

Research article

## Failure Factors of Platform Start-ups: A Systematic Literature Review

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### Abstract:

**Purpose:** The quantity of platform start-ups is rising consistently. Nonetheless, it has been discovered that a large number of the new businesses crash and burn toward the starting stages and the greater part of them fall flat in under five years. The reasons for such failure are still to be uncovered in a systematic way. While there are adequate investigations that have independently propounded different reasons, this study aims to examine these reasons together by proposing a theoretical structure that will recognize the elements impacting the failure of platform start-ups.

**Methodology:** An extensive systematic literature review was led to uncover and examine the different elements answerable for the failure of such platforms. A sum of 113 scholarly and non-scholastic sources were inspected and broke down to distinguish the basic elements.

**Findings/Contribution:** For platform failure, three classes have been revealed including organizational, business model innovation, and environmental. In addition, 29 basic elements have been identified and classified into six categories while concentrating on similar ramifications. Utilizing the recognized components, the authors have proposed a map. This map uncovers that different elements are liable for platform failure. Media platform start-ups can be profited to a great extent from this study.

**Keywords:** Media Start-up; Platform Business; Failure Factors; Ecosystem; Financial Performance.

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### 1. Introduction

In recent times, the platform business model has pulled in more consideration than the customary plans of action due to its basic, single-track structure, one which wipes out the guards or the middle people in the middle. There are a lot of pipeline business exits in the market, yet—considering the idea of the stage plans of action—it generally wins for all intents and purposes. It gets consumers and the producers a solitary line. The end of guardians likewise permits shoppers more prominent opportunity to choose items that suit their requirements (Parker et al., 2016). What is more, it is generally less expensive to begin a platform business than a linear one where, as a rule,

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the main way to begin a business is to have enough capital. The same number of youthful business visionaries are getting into new companies, they think that its simpler to begin platform organizations (Parker et al., 2016).

Parker et al. (2016) defined “a platform is a business based on enabling value-creating interactions between external producers and consumers”. Platform business is often considered as ‘Multi-sided platforms’ (Hagiu, 2007) that are technologies, products or services that create value primarily by enabling direct interactions between two or more customer or participant groups. Not all technological platforms are multi-sided platforms as they do not create value between the customers and suppliers connecting members of communities and enabling them to transact. Platform business models can be tailored to meet a wide range of needs (Salamzadeh, Kawamorita & Karami, 2019). They include: Marketplaces, Social and content networks, Payment platforms, and Operating systems for computers, mobiles, game consoles, VR equipment and associated app stores (Reillier & Reillier, 2017). Therefore, there is a difference between the product platforms and multi-sided platforms. According to Hagiu, the key difference among them is, in a multi-sided platform, each group of participants (“side”) are customers of the multi-sided platform in some meaningful way whereas product platforms violate this rule. His illustration of platform business goes like the below:

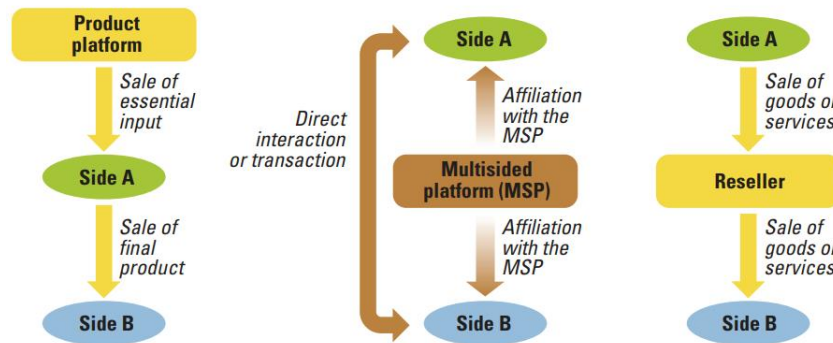


Figure 1: Multi-sided platform businesses (Hagiu, 2011)

However, the platform business model does not follow traditional management principles. They are uniquely able to *attract, match and connect* people to enable them to transact (Reillier & Reillier, 2017). They often use the open business model that is required for their business. But, unlike linear business, network effect has the utmost importance on the platform business. Network effects are the effects that incremental participants (and participation) have on the value of the network to other participants (Reillier & Reillier, 2017). This creates direct and indirect network effects. They are crucial for the growth and the value creation of the platform to its participants. Currently, we can see most of the media companies are following the platform business model and by connecting the communities for creating and sharing contents, they are creating values.

Digital platforms have provided media entrepreneurs with new tools to engage with a vast array of users more deeply and precisely (Khajeheian, 2017; Tokbaeva, 2019; Salamzadeh, Williams & Labafi, 2019; Roshandel Arbatani, Kawamorita, Ghanbary & Ebrahimi, 2019). Therefore, inferable from the effortlessness of their temperament, most of the cutting-edge media organizations are platforms (Bucher & Helmond, 2017). Facebook, Instagram, Twitter, etc are largely platforms, which trade content as worth. They likewise include a ground for nascent entrepreneurs (Nieborg & Poel, 2018; Nieborg & Helmond, 2019; Khajeheian, 2020). However, media start-ups that start their endeavors utilizing platform are coming up short at high rates (Salamzadeh & Markovic, 2018). For instance, VidMe, a video facilitating administration propelled before general society in 2014, fizzled in 2017. These start-up claimed that they fizzled because of the solid rivalry in the market. A few

endeavors have fizzled and there are numerous explanations for such failure. This examination expects to distinguish and research the components answerable for such failure.

The Startup Genome Project from 2012 surveyed data from 3,200 companies (Marmer et al., 2012). To find out the main reason for the failure of companies that are founded, the study identified problems that arise when a company grows rapidly, even though it is not yet ready for rapid growth. The problems are: The start-up does not have enough customers yet; the product is not mature enough; the team decays in this situation; the business model does not work; or the necessary capital is missing at the decisive moment. From the perspective of the authors of the study, it is essential that these factors need to be balanced for the success of start-ups (Marmer et al., 2012). Moreover, several start-ups could not comply with the demand of the consumers and the market and could not reach the critical mass of participants. It is essential for a platform to reach a critical mass to grow as part of business model innovation. But when that does not occur, platform start-ups must exit the market. Because of cart innovation and helpless management, media stage like MySpace, Google Plus have neglected to pull in the clients thus, presently, these are at serious risk. Without having a legitimate administration, it is very hard for rising new start-ups.

