroughly review the competition; what is their cost price?

3. Lower than anticipated margins

- SOLUTION: Review all direct costs in advance; transport, duty, VAT rates, customer minimum margin requirements, payment terms, method of delivery, packaging requirements, times of delivery, accreditation, mandatory promotional support

4. Incorrectly positioned product

- SOLUTION: Use market research to try out alternatives
- Be prepared to change
 - Minimise the fixed elements of the product development until the results of the research are obtained

5. Ineffective promotion, including packaging message, which may have used a misleading or confusing marketing message about the product, its features, its benefits or its use

- SOLUTION: Check the options using market research
- Understand the product/service is not for you, it is for your target audience
 - Check and review competitor products/services

6. Insufficient funds invested in creating awareness and trial

- SOLUTION: Take account of free good costs in your initial product costing models
- Utilise the web wherever possible
 - Investigate all low cost options, particularly those that involve your time and labour; PR, competitions, free trial, free training, free customer review
 - Investigate funding opportunities

7. Not understanding the target market segment and the branding process that would provide the most value or appeal to that segment

- SOLUTION: Undertake market research
- Never assume; replace the statement “I think...” with “I know...”
 - Consider customer/consumer lifestyles

8. Poor product or service design

- SOLUTION: Conduct as many trials as possible before launch and obtain feedback
- Accept that there is likely to be at least one modification to the design of the product/service after the initial launch

9. Underestimating or not correctly understanding competitive activity or retaliatory response

- SOLUTION: Think of all the actions you would take to protect your business
- What would be the impact of a BOGOF?
 - Accept that the current market is about survival of the fittest

10. An ineffective website

- SOLUTION: Prepare at least 3 different visual options in the development stage
- Ensure the text clearly communicates the features and benefits of your product or service
 - Think like your target audience
 - Constantly monitor your Google Analytic data

11. Spending too much at the start of the launch

- SOLUTION: Be sure you understand your product life cycle
- Create a minimum 12 month marketing investment plan
 - Do not choose media advertising where the main deciding factor is a special offer of lower rates per page

12. Conducting marketing research and ignoring those findings

- SOLUTION: Be clear who your target market is, Age, Sex, Demographic, Habits
- If possible check your product/service offering with a group outside of your target to check the reactions as a means of comparison
 - Accept what the research is telling you no matter how painful the result
 - Include accurate customer prices for the product/service in the research

13. Ineffective patents, design registrations or trademarks

- SOLUTION: Use the web to check existing patents etc. in Europe
- You can apply for patents and trademarks yourself. It will cost less than £1,000
 - A lawyer will cost around £5,000 to do the same job but it is a more secure option depending on your funds
 - If your product is in the public domain before you register it, it cannot be protected retrospectively

14. Key channel partners were not involved, informed, or both

SOLUTION: Gain commitments as early in the project as possible, certainly before any fixed costs have been incurred

- Negotiate a binding contract; never base it on word of mouth
- Get an expert to help you with international deals

15. Refusal to change actions when things start to go wrong

SOLUTION: Quantify, measure, review and act

P. Alberici One Step Ahead