

INFLUENCE OF MARKET TRENDS ON THE FAILURE OF BUSINESSES

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Abstract

In this article, we reviewed how the market trends are influencing to the businesses, its role in business success and how companies face challenges and might fail if they ignore the importance of it. To give a proper understanding, we used mixed methods and collected data by using both qualitative and quantitative analysis. Findings are mainly based on the available statistics and history of some companies that did not pay much attention to the trends and shifts in the market and made some mistakes in the decision-making process as well. With our research we proved the fact that being adaptable to the seasonal trends is very crucial. The topic itself illustrated the fact that market trend is one of the essentials for any business's triumph regardless of their size and type. This study concludes that, sticking to the origins of the company and offering the exact same thing without innovations, leads to customer's seeing the business as outdated.

Introduction

Any business, regardless of the type, operates because of its customers. However, the needs and preferences of the customers tend to change over time. In order to maintain the interest of their customers and attract new ones, companies always need to monitor market trends that reflect people's changing preferences. Market trend is a key to successful business development, as tracking these trends carries many benefits. For example, the ability to be one step ahead of the competitors, which includes analyzing the changing tastes and preferences of customers that will help enterprises to keep up with the time and actively implement innovations. The next main advantage is the ability to avoid unnecessary costs or, rather, to produce the right number of products needed by customers, preventing shortages or excessive production.

According to statistics, almost 80% of companies was discontinued in the last two decades because of not being able to adapt to the changing trends in the market (Clarify Capital LLC, 2024). As customers' preferences change occasionally, companies should be able to stay innovative and predict the potential demand for the future. By not implementing any innovation and not following the current market trends, organizations face several complexities. First and foremost is being unable to compete with others, which might also be interpreted as losing the competition. Customer

dissatisfaction is the next result that comes from being ignorant to the current demand. Despite not having newly attracted clients, loyal ones will might lose interest easily.

The aim of this study is to determine how the ignorance of Market Trends might lead to the failure of businesses. The whole focus of this research will be directed towards analyzing organizations that faced similar challenges and were unable to effectively overcome those issues. Additionally, there will also be analysis of how the environment and other factors may contribute to the occurrence of this phenomenon. Finding solutions to those obstacles will be proposed at the end.

Literature Review

From 19th century until today ‘Nokia’ has been producing electronic devices and it has been customer’s one of the most trusted Company. In 1979 company started producing mobile phones but they were not commercially available up until 1981. Until other companies such as Apple and Samsung introduced their smartphones, the sales of Nokia were rapidly increasing. Especially in 2007, after launching N95, Nokia market share changed rapidly from initially being 33% to 36% (Talouselämä30, 2009). Nokia was far ahead of its competitors by owning the 70% of smartphone industry’s market share.

However, in 2007 Apple started having domination over Nokia company in the United States of America. Sales in other countries also started dropping after this incident. In spite of owning 70% market share of smartphone industry until 2007, not being able to transit to smartphones brought ‘Nokia’ company a downfall. In a developing era of technologies, it is necessary for businesses to reach the top and maintain the leadership in the market. In 2010 iOS and Android showed an outstanding progress in the market while Nokia’s sales continued to drop and it led to the closure of R&D facilities and many factories.

NOKIA'S GLOBAL SALES OVER THE YEARS

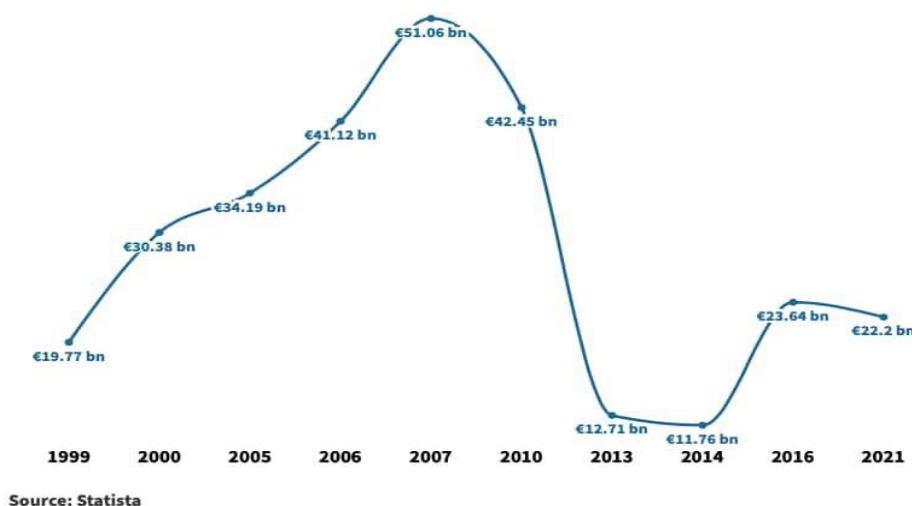


Figure1. Statistics of Nokia phone sales from 1999-2021.

Being aware of the risks made company to search for solutions. In order to stay competitive Nokia kept releasing new phones every year. By the time market preferences and trends shifted to other factors and services, newly produced phones of Nokia company were acknowledged as irrelevant and the waste of their natural alliances.