Mancha et al. (2019) confirmed seven mistakes by analysing 16 emerging platform start-ups: 1. Failing to create a seamless digital experience; 2. Failing to develop a vibrant ecosystem; 3. Failing to protect monetization opportunities; 4. Failing to recognize and balance strategic options at three crucial pivot points; 5. Failing to exploit the synergy of digital and physical assets; 6. Failing to innovate beyond the digital experience; and 7. Failing to follow emergent strategies. Platform innovation, process innovation, and business model innovation, too, are drivers of platform failure (Fu et al., 2017). An article in Harvard Business Review spotlights five key factors that impact the failure: failure to devise a good strategy, network effects, failure to put customers' trust in front, product timing, and the entrepreneurs' hubris. Yoffie et al. (2019) grouped the most common mistakes of platform failure into four categories: (1) mispricing on one side of the market, (2) failure to develop trust with users and partners, (3) prematurely dismissing the competition, and (4) entering too late.

Previous findings on the factors responsible for the failure of new ventures have been highly divergent. Several studies have reported that financial challenges are one of the key factors for platform failures (Bednár & Tarišková, 2017). Atsana (2016) referred to such challenges as the internal factor of the organization. Moreover, getting the price right is necessary in any platform (Yoffie et al. 2019). For a platform to sustain in the market, it needs to design their pricing strategies in such a way that overall value for the platform is maximized (Reiler & Reiler, 2017).

Regulatory challenges or legal issues include one of the noteworthy challenges for new-age new start-ups. If the platform does not give a base affirmation on quality of service and security, it risks losing customers. Regardless, normally, giving a guarantee may destroy the business suggestion that makes the platform approach reasonable regardless. In this manner, governance can be a challenge, especially for small start-up bunches with low resources (Choudary, n.d). Now and again a start-up can create from a clear idea and enter a vast expanse of legitimate complexities that can finally close it down. For instance, by far most of the media platform start-ups access personal information of visitors to direct arrangements or their exhibiting endeavors. Generally speaking, they use nonexclusive substance for the security procedure appeared on the site which makes them powerless against be sued for violate of individual data laws. On this note, Khajeheian (2020) asserts that "proliferation of obscene content including pornographic, violent, abuse, piracy, fraud and illegal activities within the first generation of social media resulted to numerous lawsuits, not only against the producers of contents that in many cases were anonymous, but the platforms as the distribution channels". Therefore, the platforms that promote media entrepreneurship are like building blocks of an entrepreneurial economy; but they need to adopt some new requirements to benefit themselves, society and other businesses. Where policy makers can help this process by drafting some measures

to free data from the blackhole after a certain period of time, or to ask social platforms to share some levels of data that can be used for analysis of social patterns, preferences, trends etc.

On the other hand, “Hubris, along with overconfidence and arrogance, to name a few misdirected traits, can produce spectacular failures” (Yoffie et al. 2019). Human competencies were also considered in another work—in combination with financial data—to foresee the failure (Cooper et al., 1994). Khelil (2016) observed that the personality traits of entrepreneurs are linked to failure, as also the psychological/emotive aspects of entrepreneurship. Even the platforms are highly dependent on the entrepreneurs’ ability to fully harness the opportunities that digital platforms offer (Dal Zotto & Omid, 2020). According to Dal Zotto & Omid (2020), entrepreneurs to take into account not only the social-cultural changes reflected in both audience and customers’ preferences, but also changes in the nature of work.

Aside from every one of these reasons, a couple of different variables and some different challenges have been distinguished that assume an indispensable job in changing the destiny of new businesses. The platform business has brought about countless investigations that endeavor to unfurl opportunity acknowledgment. The quick development of the field has likewise added to troubles amassing and organizing the examination, and it is trying to increase a diagram of the idea. In addition, customer relationships are quite significant, with direct relations (producer to consumer) and interactive (via social media) to be the standard (Crespo et al., 2020). Moreover, governments and political institutions have always been trying to increase their power to influence public opinion by penetrating the media sphere (Dal Zotto & Omid, 2020).

Notwithstanding, further research is required to compose the failure factors in an efficient manner and separated those variables into classes which might be helpful to comprehend why platform start-ups fall flat. Hardly any examination would be found to propose a map which would be fundamental in exploring the start-ups’ failure in locale. Different studies suggested different forms: while some have identified human factors, some have claimed business model innovation. Some other researchers have also investigated the micro- and macro-environments (Maulana et al., 2018) as reasons for platform start-ups’ failures. The authors can start to see the important studies and assemble a few significant contributions into a holistic framework. We refined our study based on one crucial theme—the key factors behind the failures of platform start-ups. This theme has led us to think about the measurement of failure. To carry out this study, we had the following research question in mind: ‘Which are the factors that influence the failure of platform and platform-based start-ups?’

This study is divided into four sections. Section two describes the research methodology of the study; Section three elaborates the analysis of the findings of the literature. The discussion of the findings has been delineated in section four.

## **2. Research Method**

A systematic literature review is a clear and reproducible procedure consisting of a series of phases that help researchers define the goal of research and plan the way in which articles are retrieved and reported (Ardito et al., 2015). Such published works represent validated knowledge and high impact on the research field (Podsakoff et al. 2005; Reim et al. 2014). The authors design a systematic literature review based on Booth et al. (2016) approach. They undertake four sequential steps following the Search, Appraisal, Synthesis, and Analysis (SALSA) Framework (Grant & Booth, 2009).

At the first step, so as to discover the response to the study question, we directed a deliberate writing review from scholastic papers (journals, books, and experimental examinations) as well as non-scholarly sources (site pages, media sources, magazines, and reports). Initially, the search source

was started from the journal banks—ScienceDirect, Springer Link, IEEE Xplore Digital Library, Emerald, and Google Scholar. We had also conducted relevant searches using the Google search engine on topics related to our study. It began by searching the keywords and descriptors from the primary articles in the defined banks (Chan-Olmsted et al. 2020). The review was limited to articles in peer-reviewed journals, books, book chapters, and conference proceedings. We focused mostly on the scholarly articles as these are considered valid knowledge and represent authoritative statements on the subject (Ardito et al., 2015). The underlying pursuit indicated 3,865 outcomes from the diary banks.

In the next step, utilizing the consideration and rejection models (Table 1 and 2), we have reclassified our quests. We considered optional references from the articles when appropriate.

