

Why Do So Many Online Businesses Fail?

<http://www.webpagefx.com/why-do-online-businesses-fail.html>



Why do online businesses fail? This question isn't easy to answer. More often than not, there are multiple factors that prevent online businesses from turning a profit, or that lead to an eventual downfall. These factors may be simple – like heavy competition – or more complex, involving a lack of necessary internet marketing knowledge and activities.

Some studies have shown that [90% of online businesses](#) fail within the first four months of operation. This is a pretty abysmal statistic, isn't it? If you have a brand new business, or are thinking of starting one, you probably want to do everything in your power to be among the 10% that find long-term success. So what can you do to keep your ecommerce website or online business from failing?

In this report, we'll examine 10 of the most common reasons that lead to online business failure, and cover a few of the ways you can prevent these problems and get your company on a path to success.

1. Lack of Basic Business Knowledge



Advances in technology and online services have made it easy for almost anyone to open a business online. There are a variety of website platforms and shopping carts that allow you to sell products from your website, with setup perhaps only taking a few hours. If you're familiar with the internet and know a little bit about HTML, you may figure that it's simple to set up and operate an ecommerce store – with no business background required.

Unfortunately, not having a general knowledge of basic business terms, or how businesses operate, might be your downfall. If you have a successful ecommerce store that is making a few thousand dollars a week, but you don't know what your operating costs are, you may run out of money very quickly. Alternately, if you're not keeping track of the profit margin on the products you are selling, or tracking the costs of the sales you are running, you may be reselling products for more than what it cost to purchase them in the first place!

Running a business isn't as simple as subtracting your expenses from your profits. There are a lot of factors that determine whether or not you are operating at a profit, and not being aware of them – or being mindful of "hidden" expenses – could very quickly lead to your downfall. So before starting your business online, or opening an ecommerce website, make sure you have a full knowledge of how to run a business. You can look for a business course to take at a local university or online, or learn from a trusted business partner who is willing to help you take those first shaky steps.

Although there will always be a few lucky entrepreneurs who are able to "dive right in" and learn as they go along, don't assume that this will be you. Learning as you go could be a huge mistake. When your business is operating, you need to focus on running it – not learning how to run it.

2. Lack of Defined Business Identity



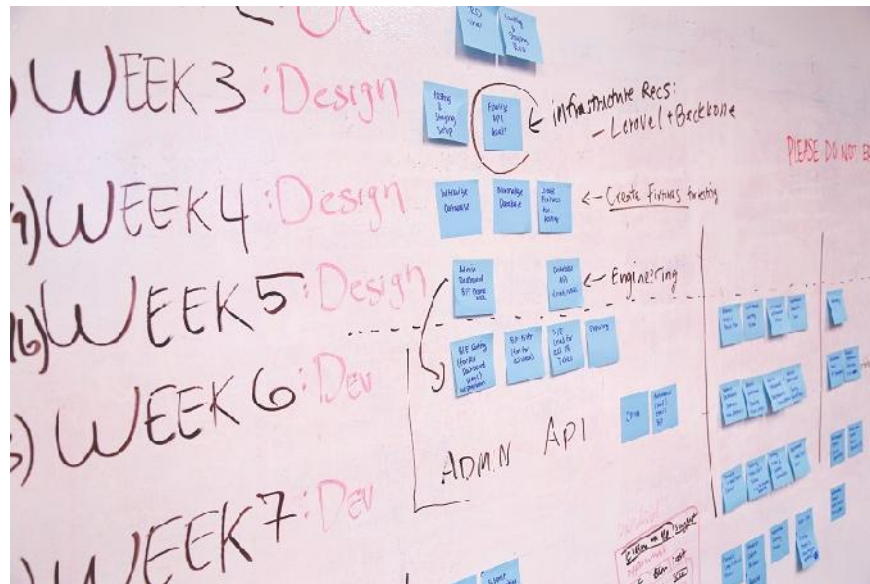
Before starting a business, you should be able to answer a few simple questions with confidence:

-) What am I offering?
-) Why is it desirable?
-) Who is my customer?
-) How does this benefit them?
-) What are my long-term goals?

If you can't answer these basic questions, this may present a challenge for your business. For example, if you are "just selling stuff you think is cool," you might be in trouble. Flea market stands may do well, and individual product listings on marketplaces or auction websites will probably make you so money, but building your online presence around selling "cool stuff" isn't wise. It's hard to differentiate yourself from other websites unless you have some kind of theme or purpose.

