

SPECIAL REPORT:

WHY 1 IN 5 BUSINESSES FAIL IN THEIR FIRST YEAR

Learn how to avoid becoming another
statistic



Business⁴Beginners
Free Advice For UK Startups

For 2018, the business birth rate was 13% and the death rate 11%. Companies start and fail all the time as entrepreneurs discover that simply having an idea is not good enough to carry the whole business ahead.

Getting started on your new business is great. Making it through the first year is awesome. Managing to thrive and expand within five years is an immense achievement.

Unfortunately, the business world is not paved with rose petals. While the world is always open to new endeavours, succeeding as a business owner requires flair, attention, and determination.

You have probably read about what makes a great business owner and you presumably have a general concept of how to run your business. But what about failing? With one in five businesses failing in their first year, what can you learn from their mistakes, especially since we learn more from failure than success?

Why are you starting a business?

There are many reasons why you could start a business: a great idea, a passion for something, determination to succeed, or a new solution to an existing problem.

Sometimes, though, people start a business because they think it will be easy money or because they don't like the idea of working for a boss. They might even think they will be working fewer hours for better pay.

Having your own business requires a lot of hard work, dedication, and passion. Money and greater working freedom will come later. At first, there is only persistence and long working hours. Instead of having one boss, you now have dozens, or even hundreds: your clients and customers are your new bosses.

Start a business knowing that you will have to work—a lot. If you started a business thinking it would mean spending more time at home with your family, you will probably be disappointed.

Starting A UK Business?

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Lack of proper capital funding

Most businesses that fail simply run out of money. Costs during the first year can be quite significant. Rent, employees' salaries, marketing, and accounting accrue while you may not be getting enough revenue in.

Businesses need a financial cushion to survive that crucial first year. Revenue and sales in the first year can be problematic and irregular. However, your expenses will be consistent and considerable.

The first thing to do is to avoid unnecessary spending. Don't hire personnel before you need it. A small office—or even your home office—may be fine at first. A rented space can wait until you have regular revenue from your business. Working with freelancers or part-time workers may be cheaper and offer you more flexibility than hiring people full-time. Why hire a full-time accountant when you have a handful of receipts each month? Accounting software may be a far better solution for you. Read our [UK online accounting software reviews](#) to find which one best suits your needs.

Whether your financial backing is through a bank or from personal money, you need to make provisions for weeks or months when you might not be getting enough revenue—or any at all.

Not listening to your customers

Before entering the market and setting up your business, you need to know your audience. Your customers will give you revenue and sales: without them, you cannot succeed.

Many businesses hang on to their initial idea and generate a product. But **people are not looking for products; they are looking for a solution to a problem.** No one buys an electric drill because of the object's great beauty: they do it because they need to make a hole on the wall.

Only too often, however, business owners fail to grasp this simple truth. They don't consult their customers, shoppers, or other businesses to understand what they need and how their product or service will help them. In the end, they fail to engage their audience.

Businesses need to involve their customers through surveys, market research, and even door-to-door. You need to talk to them and engage them. **See what your customers' pain point is and how you can solve it.**

Listening to ideas and concerns from the very people who are going to buy from you is the only way forward. Ignoring your audience is an almost certain way for your business to fail.

Not bringing new value to the market

New businesses pop up every day, either physically or digitally. **Your business needs to stand out from the competition and bring new value to the market.** Short of that, you will be competing with existing businesses that have already captured their audience and have a market share. Why would people stop shopping from them and prefer you?

Bringing new value to the market is closely related to the previous point: **by listening to your customers you ensure a market that brings you steady sales.**

You might be offering a new service with more helpful terms of sale or for a better price. You could be selling the same product as other businesses with a new and better warranty or offering at-home repair for no extra cost. Perhaps you have developed software that helps other businesses sort an annoying problem.

Whatever your service or your product, you need to make a difference and tell people about it.

Inferior marketing

You've had the perfect idea forever. Now, you have written your [business plan](#), set up shop, and met the [legal requirements for a new business](#). All that's left is to let people know of your presence. **If your marketing effort is weak and limited, your business will fail because potential customers will not know you.**

- Marketing has many **channels**. You need to decide which medium has the audience that is more receptive to your product or service.
- You need a professional **website** and a **social media presence** on suitable platforms.
- You need to go out there and **promote** yourself and your business, both organically and through paid advertising.
- You need to **engage** with potential customers and let them know how you do things better.

Marketing is the only company process that actively brings income to your business. You need to **interact** with people and **market** your business as if its survival depends on it—because it does.

Weak management

You can be a great person but perhaps management is not your strong point. Many businesses fail because of poor management. **If you lack the time, skills, or interest in managing your business, let someone else do the job.**

Managing people or projects requires specific competencies and expertise. Making your business run smoothly and creating a team that works well together is a great way to ensure your business survival and expansion. Likewise, managing your finances might not be among your particular skills. [A professional accountant can help your business succeed.](#)

Delegating work to people who are more skilled than you is not a sign of weakness: it's a sign that you want your business to succeed. Be an effective leader and let your team help you.

The general economy

No matter how much we hate them, black swan events like the 2008 financial crisis or the 2020 pandemic happen. Crises, whether financial, global, monetary, climatic or totally unrelated to the economy, are part of life. While some can be prevented, others can't.

Business owners usually make contingencies for difficult times, but sometimes reality beats these. No matter their size and financial health, companies—and even entire sectors of the economy—can need financial support at times.

Having said that, failure **can** be avoided. Yes, businesses succeed and fail. Nothing is written in stone and there is no fool-proof advice that can ensure your success. However, **it is usually businesses that already have underlying problems that fail.** Failing to ensure adequate capital or to properly market your product and ignoring your customers affect all companies and make it less likely they will survive hardship.

Learning from other people's mistakes is the best way to ensure that you don't have to learn from your own!

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