**Table 1:** Inclusion Criteria

Inclusion Criteria	Reasons for inclusion
Research focus	Studies that recognize the basic failure variables of the platform start-ups and platform failure and, at times, classify in the different life stages.
Qualitative and Quantitative studies	Studies that present the empirical and quality data on the failure factors
English Language	For this study, we chose only English Language

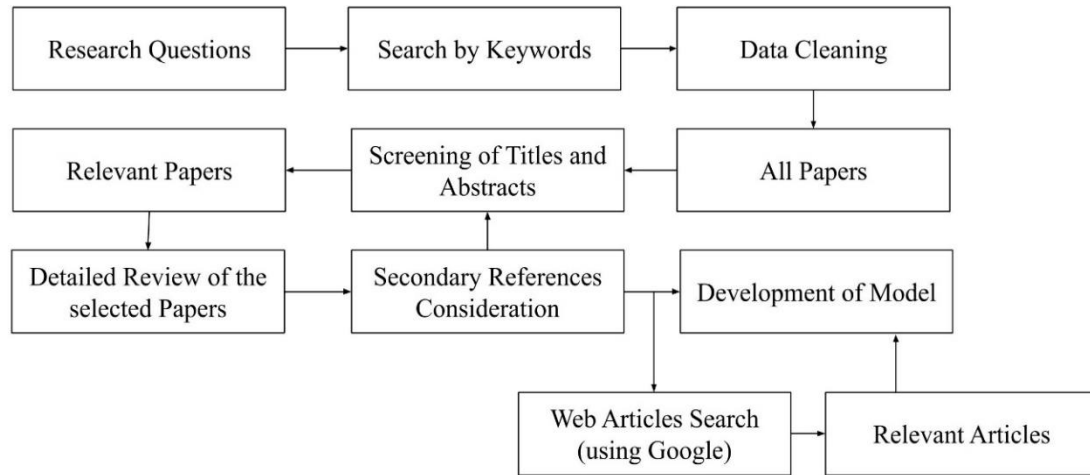
**Table 2:** Exclusion Criteria

Inclusion Criteria	Reasons for exclusion
Research focus	The studies that do not talk about the failure factors (we included this criterion after reading abstract and body).
Analysis of the study	Studies that do not include the platform start-ups

At the third step, based on the research goals, it was crucial to obtain the result of the previous research in a systematic way. After analysing the titles and abstracts—which do not provide a clear understanding of the failure factors—we found 714 sources.

Finally, we continue to read the whole text of the articles which provide the holistic view of the failure factors. Therefore, it gives us a result of 88 academic papers that discuss the failure factors. These determined the relevance of our present study and provided information about the critical failure factors required for our study. The search process excluded the high number of articles because of the general nature of our search terms. These are commonly used in entrepreneurship and start-up studies.

Some research works can be found that have done contextual analyses of the start-ups. But there are some organizations which examine the new businesses' excursion. They composed the narratives in different distributions like-magazines, articles, online journals, etc. Along these lines, in the following stage, utilizing Google web index, we have recognized a couple non-scholarly papers. This time, we utilized the serious setting capacity of Google web crawler. We utilized similar catchphrases and selected English language alternative. This came about 221 web pages that are relevant for our investigation. After cautiously going through all the pages, we have distinguished 25 sources that portray the platform new companies' failure reasons. A few articles even gave legitimate information like-CB Insights, Kotashev. The cycle of precise literature review is appeared in fig 2.

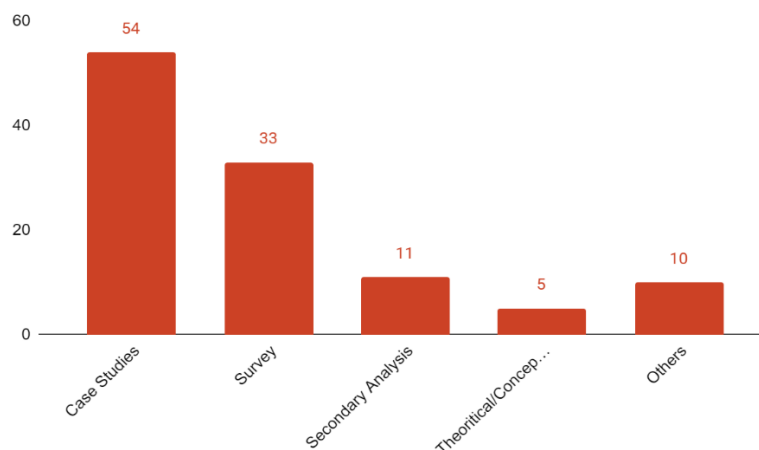


**Figure 2:** Flow process of the Systematic Literature Review

**Table 3:** Potentially Eligible Studies and Selected Studies

Sources	Potentially eligible studies	Selected studies
Science Direct	758	17
Springer	1730	33
IEEE Xplore	520	22
Emerald	857	16
Others	221	25
Total	4086	113

The first and second author examined the retrieved papers, where each author separately reviewed the papers based on titles and abstracts. By discussing the full text of the relevant papers, disagreements were resolved. This was necessary since some of the abstracts were incomplete or poor. In the 113 sources, various methods were adopted, which are shown in Figure 3.



**Figure 3:** Methods Used in the Reviewed Literature

### 3. Analysis/Results

The results from the extracted data are presented in this section. The research questions will also be analysed in this section.

### *3.1. What are the Factors that Influence Platform Failure?*

Many prior research works have been directed on platform start-ups and their endurance in the market. Parker et al. (2016) talked about three capacities—pull, facilitate, and match—ought to be adjusted to make a fruitful platform. It is additionally contended that not all platforms would have all these three capacities, yet to endure, a platform needs one specific capacity. In any case, this examination additionally found the three key variables of liquidity, coordinating quality, and trust, stay essential in estimating the soundness of for all intents and purposes any sort of recently propelled platform. The new start-ups require more cautious consideration from the management and the environment.

The present study investigates the factors behind the platform failures that directly lead to the failure of platform start-ups. Mancha et al. (2019) confirmed seven mistakes by analysing 16 emerging platform start-ups. In the literature, a few investigations have introduced the factors behind platform failure. If a platform falls flat, it positively prompts the failure of the start-ups. By breaking down past examinations, the authors have distinguished a decent number of factors, and they have ordered these components into three unique classes: organizational, business model innovation, and ecosystem (Table 4).

#### *3.1.1. Organizational*

In this classification, a few variables must be thought of. Different examinations have named the variables in different structures. Mancha et al. (2019), who contemplated 16 emerging, failed, and successful platforms, recognized seven mix-ups to dodge in the structure, dispatch, and scaling of new and new computerized platforms. In the paper, Mancha et al. (2019) alluded to the failure of adaptation openings, inability to misuse the cooperative energy of computerized and physical resources, and inability to perceive and adjust key choices at three critical turn focuses. These are viewed as slip-ups in stage plan with respect to the businesspeople.

