
~The Top 10 Reasons~

Why Business Start-ups Fail

A Special Report by Ezra Consulting Limited

www.ezraconsulting.com

~ Empowering Small Businesses Worldwide ~

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Introduction

Thank you for your interest in this free report from Ezra Consulting. This guide is intended as a reference for anyone interested in, or in the process of setting up a small business. Many small businesses fail to get off the ground for reasons that are easily within their control. The aim of this guide is to outline some of the common pitfalls and help new business owners in those crucial first steps towards their lasting success.

Each of the points discussed below are backed by our experience of helping small businesses succeed and we hope that you find ways of applying this information to your advantage. For more information, feel free to [contact](#) us.

~ Why Business Start-ups Fail ~

1. Failing to Plan

A business without a plan means little more than a clever idea. Planning is the single-most important factor in determining the success of a business and many promising startups fail by not recognising this simple fact. You must as a bear minimum have a clear view of exactly what you need to do to start, where you think your business will be one year from now and just how it intends to get there. In other words, you must have a plan.



It can sound like a lot of work, but with the right tools and mindset, it's possible to create an effective plan that will help you survive in the early days. Imagine going for a drive without knowing where you wanted to go – which routes to take, where to stop for the night and how much petrol to buy? You probably wouldn't have a clue where you'd end up in the end. Jumping into business without a plan is exactly the same. So, do your homework now and you won't regret it later.

You can find a list of resources to help you with creating your plan at the end of this report including download instructions for our free Basic Business Plan Excel Template and our article "How to write a Business Plan".

2. Failing to Set Aside Enough Money

This is a tricky one. We all know that starting a small business means you're on a tight budget and it can hurt to watch the funds drain away from your bank account before you've made your first sale.

But this is exactly where many people fall into the trap of not setting aside enough funds to cover the inevitable ups and downs in cash-flow during the early days. Not having enough money to cover the day-to-day operations of your business can drive even the most promising startup into the ground.

Ideally, aim to have at least three month's worth of operational expenses at your disposal at any time. It's also important to take your personal finances into consideration as you plan for this. For example, if your living expenses are £2,000 per month and the costs of running your business are £1,000, then you need to have at least £3,000 at your disposal every month to ensure that you can afford to live while following your dream.

This is all the more important if you're starting your business with what we call "OPM" – i.e. Other People's Money – whether it's in the form of a bank loan, government grants or money borrowed from friends and relatives. But whether your business is self-funded or relies on external sources for its funding, the message remains the same. Budget enough to see you through the initial months and be realistic about how much you can expect to earn during that period.

Fortunately, these days it's possible to start a profitable business online on a shoe-string budget – and we're talking in the region of less than £50 per month including marketing and promotion. Check out our resources section at the end of this report for further information on the opportunities available in this area.

3. Failing to Research the Market Thoroughly



This can be the make-or-break factor which turns the fortunes of a seemingly ordinary business idea into a raging success. In order to sell your products or services, you need to have a good idea of your intended audience. Who are your customers? What is their average age? How much disposable income do they have to spend? What are their buying habits? Which countries do they come from? Questions like these allow you to define what is referred to in marketing-speak as your “Target Market”.

Taking time to define your target market helps in many ways. For a start, it enables you to narrow down your customer base and identify profitable “niches” that can be exploited. A “niche”, is a sub-section of your larger market where there is a clear and identifiable demand for a specific product.

For example, consider the market for “Dog-Care Products” compared with the market for “Dog-Care for Alsatian Owners”. The second is a niche; a highly focussed and specific market that caters to people looking for information on a particular topic. These types of markets also tend to be the most profitable and with a steady stream of customers ready to buy. If you think that “Dog Care for Alsatians” seems like a silly idea, then imagine for a moment the number of loving Alsatian owners out there in the world with an internet connection.

So, research your market thoroughly and identify profitable niches that you can put to your advantage and success. E.g. Instead of going into the business of selling eBooks, turn your thoughts towards narrower and more profitable target markets such as eBooks on Personal Development.

4. Failing to Market and Advertise Effectively

Many people put up a website online and assume that their business will start raking in money on “auto-pilot” from day one. Unfortunately, these people are in for a rude awakening. Whether you’re doing business online or offline, marketing and advertising are the biggest tools you have at your disposal to get your visitors into the store and deposit their hard-earned cash in your till.

Understandably, the sometimes high costs of professional marketing services can be a put-off when you first start, but don’t miss out on the many free or highly affordable solutions at your disposal. Simple word of mouth can go a long way in getting people through the door. Posting articles and participating in internet forum discussions can also be a highly profitable way of encouraging sales.

A word of caution here for online businesses: Be wary of firms offering services such as “Guaranteed Number 1 Placement on Google” etc. While a number of these solutions do indeed work, the best and most lasting way to get and retain visitors is by nurturing trust. Establish yourself as a subject-matter expert in your line of business, provide your visitors with the quality information that they’re looking for and the rest will fall into place.



Once your business is up and running, then it's possible to start looking into other paid forms of marketing such as Google AdSense to gain exposure and build up momentum, but free advertising in the early days is certainly the most effective way to success.

