

Top 10 Reasons Why Most New Business Will Fail in 2013

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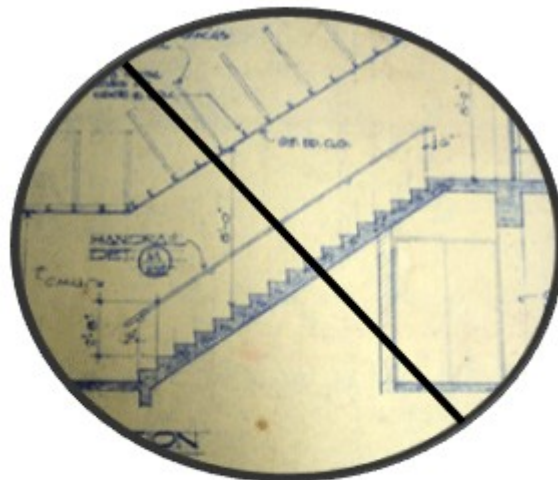
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Chances are you've heard the statistics many times before. According to the U.S. Small Business Administration (<http://web.sba.gov/faqs/faqindex.cfm?arealD=24>), only seven out of ten "new employer" firms survive at least two years, and only half will last five years. And these numbers refer only to businesses that have hired employees – if you consider one-person work at home businesses; the number of new business failures would almost certainly be higher.

If you've just started a new business yourself, or are considering doing so, it's important to understand exactly why so many new businesses are likely to fail in the coming year, so you can avoid it happening to you.

1. Not Having a Plan

One of the most common reasons that a new business will fail is that the owner doesn't have a plan for beginning and operating the business. Having a plan might mean a formal business plan, but it doesn't have to. You don't have to have every detail planned out, but you do have to know what your products or services will be, how you'll find customers, and how you'll market to those customers. In addition, you'll need to be flexible and responsive; if something from the plan isn't working, you'll need to be able to identify why, and correct it going forward.



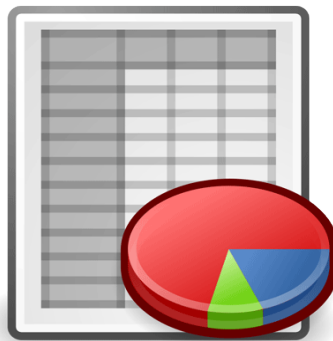
2. Not Having Measurable Goals

The plan you create will certainly have goals for your business. Your goals might be that the business provides you with a certain level of income within a year after beginning, or that you reach a certain number of customers in the first six months of operations. Having goals enables you to come up with a detailed roadmap toward achieving them. Business owners without measurable goals don't know if their decisions are actually helping the business succeed, because they've set no standards for success.



3. Inadequate Recordkeeping

Many businesses will fail because of inadequate recordkeeping. This refers not just to the business' finances, but all records relating to domain registrations and website hosting, contracts and agreements with web developers, freelancers and anyone else the business deals with. Inadequate recordkeeping can result in improperly filed tax returns, disputes with contractors and customers, and a huge loss of time trying to figure out how things should have been done. New business owners can avoid these problems by setting up proper recordkeeping systems from the outset, and getting outside help whenever necessary.



4. Inadequate Funding

Some new businesses will fail in the coming year because of inadequate funding. This doesn't necessarily mean that they've failed to secure outside investment or a loan from their local bank. A new business will have money coming in, and money going out, so if the money coming in doesn't meet expectations, those expenses must be reduced accordingly. Remember that your funding is only "inadequate" if it doesn't cover your expenses – reducing those expenses may be the answer.



5. Not Charging Enough

Many new businesses are so intent on bringing in new customers and building a name for themselves that they're practically willing to give their products away. While this approach may yield small immediate gains, it can damage a business in the long term. Once a customer gets something at a greatly reduced price it can be very difficult to get them to pay for it later. Either to give something away for free or charge full price, but avoid significant discounts. If you choose to give something away, make sure to get an email list sign-up or something else of value from the customer (even if it's just a "like" on Facebook) in order to establish in the customer's mind that your product or service is not "free."



6. Insufficient Value Proposition

Many companies go bust during their first year of operation simply because they've gotten their value proposition wrong. A "value proposition" (also sometimes known as a "unique selling position") is what makes a customer choose to buy your product or service. Having an insufficient value proposition may be because the business owner is trying to solve the wrong problem (or something that most individuals simply wouldn't consider a problem).

What makes you different from everybody else?

7. Neglecting Customers

Good customer service is absolutely essential, and a new business that treats its customers poorly is going to face challenges to survive. But that first transaction with a new customer isn't the end of the sales process – it's the beginning of a long-term relationship. By following up with customers after a transaction to make sure they're still satisfied, sending them preferential offers for new products you may have in the future, and engaging them in online conversations (on sites such as Facebook and Twitter) you'll be much more likely to count on their business in the future.



8. Neglecting Personal Health and Well-Being

Running a new business is tough. The physical and mental stress of trying to make a new business succeed can take its toll on the business owner, and taking sick days simply isn't an option.

Owners who neglect their own health and well-being by rationalizing that those sacrifices will be good for the business are putting themselves (and their businesses) at risk. You need to keep yourself healthy and fit in order for your new business to succeed.

9. Not Recognizing Gaps in Knowledge or Expertise

Your current level of inexperience won't always doom your business, but you're almost certain to fail if you don't get help to overcome that inexperience, and to become an expert in your chosen field as quickly as possible. Until you've reached that point, remember that help is available. A virtual assistant, or a freelance writer or web developer, can be indispensable.



10. Not Having Passion for the Business

Even if a new business owner could overcome all of the previous nine problems discussed above, it's virtually impossible to succeed without passion for the business. New business owners who are simply looking for a new source of income, but don't genuinely care about the

product or service they're selling, or who are indifferent to the needs of their customers, probably won't be in business for very long.



Taking an honest look at your new business might be difficult, but it can be a worthwhile exercise if it helps you avoid the problems discussed above.