Marshall et al. (2016), in his study, revealed six reasons for platform failure: it was mentioned that if a start-up fails to engage developers, it will lead to the failure of the platform. 'Successful platforms engage in platform evangelism, providing developers with resources to innovate, feedback on design and performance, and rewards for participation,' said Van Alstyne, Parker and Choudary, (2016). Moreover, there should be interactions among the consumer, the producer, and the platform. Everybody must get enough value which, in future, would bring all the stakeholders onto the platform. According to Van Alstyne, Parker and Choudary, (2016), 'A simple rule for platform managers is to take less value than you make and share value fairly with all participants.'

It is essential to reach the critical mass of participants for any platform start-up to sustain itself in the market. Contrariwise, too much attachment to money instead of critical mass (Marshall et al., 2016) would be certain to generate the failure of the platform. Cennamo & Santalo (2015) also focused on this fact of pursuing an intermediate approach between the mass market and a niche.

**Table 4:** Factors that Influence the Platform Failure

Category	Factors	References
Organizational	Failing to protect monetization opportunities	Mancha et al., 2019
	Failing to exploit the synergy of digital and physical assets;	Mancha et al., 2019
	Organizational performance	Spender et al., 2017
	Failing to recognize and balance strategic options at three crucial pivot points	Mancha et al., 2019
	Failure to engage developers	Marshall et al., 2016
	Failure to share the surplus	Marshall et al., 2016
	Failure to put critical mass ahead of money	Marshall et al., 2016
Business Model Innovation	Product innovation	Fu et al., 2017; Crowne, 2002; Jimenez, 2012; Joshi & Satyanarayana, 2014; Vesper, 1990
	Process innovation and business model innovation	Fu et al., 2017; Still et al., 2017; Long et al., 2017; Jimenez, 2012; Lundvall, 2009; Porter, 1998
	Innovation performance	Spender et al., 2017
	Costs	Gabriel and Sabatier, 2020;
	Flawed business model	Bajwa et al., 2017; Ganesh, 2015
	Failing to create a seamless digital experience	Mancha et al. 2019;
	Failing to innovate beyond the digital experience	Mancha et al., 2019; Cennamo, & Santalo, 2015
	Failing to follow emergent strategies	Mancha et al., 2019; Cardon et al., 2010; Cennamo & Santalo, 2015
Environmental	Failure to launch the right side	Marshall & Parker, 2016
	Network structure	Spender et al., 2017; Battistella et al., 2017
	New ventures	Spender et al., 2017
	Universities	Spender et al., 2017
	Venture capital	Spender et al., 2017; Santisteban & Mauricio, 2017;
	Failing to develop a vibrant ecosystem	Mancha et al., 2019
	Government support	Santisteban & Mauricio, 2017; Khelil, 2016; Spender et al., 2017
	Customer	Choshin & Ghaffari, 2017; Long et al. 2017; Still et al., 2017; Jimenez, 2012;; Joshi & Satyanarayana, 2014; Ganesh, 2015



### 3.1.2. Business Model Innovation

This category represents innovation in the business model, on which the growth of the venture is dependent. Many researchers point out that platform development is the key value driver for many start-ups (Crowne, 2002). While the costs (Gabriel & Sabatier, 2020) matters in the innovation performance (Spender et al., 2017), the process innovation and business model innovation (Fu et al., 2017; Still et al., 2017; Long et al., 2017; Jimenez, 2012; Lundvall, 2009; Porter, 1998) should be taken into consideration. Otherwise, the platform will not work. As business model innovation is one of the key elements, greater emphasis should be given to this before launching and building bridges among the stakeholders. Failure to create a seamless digital experience, innovate beyond the digital, and follow emergent strategies (Mancha et al., 2019) would make it difficult for the platform to create a viable impression on the consumers. In addition, Marshall and Parker (2016) elaborated the point that a platform should launch at the right side, or the effort would go in vain.

### 3.1.3. Environmental Factor

Apart from the organizational and business model innovation category, some other factors in the environment also have a great impact on platform failures. How a platform structures its network has holistic implications for the growth of the platform (Spender et al., 2017; Battistella et al., 2017; Vesper, 1990). New ventures and universities (Spender et al., 2017), venture capitals (Spender et al., 2017; Santisteban & Mauricio, 2017), vibrant ecosystem (Mancha et al., 2019), government support (Santisteban & Mauricio, 2017; Khelil, 2016; Spender et al., 2017), and customers (Choshin & Ghaffari, 2017; Long et al., 2017; Still et al., 2017; Jimenez, 2012; Joshi & Satyanarayana, 2014; Ganesh, 2015) also play a big role in platform failure.

### 3.2. What are the Factors that Influence the Failure of Platform Start-ups?

In an investigation on the post-mortems of 101 new businesses by CB Insights, it assembled a rundown of the best 20 reasons platform start-ups come up short: in this, a lack of market need (42%), running out of cash (29%), and the absence of the right team (23%) got the best three positions. Even though, it is not an academic article, it has a demonstrated record, since it legitimately researched the platform start-ups. As usual, the real scenario of the market gives genuine information. Be that as it may, Bednár and Tarišková (2017) indicated five fundamental issues identified with money. As per this investigation, these are: lack of money for further development (34%), no need for a product/service in the market (28%), no investors (16%), cost issues (16%), absence of the right team (14%). The literature review has permitted us to make sense of different sorts of variables identified with our study. In the wake of investigating the scholarly and non-scholarly papers, the authors have discovered 29 basic failure components of the platform start-ups. These variables have been referenced in various articles, and a portion of the articles have gathered these elements. In Table 5 (underneath), these 29 variables have been recorded and expounded for better understanding just as for giving the references. Factor IDs, as well, have been incorporated to distinguish these without any difficulties. It ought to be noted, notwithstanding, that the elements are not recorded consecutively arranged by the degree of effect on the failure of the platform start-ups.

