



# 90% of Tech Start-Ups Fail: What Do the Other 10% Know?

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# Start-Ups – Did You Know?

## Founder stats

- Average age of a founder is 45
- The ratio of male entrepreneurs to female entrepreneurs in 2019 was 10:7
- 2 founders increase the odds of success – 30% more investment, 3 times customer growth rate
- A 60-year-old is 3x as likely to build a successful startup than a 30-year-old.
  - *However - start-ups with high-levels of experience, but average or low passion and weak collective strategic vision are more likely to fail*
- Founders who failed previously have a 20% chance of success, first time founders have an 18% chance

# Start-Ups – Did You Know?

## General stats

- ~305 million start-ups created every year globally, only 0.05% get VC funding
- < 10% of startups that raise a seed round also raise a series-A investment.
- ~90% of start-ups fail
  - ~80% of “tech” start-ups fail (e.g., CV & edge AI)
  - ~90% of “disruptive” tech start-ups fail
  - 99.9% of unicorns fail (1200 unicorns in 2022 or about 0.00006 of start-ups)
- ~70% fail in year 2-5
- Failure is most common for companies with 11-50 employees
- Of ~70k start-ups in USA, ~20 will reach \$100M in sales a year

# Top 20 Reasons Cited for Failure

There is no single reason though many are often related

1. No market need – 42%
2. Ran out of cash – 29%
3. Not the right team – 23%
4. Get outcompeted - 19%
5. Pricing/cost issues – 18%
6. Poor product - 17%
7. Lack of business model – 17%
8. Poor marketing – 14%
9. Ignore customers – 14%
10. Product mis-timed – 13%

# What Does This Boil Down To?

For “tech differentiation” start-ups (*vs operational excellence*) the most common reasons can be summarized as:

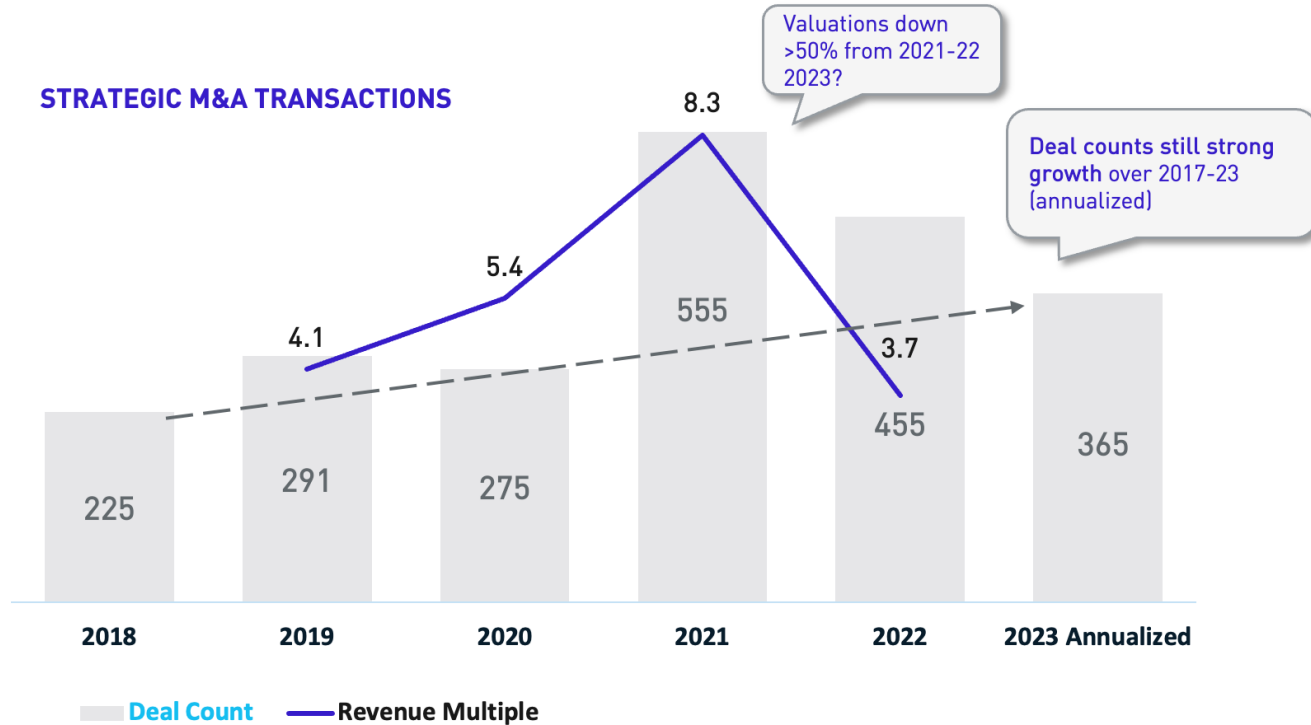
1. Not clearly identifying the customer/market problem
2. Not quantifying the value prop or the value prop is not significant
3. Not quantifying competitive differentiation
4. Weak GTM – *A way to achieve repeatable and scalable growth*
5. Incomplete leadership – *Team balance, diversity, always learning*