If you're new to Search Engine Marketing, then you can check out a brief overview of Google's advertising programmes on our website along with an excellent guide, "The Affiliate Marketing Master's Course" in our subscriber downloads section.

5. Pinching the Pennies Where it DOES Count

Having just spoken about the need to keep costs down, it's worth pointing out how sticking too closely to this principle can work against you. It goes without saying that money is tight in the business world. Keeping control of expenses is vital and so it's understandable that business owners may be tempted to "cut corners" and search for the cheapest deals available when it comes to paying for services that are essential to their success. But this can turn out to be a dangerous and costly pitfall in the long run.

The "image" that your business presents to the world will be a large factor in determining how your customers see you. This is especially true of online businesses, where your website is essentially your "store-front" on the world. So, buying the cheapest website template and surfing around for the cheapest [hosting plans](#) is something that you want to avoid right from the start.

Whether online or offline, it's important that you present a professional and reliable front for your business. How many times have you landed on a website and found something you'd like to buy only to be put off because of the tatty web design and broken links all over the place. "No way am I giving away my credit card details on THAT site!" you must have thought? So going that extra mile to present a professional and reliable image will eventually pay off by breeding TRUST in your visitors and hopefully convert into sales.

On the subject of image, let's have another example from the offline world. We received a menu through the letterbox the other day for a take-out that looked promising. But reading through the menu, there were so many typos and errors that we decided not to order. The well-meaning business owner obviously realised the importance of marketing, but by employing a budget printing company, they had ruined their image in our (the customers') mind and failed to make a sale. Had they spent a little bit more on their advertising and printing budget, we may well have been converted into long-standing customers.

6. Failing to Look Before You Leap!



It's all well and good to be fired up by your winning business plan and dream of the banknotes raining down from the sky. After all, that's why we go into business in the first place, isn't it? But the major downside of this is that in our eagerness to become the next overnight millionaire, we end up making rash decisions that can ultimately lead to failure and disappointment.

Make no mistake, a business is a serious commitment and not something to be taken lightly. It requires money, dedication, motivation and prolonged effort to become successful. And that's why we stress about the importance of planning and research before you begin your venture. But no amount of planning can get rid of the urge to "dive right in" and start making money straight away.

Sadly, almost everyone who's tried this has fallen flat on their face. So, resist those urges to rush into business just for the sake of it. There's a great deal that can be done before you even launch your business - take things slowly, research the various options available to you, find out how much they will cost, find out realistically how much you can expect to earn in the early days and only then should you start putting your plan into action.

7. Blindly Following the Money-Trail

Following on from the last point, this is yet another common trap that's easy to fall into. With so many online and home business opportunities on the internet today, it's easy to be wooed by the promise of huge sums of money flowing regularly into your bank account ("on auto-pilot" seems to be one of the terms they're quite fond of!). It's also easy to think that, "Hell, yeah! If THAT guy can make a million dollars selling eBooks, then so can I!".

But the fact is that jumping on the most recent "bandwagon" has made very few people immensely wealthy in the true sense of the word. It's important not to be dazzled by the numbers and rush into a "turnkey business solution" or similar just because of the promise of untold riches. Time and again, we have found that the most profitable and lasting businesses are those in which the owners have a genuine passion and interest (more on that in the next section).

For now, it's worth noting that jumping onto someone else's gravy train is just likely to make them very rich and you much poorer in the short term. If you've been investigating internet business opportunities for any length of time, then you'll have come across a number of sites offering supposedly the "best information product on the internet today with a fantastic sales page converting at 5% and offering a whopping 50% commission per sale!" DON'T be fooled by these claims. The fact is that a truly marketable and solid product will sell itself.

This last remark brings us nicely to the next section - finding something that will sell for YOU.



8. Failing to Find Something that Sells for YOU

With any kind of work (or even a job for that matter) they say that if your heart's not in it, then there's no point in going on. This couldn't be truer for those starting out in business. In the last section, we warned you not to get involved in a particular business just for the sake of it. This section focuses on the type of business that WILL work.

Different things work for different people. Just as we are all unique individuals with our own special blend of talent and abilities, so will our business success depend heavily upon the levels of interest, abilities and degree of involvement that we have with our venture. What kind of activity makes you want to get out of bed in the morning? What type of thing would you like to do for a living that would make your working day seem like play? Answer these questions truthfully and you're on the way to creating a profitable business model. To showcase some examples of this principle at work, consider the following:

- A young mother with a passion for ballroom dancing discovered there was a demand for a particular type of shoe which she always had trouble finding. Setting up her own online store, she went from zero to \$45,000 in her first year, allowing her to give up her day job and devote more time to her family. This year, she's due to make sales in excess of \$100,000.
- An Investment Banker gave up his extremely lucrative career to run a website devoted to his hobby - fly fishing. Today, it is one of the most successful angling sites on the internet and easily surpasses the income that he received during his banking days.
- An "ordinary" man liked to juggle in his spare time and thought of setting up a website teaching his skills to others. Within a few months of starting out, he received an order for 5,000 juggling balls and his business has continued growing to this day.