**Table 5:** Factors that Influence the Platform Start-ups Failure

Factor ID	Factor	Factor Elaboration	References
F1	Run out of cash	The inability to utilize the cash and raise funding	Cantamessa et al., 2018; Kolari et al., 2002; Gage, 2012; CB Insights, 2019; Tobak, 2014; Skok, 2016; Davis, 2020; Kotashev, 2020; Cortes, 2019
F2	Not the right team/ Not Having the Right Team	Failed to get the right team members	Bednár & Tarišková, 2017; Atsana, 2016; Love, 2016; Lukason and Hoffman, 2015;

		who will facilitate the growth of the start-ups	Giardino et al. 2015; Jimenez, 2012; Gaynor, 2012; Almakenzi et al., 2015; Haque et al., 2020; Kulicke & Kripp, 2013; Jong, 2018; CB Insights 2019; Kotashev, 2020
F3	Get outcompeted	New entries in the market make it difficult to sustain in the market	CB Insights, 2019; Skeldon, 2019
F4	Pricing/cost issues/ Getting the pricing wrong	It is the cost of the product that, in some cases, does not align with the consumer demands and product requirements.	Bednár & Tarišková, 2017; Atsana, 2016; Gabriel and Sabatier, 2020; Love, 2016; Cantamessa et al., 2018; Beaver, W.H.; DIHK, 2014; CB Insights, 2019; Kotashev, 2020; Eastwood, 2019; Kash, 2018; Eschberger, 2018; Eastwood, 2019; Yoffie et al., 2019
F5	User Unfriendly product	The product which is not user-friendly to the consumers	Feinleib, 2011; Love, 2016; Crowne, 2002; Giardino et al. 2015; Jimenez, 2012; Haque et al., 2020; Joshi & Satyanarayana, 2014; DIHK, 2014; Jong, 2018; CB Insights, 2019; Tobak, 2014
F6	Product without Business Model	Viability and scalability of the product which has a strong business model	Bednár & Tarišková, 2017; Fu et al., 2017; Santisteban & Mauricio, 2017; Love, 2016; Cantamessa et al., 2018; Cennamo & Santalo, 2015; Jimenez, 2012; Gaynor, 2012; Almakenzi et al., 2015; Haque et al., 2020; DIHK, 2014; Vesper, 1990 ; Lundvall, 2009; Porter, 1998; CB Insights, 2019; Tobak, 2014; Kotashev, 2020
F7	Poor marketing/ Lack of Marketing and Sales Strategies/ Lack of Strategy	It the the poor management skills of the founders how they market their product and set strategies	Feinleib, 2011; Cennamo & Santalo, 2015, Almakenzi et al., 2015; Jong, 2018; Duchesneau & Gartner, 1990; CB Insights, 2019; Kotashev, 2020; Ganesh, 2015; Kash, 2018
F8	Ignore customers	Do not give enough concentrate on customer needs	Cantamessa et al., 2018; Haque et al 2020.; CB Insights 2019; Kotashev, 2020; Kash, 2018; Eschberger, 2018; Skeldon, 2019; Mashauri, n.d.;
F9	Product mistimed/ Product mistiming	Wrong timing of the product in the market	Kalyanasundaram, 2018; Guzmán & Lussier, 2015; Vesper, 1990; Battistella et al., 2017; Bruno, Mcquarrie, & Torgrimson, 1992; Vesper, 1990; CB Insights, 2019; Eastwood, 2019
F10	Loose focus/ Lack of Passion/ Lack of Commitment	Founders' disinterest to scale-up the venture	Kalyanasundaram, 2018; CB Insights, 2015; Duchesneau & Gartner, 1990; Gelderen et al., 2005; CB Insights, 2019; Tobak, 2014; Kotashev, 2020; Ganesh, 2015; Cortes, 2019; Cantamessa et al., 2018; Cennamo & Santalo, 2015
F11	Pivot gone bad/ Failure to Pivot	Failure to take alternative road to success	CB Insights, 2019; Tobak, 2014; Davis 2020; Kotashev, 2020
F12	Failed Geographical explanation	Chosen location for the product went wrong	Jaeger, 2003; Ziegler, 2013; CB Insights, 2019
F13	No Financing/Investor Interest/ Poor Creativity	Not enough funding for the venture	Bednár & Tarišková, 2017; Beaver, 1966; Bocken, 2015; Cardon et al., 2010; Egelin et

	with Funding/ Lack of Finance/ Insufficient financial resources	which may, sometimes, come from investors.	al., 2010; Giardino et al. 2015; Jimenez, 2012; Haque et al., 2020; Jaeger, 2003; Ziegler, 2013; Kulicke & Kripp, 2013; DIHK, 2014; Jong, 2018; Battistella et al., 2017; Vesper, 1990; Bruno et al., 1992; Duchesneau & Gartner, 1990; CB Insights, 2019; Feinleib, 2011; Rogoff et al., 2004; Liao et al, 2008; Gelderen et al., 2005; Song et al., 2008; Morteza et al., 2013; Kakati, 2003
F14	Did not Use Network	Failed to use the network to reach critical mass of participants,	Battistella et al., 2017; Blank, 2012; Lundvall, 2009; Vesper, 1990; CB Insights, 2019
F15	Burn out	Excessive cash burn without proper plan	CB Insights, 2019; Krishna, 2016; Kotashev, 2020
F16	Mismanagement of Funds	No proper direction of the use of funds Founders do not	Cooper et al., 1994; Tobak, 2014; Kotashev, 2020; Giardino et al., 2015
F17	Lack of Experience	have enough domain knowledge in the field	Kalyanasundaram, 2018; Thornhill & Amit, 2003
F18	Bad Management/ Lack of Management	Lack of managerial skills of the founders and team members to run the venture	Shepherd et al., 2011; Shepherd et. al, 2009; Gaskill et al., 1993; Lukason & Hoffman, 2015; Mwizerwa, 2013; Almakenzi et al., 2015; Bruno & Leidecker, 1988; Krishna et al., 2016; Ries, 2011; Tobak, 2014
F19	Not Having A Powerful Internet Marketing Strategy	For platform startups, it is crucial to use the powerful marketing strategy	Cardon et al. 2010; Almakenzi et al., 2015; Battistella et al., 2017; Blank, 2012; Lundvall, 2009
F20	Not Effectively Managing Company Cash Flow	It is the failure of the cash flow management	Rogoff et al. 2004; Kotashev, 2020
F21	Lack of market demand	Without analyzing the market need, the product is launched and failed	Cardon et al., 2010; Lukason & Hoffman, 2015; Giardino et al., 2015; Almakenzi et al., 2015; Jong, 2018; Tobak, 2014
F22	Strong competition/ Fail to Beat Your Competitors	Too many competitors are out there in the market	Lukason & Hoffman, 2015; Almakenzi et al., 2015; Kulicke & Kripp, 2013; Stuart & Abetti, 1987; Battistella et al., 2017; Tobak, 2014; Kotashev, 2020
F23	Failure to Lead/ Fear of Failure	Means the inability to understand the situation of the market demand by the founders	Morgan et al., 2015; DIHK, 2014; Davis 2020
F24	Not Having A Good Social Media Presence	Failure to reach the mass people through social media	Kotashev, 2020
F25	Government policies/ support/ environment/ Legal Challenges	It is the support from the ecosystem and environment where government plays a big role.	Atsana, 2016; Santisteban & Mauricio, 2017; Bocken, 2015; Dahlqvist et al., 2000; Khelil, 2016; Cardon et al., 2010; Rogoff et al., 2004; Gaskill et al., 1993; Lukason and Hoffman, 2015; Thornhill and Amit, 2003; Kshitija Joshi & Krishna Satyanarayana, 2014; N. Bocken; Haque et al., 2020; DIHK, 2014; CB Insights 2019