# Thinking of an Exit?

- 40% VC backed start-ups fail, 40% return cash, 20% exit positive return
- Acquisition
  - ❖ More than 90% of non-liquidation exits are M&A, 40%+ happen pre-Series-B
    - <\$10M will be an acqui-hire
    - <\$100M typical strategic fit
    - >\$100M typical financial
- Direct listing or IPO <1%
- SPAC merger <1%

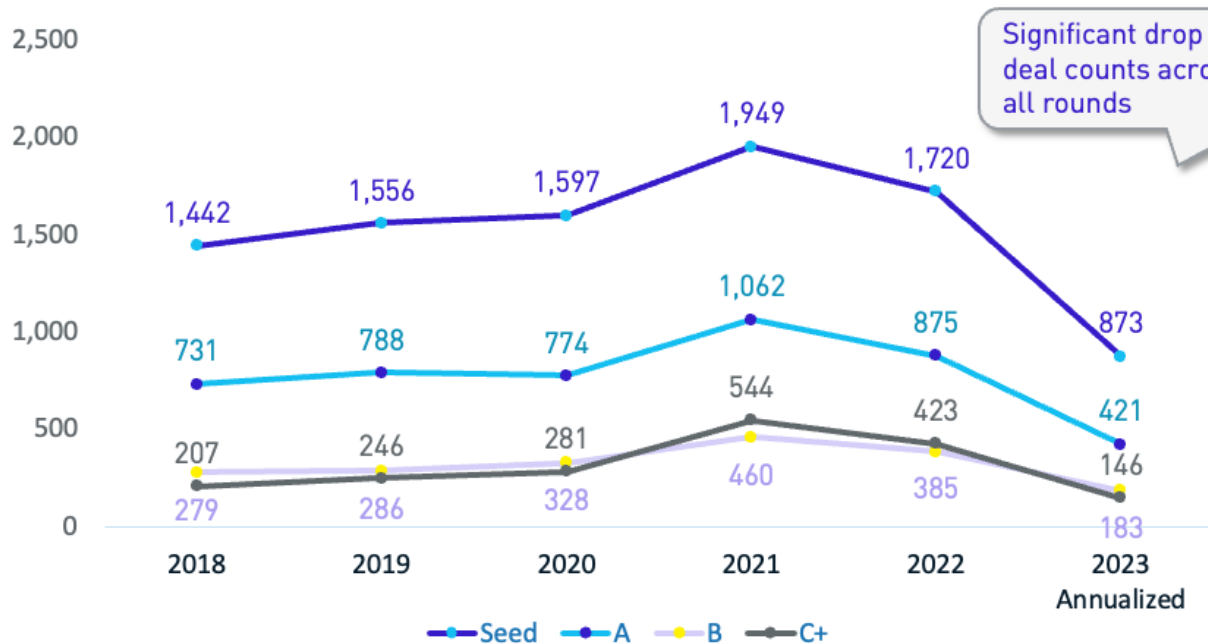
# M&A in Edge AI/ML & Computer Vision

## STRATEGIC M&A TRANSACTIONS



# Growth Capital in AI/ML & Computer Vision

## DEAL COUNT BY ROUND





# It Starts with a Compelling Story

1. What is the opportunity? The tidal wave start-up is riding
2. What is the challenge/problem facing incumbents?
3. Solution needed?
4. Quantified value proposition
5. Quantified competitive differentiation – compare to incumbents
6. Evidence of value proposition – beachhead market/customer
7. Well thought through GTM with optionality
8. Leadership – experience + passion with strong company culture