Define your business identity by answering the questions above. If you are passionate about baby supplies, and know that your customer base is mothers-to-be who are looking for affordable cloth diapers and changing tables, you should be able to build an attractive website with a very clear identity and purpose. This may also help you write great website copy and properly optimize your site for specific keywords or key phrases.

3. No Business Goals



Did you take note of the last question above? Many online businesses fail because they do not have any goals or expectations. Yes, you may have a vague goal of “make money by selling online,” or may expect to be profitable by offering a service or piece of software, but you should have some very specific goals beyond that. For example, using our baby supplies example, these might be some realistic goals:

-) Make \$20,000 a month from online sales
-) Sell 500 packages of cloth diapers per month
-) Reach a 10% conversion rate by the end of the year

Without one or more goals, you won't know what you are striving for. Many online businesses fail to succeed because they never set these kinds of goals. Without goals, they may not have a clear direction for their activities, and may never do the right things to help turn a profit.

When you are setting goals for a new business, start small, and remember to be realistic. You may want to set a goal of making 25 sales your first month, or reaching a set amount of profit. Once that goal is met, you can set a new goal.

However, make sure that you are doing the right kind of work to help meet your goals. If you set a goal to increase your revenue, but you don't ramp up your marketing activities, properly optimize your website, or add additional products and services, you may find that your sales stay flat. For this reason, you may want to add a “by” or “how” statement for your more advanced goals – something like “I will increase sales 10% this month by adding 200 new products to my store.”

4. Not Learning Important Skills or Concepts



Even if you are an experienced business owner with a brick-and-mortar location, you will probably learn very quickly that selling online is different than selling in a physical store. As we mentioned earlier, almost anyone can start a business online, and it's for this very reason that competition is extremely high. Even with the number of new stores failing, there are major players in nearly every ecommerce space that can give you a run for your money.

You will need to learn a lot of new concepts, terms, and skills if you plan to succeed online. These skills can range from learning to program or write code for your website in HTML or CSS to creating and evaluating A/B tests that relate to conversion rate optimization. If that last sentence thoroughly confused you... well, you have a lot to learn before you get serious about selling online!

The best way you can learn about running an online business is by reading guides, articles, and blog posts from industry leaders or internet marketing companies. These companies can provide invaluable advice on everything from creating a new ecommerce store to properly marketing to your audience. Be prepared to do a lot of reading and learning – and remember to take notes!

WebpageFX has a number of marketing guides that can help you learn about driving traffic to your website, building your presence on social media, and a variety of other subjects. Download a few and see what you can learn from them. Even if you've already started your business and have a following, you may discover some new tips or tricks that will be beneficial to you!

5. Heavy Competition



Sometimes, the answer to the question of “why do online businesses fail?” is very simple: too much competition. Because there are so many businesses online selling the same items as you, or with a similar business model, it can be very difficult to differentiate yourself. If you want to beat your competition, you need to identify their weaknesses and take advantage of them as quickly as possible.

Competing against established businesses can be difficult, but it is not impossible. To succeed, you need to have a very good idea of what they are doing wrong, or not doing at all. For example, if you are selling cloth diapers, you may notice that your biggest competitor doesn’t have a detailed “how to use” page on their website, which may be frustrating mothers and driving them away. Or you may notice that another competitor’s pricing is very high, even though the quality of their products is the same as yours. Identifying these weaknesses, and modifying your business model or tactics appropriately, can give you the edge you need to succeed.

Once you have started your business, don’t ignore your competitors and assume that you are doing a better job than them, even if your sales are very high. Keep a close watch on what they are doing. You can do this by following them on social media or signing up to receive emails from them. Chances are, they will try to identify your weaknesses, too – so it’s crucial to stay ahead of the game.

Finally, if you are still at the stage at which you want to start a business but aren’t sure what to do, choose carefully. Look for markets that have lower barriers to entry in terms of competition

and marketplace dominance. If you want to sell tissues, you are almost guaranteed to fail unless your product is absolutely revolutionary. You may also want to ask if selling online makes sense, too: are tissues really something that someone will order online in advance of a cold, or are they more likely to be picked up from a nearby drugstore after they get sick?

6. Website Lacking in SEO



SEO, or search engine optimization, is a crucial component of any modern website. SEO refers to a few ways by which a website is properly optimized to rank more highly in search results. Some common ways that a site can be optimized is through keyword-rich content (like homepage text or product copy), internal and external links, and the presence of special text like title tags or alt text on images.