F26	Clash Between Partners/ Internal Team Issues/ failure to develop trust with users and partners/ Disharmony among team/investors	Dispute between the founders or the team members which leads to potential failure	Mantere et al., 2013; M. Marmer et al., 2011; Crowne, 2002; Cennamo & Santalo, 2015; Almakenzi et al., 2015
F27	Negative customer reaction	It is the negative impression of the customers regarding product	Bajwa et al., 2017; Choshin & Ghaffari, 2017; Jimenez, 2012; Kotashev, 2020
F28	Entrepreneurial attitudes/ entrepreneurs' overconfidence/ human competencies	Personality and attitudes of the entrepreneurs which cause venture failure	Seshadri, 2007; Hayward et al., 2006; Cooper et al., 1994; Khelil, 2016; Kalyanasundaram, 2018; Mantere et al., 2013; Hayward et. al. 2006; Almakenzi et al., 2015; Hyder & Lussier, 2016; Kulicke & Kripp, 2013; Ries, 2011
F29	Willingness to avail mentorship	It refers to the professional advice or the mentorship from the experts	Kalyanasundaram, 2018; Khelil, 2016.; Battistella et al., 2017; Duchesneau & Gartner, 1990

### 3.2.1. Stratification of the Factors

In the table above, we have combined the variety of distinguished components. A portion of the components show a similar kind of importance. Mulling over this reality, the authors have separated 29 elements into six classes including organizational factors, product factors, human variables, finance factors, market elements, and ecosystem factors. These classes have been shown underneath (Table 6).

**Table 6:** Stratification of the Factors

Category	Factors under this category
Organizational Factors	F7, F8, F11, F12, F18, F19, F26
Product Factors	F5, F6, F9, F21
Human Factors	F2, F10, F17, F23, F28, F29
Finance Factors	F1, F4, F13, F15, F16, F20
Market Factors	F3, F22
Ecosystem Factors	F14, F25, F27

#### 3.2.1.1. Organizational Factors

A few elements are inseparable from one another and have similar ramifications. For example, poor marketing, lack of marketing and sales strategies, and lack of strategy have similar ramifications: these are joined into the factor F7. In the investigation by Cantamessa et al. (2018), the significant expense of gaining consumers has been learned at the business improvement stage by the team members. The association and its administration are liable for drawing in clients. Overlooking customers (Haque et al., 2020; CB Insights, 2019; Kotashev, 2020) would prompt the failure of the platform. Also, if the management of the association neglects to turn (CB Insights, 2019; Tobak, 2014; Davis, 2020) the business to the market needs, it will, obviously, realize a negative outcome for the endeavor. Jaeger (2003), CB Insights (2019), and Ziegler (2013) referenced that an off-base decision of area or a bombed topographical clarification could likewise hamper the accomplishment of platform start-ups. Moreover, while management and strategic choices (Cardon et al., 2010) are assembled, the

absence of an incredible web showcasing technique has been referenced in different investigations (Almakenzi et al. 2015; Battistella et al., 2017; Blank, 2012; Lundvall, 2009). All these are identified with the management of the association. Notwithstanding, it is to be noticed that if the organization's income is not successfully overseen (Rogoff et al. 2004; Kotashev, 2020), it goes about as another factor for the failure of the platform.

#### 3.2.1.2. Platform Factors

To have successful platform start-ups, it is essential to have a good platform, which might be called a good product in a few cases. The study by CB Insights 2019 pointed out that user-unfriendly products exert a key influence on the failure of the start-ups. Another study of Crowne (2002) noted that, 'A company which can show that it has produced one or more successful products in a marketplace, and has the vision, road map and capability to produce more can expect a trade sale at a good valuation.' Recently, Giardino et al. (2015) and Haque et al. (2020) found that start-ups fail because of the product-market viability. Either the product went wrong, or it did not fulfil the needs of the market. In an analysis of Indian start-ups, Joshi and Satyanarayana (2014) talked about the product consciousness as a driver of young firm failure. Product failure occurs when there is no, or less, innovation in the business model (CB Insights 2019; Tobak, 2014; Kotashev, 2020; Love, 2016; Cantamessa et al., 2018; Cennamo & Santalo, 2015). It, therefore, affects the growth of the start-ups (Jimenez, 2012). Apart from that, the mistiming of platform launches creates a dilemma in the market (Kalyanasundaram, 2018; Guzmán & Lussier, 2015; Vesper, 1990; Battistella et al., 2017; Bruno, Mcquarrie, & Torgrimson, 1992; Vesper, 1990; CB Insights 2019; Eastwood, 2019). Given these circumstances, it can be implied that there is no market demand for the platform. Hence, a lack of market demand (Cardon et al., 2010; Lukason & Hoffman, 2015; Giardino et al., 2015; Almakenzi et al., 2015; Jong, 2018; Tobak, 2014) would make a platform less viable, putting the start-ups at risk of failure.

#### 3.2.1.3. Human Factors

In this category, we have included the factors that are related to the human beings who are responsible for operating the venture. Any failure to devise the right strategy for the company would, perhaps, define a start-up's failure. The literature shows that this includes not having a team (CB Insights, 2019; Kotashev, 2020; Bednár & Tarišková, 2017; Atsana, 2016; Love, 2016; Lukason and Hoffman, 2015; Giardino et al., 2015; Jimenez, 2012; Gaynor, 2012; Almakenzi et al., 2015; Haque et al., 2020; Kulicke & Kripp, 2013; Jong, 2018) for the innovation of the product (Gaynor, 2012). This denotes the entrepreneurial attitudes of the founders or the members in the team. Another study combines the environmental data and the resource analysis of the company with the personality traits of entrepreneurs, and links failure to the psychological/emotive aspects of entrepreneurship (Khelil, 2016). Sometimes, entrepreneurs' overconfidence (Hayward et al., 2006) may lead to failure. In some cases, wrong decisions are taken for the venture; it is essential to take mentorship from the experts who have domain knowledge. However, if the entrepreneurs are unwilling to take professional mentorship (Kalyanasundaram, 2018; Khelil, 2016.; Battistella et al., 2017; Duchesneau & Gartner, 1990), it leads to a negative outcome for the venture.

