

Where business can go wrong

The reality of small business is that most new enterprises fail in their first three years of operation. In studies completed by different public and private sector researchers, reported levels for failed start-ups range from 50% to as high as 80%.

Some of the most common causes for small business failures are:

Lack of market potential

Many businesses fail because the market for their products or services is too small or specialised to support them. Thorough and accurate market research and analysis are mandatory prerequisites for people intent on starting their own business.

Lack of capital

If a business is under-capitalised, the survival prospects are grim. Enterprises need sufficient cash to carry them through the initial months of operation until the business begins to breakeven or to turn a profit. Capital requirements are commonly underestimated when new ventures are in the planning stages.

No business plan

A good business plan will help to set clear objectives for sales, growth and expenses, and let you know if you are on your budgeted target.

Unanticipated competition

It is easy to disregard the overwhelming damage of unanticipated competition when you are excited about a new venture. Many new business owners often underestimate the power of their competition. It isn't enough to know that a market exists for a product or service. It is equally important to accurately know the strengths and weaknesses of existing and potential competition.

Uncontrolled growth

There can actually be too much success for a new business, as contradictory as it seems. Some new businesses expand too quickly, straining their financial and management structures and damaging the quality of their products or services.

Poor location

For retail businesses in particular, a prominent, easily accessible location is critical for commercial success. Where a retail establishment is located is often just as important as the products it sells. Traffic flow, parking facilities, the character of the neighbourhood and the identity of other nearby businesses can make or break a new business.



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Further information

The following fact sheets provide further information on these issues:

- Business planning
- Financing your small business
- Location and premises
- Manage business growth
- Marketing plan