

Why Startup Fails At The Early Stage?

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Abstract –This study has been undertaken to provide possible reasons why startup fails at early stages. Detail about cautions need to be taken before and during the startup. Also focuses on the relief provided by the government under startup schemes and incubation centers to motivate and lead ideas and their proper execution. Studies main motive is to aware the highest youth populated country [India with 64.4% of youth] in how to reflect their imaginations in the real world of new revolution of startup ecosystem.

I. INTRODUCTION

Startup is a young company which could be an entrepreneurial venture built on an innovative idea which can disrupt the existing market and capable of generating scalable business. Types of startups are – 1] small business startup 2].Lifestyle startups 3]Buyable startups 4].social startups 5].scalable startups . It is important for startup too see ‘exit’ to be a company. Presently Mumbai, Delhi, Bangalore Chennai ,Pune, Hyderabad ,Jaipur, Kolkata, Chandigarh, Kochin ,Ahemdabad are the hubs for startups in india.

In the late 1990s the most common start up was **DOTCOM**. In recent years the startup ecosystem has taken off and has matured the number of startups speaks volumes about the emergence of startup.

Governement of india is initiating startup schemes based on three pillars- 1]Simplification & hand holding 2]Funding support & incentives 3]industry- academy partnership & incubation centers .Other essential are exemptions of tax for just 3 years of operation. Freedom from capital gain tax for first 3 years.

According to the recent study on ‘Entrepreneurial india’ by the IBM institute for business value & oxford economics found that **90%** of Indian startups fails within **the first 5 years**. The most common reason for failure is lack of innovation .**77%** of venture capitalist survey believe that Indian startup lack new technology or unique business model. Which resulted as India filled **1423** international patents in 2015-16 while **Japan filled 44,235, china 29,846 & south Korea 14626** so there is a immense need to consider the major reason behind lagging in the start up ecosystem .

II. MAJORS REASON

1) **Market timing** – Product introduced in the market could be ahead by few years and the market is not ready for that particular product at this stage .study of market is essential to evaluate the needs of the

market to analyse the awareness of customers their needs which plays a major role in deciding the timings for introducing product in the market.

- 2) **Poor management** – Usually poor execution which leads to issue with the product as not built correctly or on time, weak strategy adoption, production of lesser demanding products, employers fails to provide **golden handcuffs** to employees to make them stay in the firm in the most efficient & motivated manner to achieve the target.
- 3) **Running out of cash**- Cash is the fuel of business. non availability of cash on time is one of the major reason of failure of startups. Precautions is to keep a constant eye on the milestone for raising cash as it can never be enough to increase valuation of the startup CEOs most important job is to know how to regulate the flow of cash in the business.
- 4) **Product issue**- Start up fails to develop a product that meets the market requirement this could be due to simple execution or it can be a far more strategic problem which turns into a failure to achieve product that fits the market.
- 5) **Business model failure** – Choice of business model can be cause of failure in the start up world. Entrepreneur lack marketing knowledge, strategies, tactics because entrepreneurs are very optimistic about how easy it will be to acquire customers. In many cases cost of acquiring customer [CAC] is actually higher than the lifetime value of that customer [LTV]. Despite of all vast majority of entrepreneurs failing to pay adequate attention to figuring out a realistic cost of customers so, **cost of acquiring consumers should be < lifetime of customer.**

III. MINOR REASONS

- 1) Lesser high contacts in case of non technical startups. [boutiques, café, restaurants etc].
 - 2) Lack of unique idea that fails to survive in the highly competitive zone where innovation is the key to progress.
 - 3) Customers feedbacks are not taken seriously even only 20% of the customers are providing instant feedback and that too are not considered for improvement in services.
 - 4) Less adaptability towards upgradation, dynamics running in the market, no reserves, strategies for
- BLACK SWAN EVENTS.**
- 5) Start ups are not commenced out of passion but just from tracking others idea.
 - 6) Poor dealings with customers at the time of interaction.
 - 7) Focus is more on quantity than quality [lesser goodwill creation].
 - 8) Premature adaptation of business where vision is on scalable business but misses on the initial hardwork.

IV.RESULT

'UNKNOWN'-Starting a business is a lot like jumping out of an airplane & assembling the parachute on the way down. So business is a sheer risk and the unbeatable experience provider but before dwelling into it a entrepreneur should gather knowledge about it completely than evaluate a level of calculated risk which is affordable. Because There is nothing wrong with staying small you can do big things with small team, said by **'JASON FRIED' Founder of 37 signal**. Entrepreneur should always choose the field of his interest rather than copy paste others idea "if you just work on the style you like and you are passionate about you don't have to have a master plan with how things will play out" said by **'MARK ZUCKERBERG' ,Founder of Facebook**. To become a successful entrepreneur one should never give up because success comes from failure to failure without loss of faith in idea . Proper usage of government schemes should be considered in the plan to expand. Government is establishing nine incubation center in Bangalore, Chennai, Gurugram, Hyderabad, Mumbai, Pune, Noida, Trivandrum Vijaywada. Startups are the new ecosystems . According to **Global Innovation Index [GII]** India have the potential to be the biggest start up hub. Emergence in development of innovative ideas and proper execution can raise the bar for India.

Most Indian startups are prone to successful global ideas by and large tuning on existing model to serve local needs. For instance their **is OLA for UBER , OYO rooms for AIRBNB & FLIPKART for AMAZON** .India doesn't have big innovative ideas such as **GOOGLE , FACEBOOK, TWITTER**. Unsurprisingly in 2016 ASIAN PAINTS was the only organization in FORBES 25 most innovative companies.so Indian entrepreneur need to hustle hard to shine.

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