If you are new to selling online and don't know anything about SEO, you should spend as much as time as possible learning about it before making your next move. Without a SEO strategy, it can be extremely difficult to rank in search engines for the terms that you associate with your business. For example, if your baby supplies business doesn't optimize its site for "cloth diapers," the chances of you ranking for it naturally are very, very low.

For new business owners, SEO can be a complicated and challenging component of their online activities. In many cases, it's best to consult a SEO firm for help, especially if you are just starting your site in a competitive field. A company like WebpageFX can make suggestions for SEO methods and activities that will boost your rankings, like link building or guest blogging.

Don't think that you can ignore SEO, or rank highly in searches purely because you have a beautiful website or really great products. Even if it's only at the beginning, you will need to take action to optimize your website, build links to it, and get your keywords on your pages and in other important locations. Without a knowledge of SEO, you may unfortunately find yourself among the 90% of businesses that fail online.

7. No Social Media Presence



Marketing your business is an important part of drawing in new customers. Unless you put the word out there about your store or service, and actively promote yourself on relevant websites or social media channels, you may find that you don't have enough customers arriving through organic search or word of mouth to sustain your business.

One now-common marketing method is social media. Social media sites like Facebook, Twitter, Pinterest, LinkedIn, and more can help new customers find your website and motivate them to make a purchase. For example, if you are pinning photos of cloth diapers to Pinterest, and someone searches the site for "cloth diapers," you may receive some clicks from parents who like your photos or want to see what you are selling. Facebook and Twitter also have targeted advertising options that allow you to spend as little or as much as you want on ads or Promoted Tweets.

However, the saying "don't put all your eggs in one basket" absolutely applies to social media. These sites should not be the only way that you make people aware of your business. If you rely only on Facebook and forget about SEO, or use Twitter heavily without doing research to determine if that's where your customers are actually looking for information, you may find that social media is unsuccessful for you. Try to include social media as part of a bigger marketing plan, and don't rely on it as a sole source of new fans or customers.

8. No Original or Helpful Content



You may have heard the phrase “content is king,” and this is definitely true for online businesses. More and more customers are relying on content – not products – to determine whether or not a business is worth their attention and investment. One way that you can set yourself apart from your competitors is by acting as a source of original content that is helpful or interesting to potential buyers.

Returning to our cloth diaper example, you may have noticed that your competitors don’t supply any usage instructions, which often leads to confusion or negative reviews posted online. Why not take advantage of this by posting a detailed “how to use” page with photos or illustrations? You could even take this a step further and start a blog about baby supplies, or create articles about news in your industry.

If you plan on using content marketing to promote or supplement your website, make sure what you are doing is original. Don’t simply scrape content from other sites, or do the same things as your competitors. As we already discussed, you should be looking for ways to outsmart your competitors. Above all else, everything you do should be helpful to your customers, and should provide them with value – not simply create noise.

9. Lack of Maintenance



After your website is up and running, you may think your job is over. But it's not as simple as that.

Internet trends and technologies are constantly changing, and your website needs regular maintenance to keep it looking and performing at its best.

Keeping your site updated on a regular basis ensures that you are providing customers with up-to-date information about your products and services, and it can position you as a leader in your industry. Without regular site upkeep, you run the risk of losing your top rankings in search results, and competitors will jump at the chance to outrank you.

10. No Support System



This article didn't address the dilemma around 'No Support System' adequately for me, so I am adding in my two cents. Many online business owners believe they can manage the operation of the business alone. This misconception can lead to closing your doors due to overwhelm.

Being an online business owner involves much more than just putting up a website and buying business cards. Depending on the industry you operate inside, there are back-office systems and customer-service procedures you will need help with managing.

Find reputable online assistants who are keen in your industry and can help you set up your foundation so that your doors stay open and your business keeps thriving.

About Kim Gray and My First Coaching Client

Marketing Coach and Launch Assistant for Introvert Coaches



As an Introvert Career, Business, or Executive coach, you have been coaching awhile and have enough experience to know you need help with understanding your market's needs, pains, and trends.

You also recognize that networking and marketing is a challenge for you. You tend to be a private person but love to help others in a big way.

My First Coaching Client blends the best of two worlds -- coaching and launch assistance. Save time and money by letting your 'Help Me Get It Done' Coach help you open your doors for business.

Let today be the day you understand exactly how you need to network, build relationships, and market on your terms. Visit my site (<http://myfirstcoachingclient.com>) and schedule a "Help Me Figure It Out Session".