

ZOMBIE STARTUPS

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Context:

Koo, the Indian social media platform that aimed to rival Twitter has shut down. This has brought the topic of zombie startups into limelight once again.

Background:

Tech startups once blessed with huge fundings are transforming into “zombies”.

Key takeaways:

1. Startups that raised a huge amount of money over the boom cycle but aren't producing nearly enough revenue to justify the valuation are called 'Zombie startups'.
2. Or to define it another way, Zombie startups, also known as “walking dead” companies, are businesses that continue to operate despite being unprofitable or stagnant. A company might turn into a zombie because of multiple reasons:
3. Lack of Funding: Zombie startups may have received initial funding but failed to secure follow-up investments. As a result, they struggle to grow and remain in a state of limbo.
4. Ineffective Business Models: Some startups have flawed business models that prevent them from achieving sustainable growth. They may not address market needs or fail to adapt to changing conditions.
5. Management Challenges: Poor leadership, mismanagement, or lack of strategic vision can turn a promising startup into a zombie. Without effective decision-making, they drift without purpose.
6. Market Conditions: Economic downturns or industry-specific challenges can contribute to a startup's zombification. When external factors hinder growth, companies may become zombies.