The point is that the perfect business model for you is one into which you can willingly and easily pour your entire heart and soul. Enthusiasm is contagious, and if something makes you that passionate, then it's highly likely that there are many others out there just like you. Don't forget that there are about 6 billion people in the world and, with the power of the internet, a large number of those people are virtually on your doorstep. Remember:

PASSION + AMBITION + ABILITY = BUSINESS SUCCESS

9. Falling into the "Guru Trap"

This section is solely for those in online business, but worth reading whatever form your business takes. In fact, the internet has become such an integral part of marketing that it's important even if you're involved in trading offline. Just go to



Yell.com and find the huge number and variety of offline businesses such as gardeners and electricians using the internet to increase their sales.

But in any case, if you've already started looking in detail at your business model and researched a few opportunities on the net, then the likelihood is that you'll have come across the "Internet Marketing Guru Elite". Now, we won't dismiss this crowd entirely because there are a number of extremely talented and respected marketers out there who know their stuff inside out and really can help you to create wealth online – Dr Joe Vitale, Ken Evoy and Ewen Chia to name just a few. There's a lot to be learnt from these masters of the marketing world, but the sad fact is that these ultra-talented folk are at the tip of an iceberg.

In a nutshell, the majority of (self-titled) "Gurus" have only one purpose in mind: to make their money while showing you how to make money. That's all there is to it. And to give you an idea of the power of Copywriting (that is, writing ads and web-pages which sell), imagine the number of times you've been tempted to pull out your wallet after reading an incredibly long page packed with testimonials from ecstatic customers and with screenshots of weekly pay-checks running into the thousands. Tempting, isn't it? Don't fall into that trap. Re-read the last section if you have to and tell yourself that it's your passion and your ambition combined with your ability that will be the single-most important factor in deciding whether you make money.

What we're trying to get at is that don't end up spending your valuable cash and resources on the next sensational "must-have" marketing guide. This is time, money and energy you could easily devote to growing your business and making that first sale. By all means, go ahead and buy some of the material once your business starts to turn a profit, but make your choices wisely.

And finally, reading internet marketing material can be quite addictive and you could find that you've spent the past year reading on the hottest strategies to build your mailing list without making a cent. You have been warned!

10. Failing to Treat Your Business as a REAL Business

Believe it or not, a large number of promising business ventures fail simply because of their owners not realising the responsibilities and personal commitments that go hand in hand with working for yourself. Apart from making money, your business has a huge responsibility to the government, to the tax-man and to your customers if you are to survive. So take extra care with the finer points of your business – things that if overlooked could get you into a lot of trouble and even result in financial ruin. Some of the many things to consider:

- If you collect personal information from the public, do you have a privacy policy in place? Do you have a policy to deal with unsolicited email and SPAM complaints?



- Do you have thorough records of your business income and expenses? Failing to account for your business can land you with a hefty tax bill or even a fine. Choose a reliable and well-known vendor for your accounting software and remember not to pinch those pennies!
- Get yourself set up as a Limited Company using one of the many online services available. The real benefit to you in money terms is that as a registered business, you can use up your personal tax allowance and take home more of your profits than you would under PAYE in the UK.
- Get an accountant who can assist you with your bookkeeping and returns. If needed, get a solicitor to look after the legal aspects of your business. It's a myth that these professional services come at a hefty price – it's likely that there are a large number of firms in your local area who are more than willing to provide these services to you at a cost that won't end up breaking the bank.
- If you have even one employee, then make sure you comply with employment legislation including employer's tax contributions, pensions and Health and Safety regulations to name a few.
- Never overlook the need for insurance that you need for your business regardless of the cost. E.g. you may need Public Liability Insurance if you run a café or Professional Indemnity Insurance if you provide consulting services. Failing to have these critical types of cover has been known to land people in jail in the past, so make sure you're not one of them. A solicitor can advise you on the type of cover you need.

These are just some of the things you need to be aware of and prepared for – you absolutely **must** make sure that your business is accountable to others. So, don't get caught out by overlooking these basic facts and ensuring that your business is set up to do what it's meant for: **to make you money and give you satisfaction while you give satisfaction to others.** Think Win-Win!

~About Ezra Consulting~

Ezra Consulting is small a network of independent freelance consultants with extensive experience in providing world-class Business, Finance and IT management solutions to a wide range of companies from home-based startups to those in the FTSE100 index and not-for-profit sector.

For information on how we can help your small business get off the ground including free advice and special offers, go to www.ezraconsulting.com.

For a list of recommended resources and further reading, see the following page.



~Recommended Resources and Further Reading~

We hope you have enjoyed reading this free report from Ezra Consulting and that it helps you avoid the most common mistakes people make when starting out in business. If you downloaded this report directly from our website, then you will have been asked to subscribe to our newsletter. If not, we would request you to go to our site and subscribe for further informative articles, guidance and advice for small business. We hope you will stay on as a valued subscriber and look forward to welcoming you on board.

Best Regards, The Team@Ezra

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