Which comes first – value prop vs competitive differentiation?

- Value proposition needs to:
  - Explain how the product solves a customers' problems or improves their situation
  - Deliver specific quantifiable benefits (quantified value)
  - Inform the customer on why they should buy
- Competitive differentiation - the method by which the value prop is delivered:
  - Must have capabilities the competition can't or won't replicate easily
  - Its the input – value prop is the output

# Go-to-Market – Misunderstood



# Customers Matter – Partners Key

Often ignored until much later – strategic partnerships are integral part of the GTM and strengthen the competitive advantage

- Can overcome particular weaknesses
- Lower barriers to entry to new markets
- Supplement critical skills
- Share or reduce the risk and cost of major development projects especially through the lens of customers
- Enhances innovation
- Accelerates growth

# Culture – More Than Lip Service

- What is it?
  - Shared values, thoughts and beliefs – needs to start immediately
- Is it important?
  - Companies with strong cultures see revenue growth that is 4x greater than those who don't.
  - [Glassdoor](#) study showed that those companies being named a *Best Place to Work* outperform the overall market by 115.6 percent and showed that the 30 lowest-rated public companies broadly under-performed the market.

# Summary – What the 10% Do Well

- Quantifies value prop and continuously looks for evidence
- Paranoid about competition - quantified competitive differentiation
- GTM answers
  - Who, What, Why, Where, When & How
  - Achieves repeatable scalable growth (leveraging partners)
- Focused leadership
  - Weekly tools to stay focused and track execution
  - Invests early in culture, always learning, diverse, prioritizes time spent on strategy and mission and values optionality

# Summary – What the 10% Do Well

Investment story is compelling to all stakeholders, conveys a vision



- CB Insights, The Top 20 Reasons Startups Fail, Aug 2020, <https://s3-us-west-2.amazonaws.com/cbi-content/research-reports/The-20-Reasons-Startups-Fail.pdf>
- Embroker – Start-up Statistics for 2023 <https://www.embroker.com/blog/startup-statistics/>
- DemandSage 11 Feb 2023 - <https://www.demandsage.com/startup-statistics/>
- Tech Crunch - <https://techcrunch.com/2018/07/31/what-every-startup-founder-should-know-about-exits/>
- Luisa Zhou, Startup Failure Statistics: What Percentage of Startups Fail? [2023] <https://www.luisazhou.com/blog/startup-failure-statistics> (about 10 sources cited)
- <https://kaplansolutions.com/article/the-impact-of-organizational-culture-on-business-success>
- Connected Vision Advisors <https://vision-connected.com/>





## Thank you! Q&A...

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# Back-up



# CV & Edge AI M&A - Drop from 2021 to 2022

## Top 10 in 2021:

1. Nuvia \$1.25B - QCOM
2. Caper \$350M - Instacart
3. Prospera Technologies \$300M - Valmont Industries
4. Beauty Labs \$206M - Amyris
5. Second Spectrum \$200M – Genius Sports Group
6. Gauss Surgical \$160M - Stryker
7. Motion Metrics \$94M – the Weir Group
8. American Robotics \$69M – Ondas Networks
9. Mirametrix \$69M – Lattice Semiconductor<sup>1</sup>
10. Progeny Systems \$35M - AeroVironment

## Top 5 in 2022

1. Alter \$100M – Alphabet
2. Vision Labs \$91M - MTS AI
3. Enview \$64M - Matterport
4. Calipsa \$52M - Motorola Solutions
5. Wanna \$29M - Farfetch