#### 3.2.1.4. Finance Factors

Capital, by far, is one of the key components for the ventures, as cited by the start-ups. Again, when the start-ups run out of cash (Cantamessa et al., 2018; Kolari et al., 2002; Gage, 2012; CB Insights, 2019), they are unable to scale up their respective ventures. This factor has been mentioned in many studies on the success or failure of start-ups. Not only finance but also the management of the funds is necessary to grow a business. Mismanagement of funds (Cooper et al., 1994; Tobak, 2014), no financing or disinterest of the investors (DIHK, 2014; CB Insights, 2019; Feinleib, 2011; Rogoff et al., 2004; Gelderen et al., 2005; Song et al., 2008; Morteza et al., 2013), burnout (CB Insights, 2019), and

not effectively managing a company's cash flow (Rogoff et al. 2004; Kotashev, 2020) are linked to a start-up's failure. All these factors together comprise the finance factors, as described by the authors.

#### 3.2.1.5. Market Factors

This class incorporates the market-related components, for example, getting out-competent (CB Insights, 2019) and strong competition (Battistella et al., 2017; Tobak, 2014; Kotashev, 2020). Extraordinary rivalry has been examined as an outer factor for the failure of the endeavor by Lukason and Hoffman (2015). Kulicke and Kripp (2013) called attention to that considering competition growing, new companies weakened their own market openings.

#### 3.2.1.6. Ecosystem Factors

The ecosystem and the stakeholders, being important elements for start-ups, exert significant influence on the failure of start-ups. An ecosystem involves the network, government, legal issues, consumers, and so on. After gaining insights from start-ups, CB Insights (2019) mentioned that many of the start-ups did not use their networks properly (Battistella et al., 2017; Blank, 2012; Lundvall, 2009; Vesper, 1990), which eventually caused their ventures to fail. Government policies and support (Atsana, 2016; Khelil, 2016; Cardon et al., 2010) would make the operations of the venture in the market easier. However, too many legal challenges (Bocken, 2015; Haque et al., 2020; DIHK, 2014; CB Insights 2019) from the ecosystem may cause start-ups to fail.

### 4. Discussion

In this section, we present the findings and discuss the factors in brief. We discuss the identified factors and present a map for the failure of platform start-ups.

#### 4.1. About the Failure Factors of Platform Start-ups

This examination means to investigate the determinants that cause platform start-ups to fizzle. In the wake of concocting a systematic literature review drawn from a few scholastic and non-scholarly papers, different factors have been recognized. Platform start-ups' failure happens for an assortment of reasons. We have seen that for any platform failure, the platform is the primary key driver that permits start-ups to pick up the trust of the customer. An article in Harvard Business Review spotlights five key factors that impact the failure: failure to devise a good strategy, network effects, failure to put customers' trust in front, product timing, and the entrepreneurs' hubris. Every one of these components have been talked about in different investigations, as well. While examining the components, three significant classes were recognized: organizational, business model innovation, and environmental.

Notably, these three categories and factors under these categories have a huge impact on the failure of platform start-ups. One cannot deny the fact that without these key drivers, it would be difficult to make a visible difference and grow. The analysis of the platform failure revealed that most of the platforms failed to grow on account of problems in the business model innovation. Not only problems in platform model innovation, but a flawed platform, too, may lead to a platform failure. With proper cost analysis, innovation performance, and quality assurance, the right platform may create an impact. And to bring about the critical mass of participants, it is required to launch the product at the right side. Suppliers and the consumers should get equal value from the platform. Then they would contribute to the platform's growth.

A platform may fall if the environment or the surroundings of the venture fail to support it. The environment includes the government, the network structure, venture capital, universities, customers, and so on (see Table 4). These factors have a significant effect on the growth of the

platform, either directly or indirectly. A lesser amount of support from any of the factors would probably cause platform failure.

#### *4.2. Platform Failure leads to Failure of Platform Start-ups*

Concerning failure of platform start-ups, 29 components have been appeared in Table 5. The literature review helped us make sense of these reasons. However, it, by a wide margin, does not include all the components. All things considered, these are talked about in more prominent detail and the factors are referred to by past studies. While checking on the literature, the authors found that there are a few factors that are co-related, or they give similar sort of results. Remembering this, the authors have grouped these variables into six classes (see Table 6).

Among the eight factors in the organizational category, poor marketing and clashes between the team members were given significant importance by the researchers: not the right team, 23% (CB Insights, 2019) and 14% (Bednár & Tarišková, 2017) and poor marketing, 14% (CB Insights, 2019). Ignoring the customers also got the same percentage as poor marketing from CB Insights (2019).

Then again, the product class consolidates factors like user-unfriendly product, product without a business model, product mistiming, and lack of market demand. A large portion of the new companies have said that no market need (42%) is one of the top explanations behind their failure (CB Insights, 2019). If a product is propelled without dissecting the necessities of the customers, it would confront a major test in the market. This has a relationship with product timing. In this regard, another factor ought to be considered too: the business advancement of the platform. For what reason does it make a difference, one may inquire. The appropriate response would presumably be the supportability of the platform. It ought to tackle the issue of the suppliers and bring another vibe which would put a decent impact on the buyer's brain.

A venture is controlled by a gathering of individuals, and a solid administration should set the methodology. The disposition of the business visionaries assumes as a major job in the failure of the venture. In the event that the founder or the team members neglect to set the methodology, at that point it influences the endurance of the venture. Picking the correct team member is likewise part of pioneering quality, and an off-base part can hamper the development of the organization. Individual variables have been examined distinctively in different explores, which have been talked about in the class of human components in our examination. Moreover, business visionaries ought not need center or enthusiasm as it is conceivable that over the long haul, they may stop if they face hindrances. Once in a while, an absence of involvement with the field may cause failure.

Apart from the factors stated above, financial factors also matter in the failure of the start-ups. Running out of cash (29%) has been placed in the second position as a reason for failure by CB Insights (2019). It is also discussed in the study of Bednár and Tarišková (2017), which says that cost issues (16%) have an impact on the failure. Finding a good source of investment or investors is another factor. It may happen that investors show disinterest to invest their money, and, so, start-ups get into trouble while managing their venture. Therefore, they become aimless and are forced to shut down their ventures. Some other financial factors like burnout, mismanagement of funds, and not having enough strategy to manage the cash flow can also negatively impact the venture. Conversely, market factors—which one cannot deny—have a strong connection with the failure of start-ups. While competition is good, strong competition in the market can cause the product to get out-competed, and then the start-up fall flat.

Like the environmental effect on the failure of platforms, there are some factors from the ecosystem which lead to the failure of platform start-ups. These include not using the network properly, legal challenges, governmental policies, and support from external sources. These are

referred to as external factors by Atsana (2016) and Bocken (2015). ‘Policies of the government and unexpected unlucky events as the causes of failure,’ according to Atsana (2016).

