

WHY DO BUSINESSES FAIL?

A Study of Failing
U.S. Business



From mom and pop shops to trendy tech
startups, small businesses crop up all the time

BUT MANY VANISH JUST AS QUICKLY!



of all businesses in the U.S.
are small businesses.

*Small Businesses are defined as businesses
with less than 100 employees.*

THAT'S
28.8
MILLION
BUSINESSES

But Are Small-Business Owners Overly Optimistic?



of the U.S. workforce is made up of small-business employees -
That's 56.8 million employees

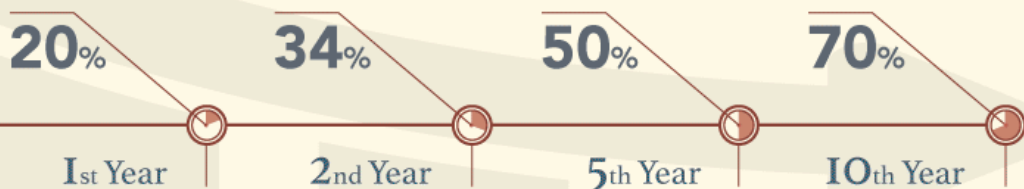


of small-business owners say that they are confident in their business

Small Business in Second Quarter of 2014



HOW MANY SMALL BUSINESSES FAIL?



WHERE DO SMALL BUSINESSES FAIL?

Worst Places

Tax rates, regulations, hiring costs, and demographics vary by city

1



STOCKTON, CA

Low College Graduation Rate
Complicated and expensive permitting and licensing processes

2



MODESTO, CA

21% live below the poverty line
80% lack college degrees, making it hard to find qualified candidates

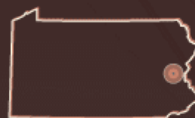
3



SAN BERNARDINO, CA

34% live below the poverty line, making it the most impoverished city in California

4



ALLENTOWN, PA

Retail Sector collapsed when big area employers left

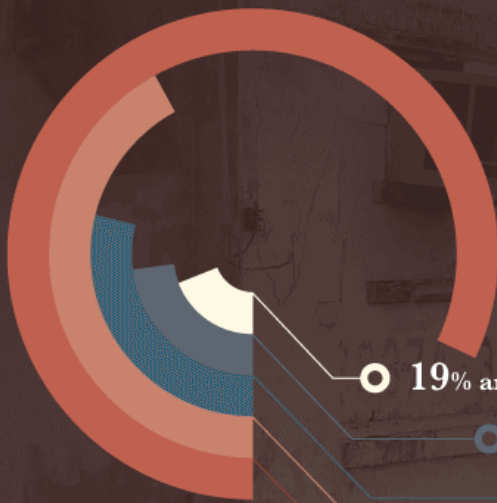
5



SANTA ROSA, CA

Too far away from the tech boom of Silicon Valley
High hourly wages and cost of living

Top Reasons Small Businesses Fail



19% are outcompeted

23% don't have the right team

29% run out of cash

42% no market need for products or services

82% experience cash flow problems



of small businesses fail because there's
no market for their product or service

INVEST IN THE RIGHT IDEA

RESEARCH WHAT KINDS OF BUSINESSES WORK

Best Survival Rates



Health care and
social assistance

1st Year **85%**

5th Year **60%**



Health care and social assistance

Ist Year **85%** 5th Year **60%**

Worst Survival Rates



Transportation and warehousing

Ist Year **75%** 5th Year **30%**



Construction

Ist Year **75%** 5th Year **40%**

Most Misunderstood



Food service

- Restaurants do not fail more than other businesses
- High risk, because banks hesitate to lend startup money

I TEST THE WATERS WITH A MINIMUM VIABLE PRODUCT (MVP)

MVPs are bare-bones versions of your product that can still be released

- e.g., post a video demo of how the product will work
- Show the product on your website before it actually exists
- Crowdfund with Kickstarter or other money-raising platforms

MVPs test out your idea before you risk too much money



of small businesses fail because
they ignore their customers

COMMUNICATE WITH CUSTOMERS

Don't Go After Just Any Customers

Market research is key to figuring out your customers' ages, genders, and income levels

COLLECT DATA

- ☐ Focus groups
- ☐ Online surveys through Facebook or LinkedIn
- ☐ Handout surveys

FIND AVAILABLE DATA

- ☐ U.S. Small Business Administration
- ☐ Bureau of Labor Statistics
- ☐ U.S. Census Bureau

Start Social Conversations

Create an online community, not an advertisement

FOLLOW 80/20 RULE FOR SOCIAL MEDIA CONTENT

- ☐ 80% engage customers in conversation
- ☐ 20% of posts promote business, report company news, share special offers, etc.

COMPOSE A CONVERSATION SPARKING TWEET

- ☐ "Come on down to Super Cool Cupcake Factory this Tuesday for 15% off your entire order!"
- ☐ "Share your best cupcake ideas using #MyCoolCupcake for a chance to win free treats, and see your design brought to life!"



of small businesses fail because
they don't have the right team

BUILD THE BEST TEAM:
DON'T DO IT ALONE - DELEGATE TO SUIT YOUR TEAM'S TALENT!



Find Talented Employees

FINDING AND KEEPING SKILLED EMPLOYEES

25.7% of employers with 5-9 employees say finding
and keeping good workers is a critical problem

ENTICE EMPLOYEES WITH JOB ADS, NOT JOB DESCRIPTIONS

JOB DESCRIPTIONS



Every aspect of the job,
day-to-day tasks, etc.

JOB ADVERTISEMENTS



Only the most exciting
parts about the job

VERSUS

FIND OUT WHERE YOUR BEST EMPLOYEES WORKED BEFORE



Target talent at those companies
through LinkedIn



Invest in Your Team

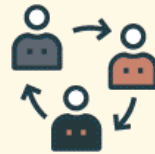
EMPLOYEES NEED TO FEEL LIKE ESSENTIAL MEMBERS OF A WHOLE



Encourage internal communication



Open door policy



Collaborative work environment

PROVIDE AMPLE BENEFITS

83%

of employers say retaining employees is their top benefits objective

72%

of employees say that customizing their benefits would increase their current employer loyalty

51%

of employers say using benefits to retain employees will become even more important in the next 3 to 5 years

TEAM-BUILDING ACTIVITIES



Start office fitness competitions or enter a local 5K




Eat lunch together



Take group educational trips or technical training

For the first time in decades, more small businesses are opening than closing—plan every part of your business

SO YOU DON'T GET LEFT BEHIND!



For the first time in decades, more small businesses are opening than closing—plan every part of your business

SO YOU DON'T GET LEFT BEHIND!

SOURCES

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