13 Reasons Why Your Startup Will Fail

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Dave Feinleib

As a co-founder of five startups and a Silicon Valley venture capitalist, David Feinleib has seen both sides of the startup world.

From 2009 to 2011, he was a general partner at Mohr Davidow Ventures, where he got his fair share of terrible pitches.

He's also an entrepreneur. He's sold two startups, Consera (to HP) and onDevice (to Keynote Systems), and is still running three others he cofounded: Speechpad, Onepo.st, and Likewise.

Despite his success as an entrepreneur, Feinleib felt like everyone was focusing on all their attention on the startups who made it big like Facebook. The reality is that eight out of 10 business fail in their first three years and venture capitalists only fund the top 1 percent of pitches they see, he said.

In 2008, he wrote a blog post, Why Startups Fail. The post got so much attention that Feinleib decided to turn it into a book called Why Startups Fail: And How Yours Can Succeed, which was published in December.

Feinleib gave us a cheat sheet and told us 13 things startups do that make them fail:

- **There's no place for your product:** "Investors are fond of debating which they care about more: the market or the entrepreneur. The reality is, great entrepreneurs find great markets. Many startups never achieve the elusive product-market fit. Some companies, like Facebook and Zynga, find product-market fit right out of the gate. Or at least they appear to. Others, like Intuit, go along for years until they crack the code."

- **Your product sucks:** "Many potentially great companies fail because they deliver bad products. No one sets out to build a bad product. So how do they end up getting built? You can still suffer from product blindness—using your product so much that you work around the difficulties, the friction that prevents mass adoption. Just consider file sharing company Dropbox. There were other file sharing products before Dropbox, but Dropbox kept the product simple and made it easy to use."

- **You don't have vision or chops:** "There's the romantic notion of starting something—of being your own boss, running your own show, and building what you want to build. But being a successful entrepreneur means being a visionary—and being able to execute your way to making that vision a reality. "

- **You burn too much money on sales and marketing early on:** "For every venture dollar invested, I estimate that more than two-thirds goes into sales and marketing costs and only a third into product development—sometimes less. Spending on sales and marketing too early means no return if customers or users don't bite. Once you up the burn, it's hard to go back. So make sure you have product-market fit before ramping sales and marketing.

- **Only your friends use your product**: "So you've got a great market and a killer product. A few people have heard of it—the only problem is, they're all friends of yours. Like the tree falling in the empty forest, thousands of great products have gone unused because no one knew they existed. They're not just unknown—they're invisible. How do you get the word out in a crowded market without incinerating cash? Build the best product and generate a lot of buzz around your brand."

- **You don't know how to use others to build scale:** "Lots of companies can get a few users or sell a few products. Few can do that at scale, in a repeatable, efficient way. Today's startups use highly leveraged approaches—freemium, word of mouth, partner strategies, and viral acquisition to drive highly leverage growth. You should too. "

- **No one can understand what you're saying:** "Communication can make or break a startup. As I heard an investor once ask an entrepreneur, 'if you can't communicate your pitch effectively to us, why should we think you'll be able to communicate effectively to your team?' His words stuck in my mind and he was right. Words matter." Speaker training is a good idea. "One time an entrepreneur gave a pitch and looked down at the conference table the whole time. Didn't make eye contact. It was painful."

- **Your pitch is too long.** "It's bad when people realize they're running out of time but they just start speaking faster instead of bumping up a level. They try to fit more in. It all gets lost in details. It's awkward for everyone and really hurts the pitch."

- **Your pitch doesn't play on emotions.** "Many entrepreneurs get in front of people with access to capital but failed to convince their audience to invest. A huge part of pitching comes down to psychology and emotion. Investors are primarily motivated by two things: greed and fear."

- **You make excuses:** "Time and again I hear someone say they have a great idea for a company but they just don't want to give up their current job to pursue their idea. Other times people have great ideas, but aren’t sure how to get going. Starting a company is hard. Yet dozens of people, when I asked why they decided to start something new, gave me the same answer: 'I realized if I didn’t do it now, I’d never be able to do it'.”

- **You lack focus:** "When I got my first check (actually, it was a wire transfer) from a venture investor some ten years ago, he gave me one piece of advice. 'Focus wins.' The advice is as sound today as it was when he gave it to me. In a startup, you could be doing any one of a thousand things. But focus tells you which one thing to do to win."

- **There's a lot of drama:** "A lot of startups fail because they suffer from drag. They go after small markets, build the wrong product, the founders don’t get along, or they make it too hard for users or customers to use their products. These issues create what I refer to as startup drag. Entrepreneurs have to be eternal optimists but with sufficient pragmatism to make their optimism reality. Get too much drag and it’s easy to lose the optimism and confidence that breeds success."

- **"This is the last money we'll ever need":** "Don't say that. It just sounds naive. But most early stage companies need more money. Investors are in the business of investing money. They want to hear how you're going to win, how you're going to be the market leader, not how you won't need their money."