4.3. A Map of Factors for Failure of Platform Start-ups

From the above discussion, it can be extracted that, obviously, a few components are liable for the failure of platform start-ups. The failure of the platform is one of the key reasons. This platform failure has been talked about independently in our study. Our literature likewise shows that numerous researchers have brought up that platform failure causes platform start-ups to come up short. Additionally, platform factors have been connected to platform start-ups’ failure on the grounds that both the classes have similar ramifications. To picture the entire thought examined before, the authors have structured a map (Fig. 3).

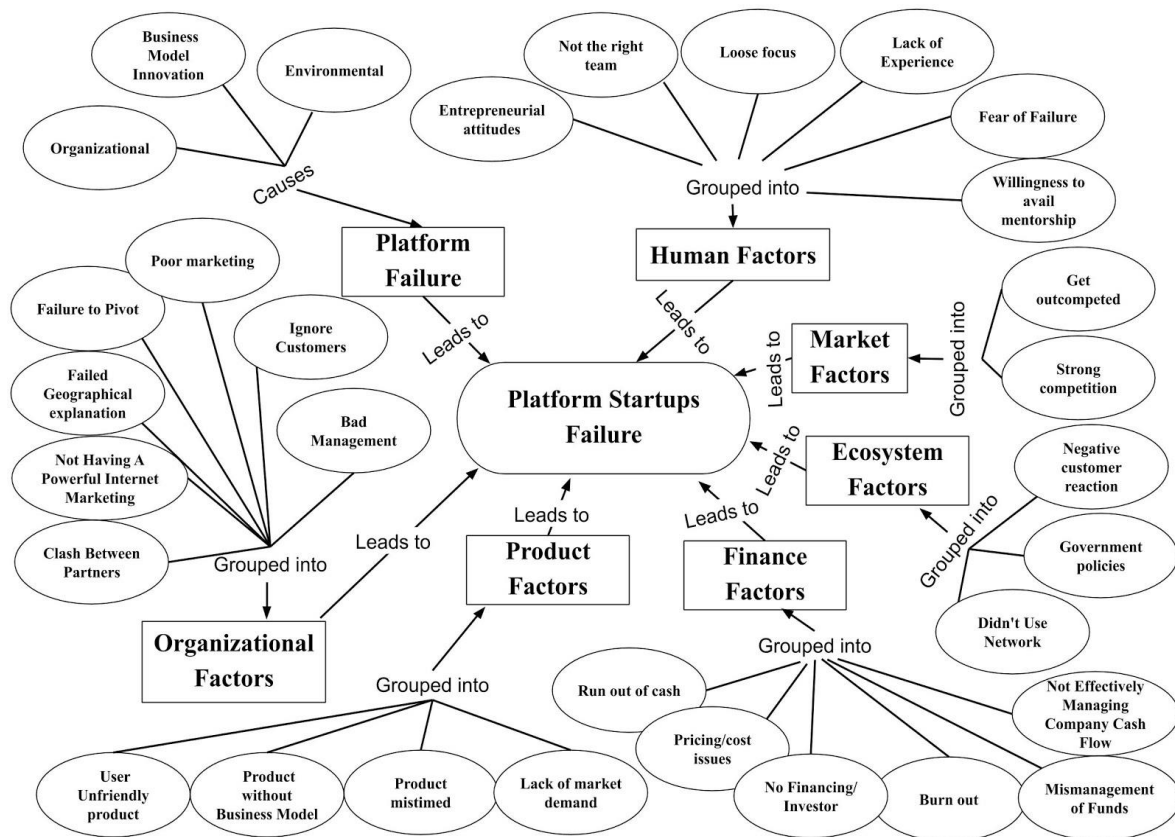


Figure 3: A Map for the Failure of Platform Start-ups

5. Conclusion

This examination adds to the failure of the platform start-ups by recognizing the explanations behind their failure. In this study, it is accepted that no single factor is answerable for the failure of platform new businesses. Or maybe, a few elements happen simultaneously to cause such failure. This system would assist us with envisioning all the elements together.

In addition, the literature review allowed us to contribute to the research field of platform failure in four specific regions. First, we perceive that a tremendous piece of pertinent investigates platform failure also the platform start-ups’ failure. We could show the number of scholarly and non-scholarly articles that mentioned about platform failure. Second, we identified the factors that leads to platform failure. Other than this work, we have similarly isolated those components into arrangements to make various scholars and readers to perceive among the internal and external components. Third, we summarized the names of the factors that causes platform start-ups failure. Earlier, some research



were conducted to identify the factors for a specific venture. Through our research, we have accumulated all the relevant factors and categorised those into six categories to have a good understanding of the possible factors that have influence on platform start-ups' failure. Fourth, we have proposed a map to consider the probable factors by the start-ups.

The study shows that more researchers ought to be done in this area to acquire substantial information. A few factors have been examined in just a couple of articles while a few components have been talked about broadly in numerous articles. This issue opens another way to additionally explore.

### **5.1. Research Limitations**

As far as the constraints of this study, this investigation has just taken information from 113 scholarly and non-scholarly papers. A wide scope of articles has been excluded from this study because of the nature and substance of the papers. To acquire a more extensive view, a couple of non-insightful articles have been contemplated as these articles give a top to bottom information on the platform start-ups. For scholastic purposes, some may raise worries on this issue. Be that as it may, to direct this study, the predisposition has been diminished, however, as much as could reasonably be expected by taking the perspectives of both the authors. Future investigates can be driven by using this map whether this model work on the platform start-ups or not.

### **5.2. Suggestions for Future Research**

Based on literature review, models, and investigation into business enterprise, this paper distinguishes the underlying drivers of failure of new companies, which empower us to comprehend the systems and approaches vital for fortifying the achievement of new businesses. The discoveries will be essential to the 1) platform-based start-ups as they can know the different variables of accomplishment in the market and comprehend the related difficulties, and 2) policymakers, researchers, and organizations for the advancement of business in their locale. Platform start-ups can find out about the slip-ups of prior start-ups and find a way to improve just as continue themselves over the long haul. While researchers can lead further investigation into whether the model works in their separate districts, policymakers can devise approaches for the new businesses so that these get profited. Besides, the legislature can devise new approaches in the wake of breaking down the vital elements and the new arrangements can make the framework simpler. As media platform is developing in number and falling flat in high rates, future researchers can embrace this model in their area and carry the outcomes to improve their start-ups' performance.

Apart from the points stated above, much more comparisons are to be done in research following the developed map presented above, to have more real data and case studies. Future research could create a database based on the platform business model canvas and the propose a set of indicators and store, and statistically compare data. This would help to discover and identify further common relations and patterns.

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