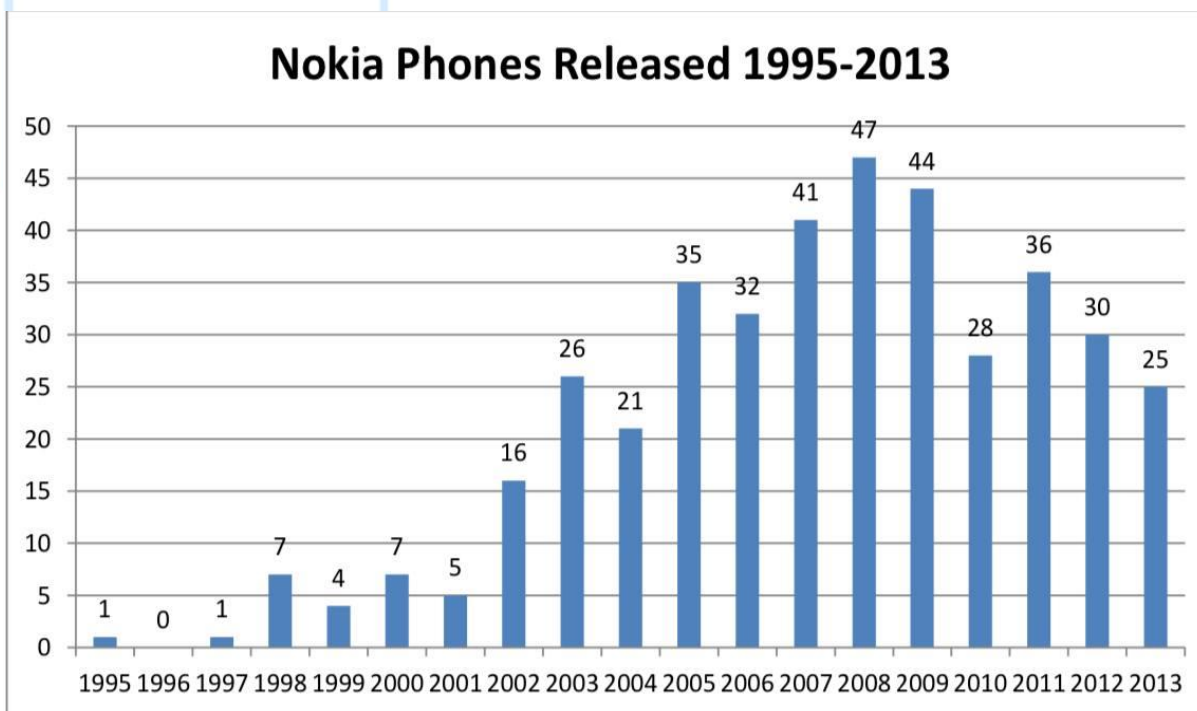


Figure2. The number of released Nokia phones each year.

In 2013, it was announced that Microsoft was buying business of Nokia’s electric devices and the was confirmed and closed by the month of April in 2014. In exchange of €5.44 billion, Nokia’s license and all other patents were moved to Microsoft Inc. This was the end of Nokia’s successfully started manufacturing organization.

According to what is known about Nokia, the company’s pitfall began as the era of Internet providers began (2007). Although company manufactured several new releases to keep the business from bankruptcy, the main focus of Nokia company’s phones was technical integrations. From the time people started buying iPhones, the main demand shifted from telecommunications to service and Internet. Hence, the provided good did not match the expectations and desires of consumers. By the time Nokia came up with the solution all the loyal customers of the company were already attracted by Apple or Samsung companies. The fact that it took Nokia long period of time to transit from its main design to a trendy one, led the organization to the failure. The biggest problem of the company management was not taking the trends accountable and sticking with the original offerings of the company without innovating

other sort of services. Relying to the loyal customers also did not work for the company as they lost interest after the company failed to fulfill their demands.

Toys “R” Us which provided the selection of children's products was found by Charlez Lazarus in 1948 in USA. At first company served by having baby furniture store, then in 1980's the organization became one of the biggest and leader of toy retailer in USA and other countries. However, bankruptcy protection was filed by Toys “R” Us in 2017 and many of its stores were closed due to being unable to adapt to changing market trend.

First reason of filing bankruptcy and closing many stores was the growth of e-commerce by its competitors, to clarify that Toy “R” Us did not utilize robust online presence to reach to customers by neglecting consumer behavior. Amazon was main organization who started to destruct Toys “R” Us when it became online retailer in the year 2000 (Robert Gearhart, 2019). Lack of creation of innovation was another cause of failing toy retailer business, as in digital era innovative digital toys were introduced the demand for physical toys decreased suddenly. Vtech was organization that provided electronic learning devices to children with advanced and innovative technology and at the end of 2018, when Toys “R” Us’s stores were closing down, its revenue grew approximately 9,2% than its previous sales year (PR Newswire, 2018). Having engaging physical shopping store is crucial for psychology of costumers with their purchase pattern, Toys “R” Us left its stores in outdated design with lack of inventory. Last market trend that was not considered by American toy retailer company well was using ineffective marketing strategies. The company couldn't use digital platforms to get right target audience and engage them with their product which led major downward trends in sales of this company. At the same time target company used effective marketing strategy by focusing on online advertising methods, different engagement through social media platforms with great offerings like pick up options, same day delivery systems to appeal costumers and make them loyal for their product.

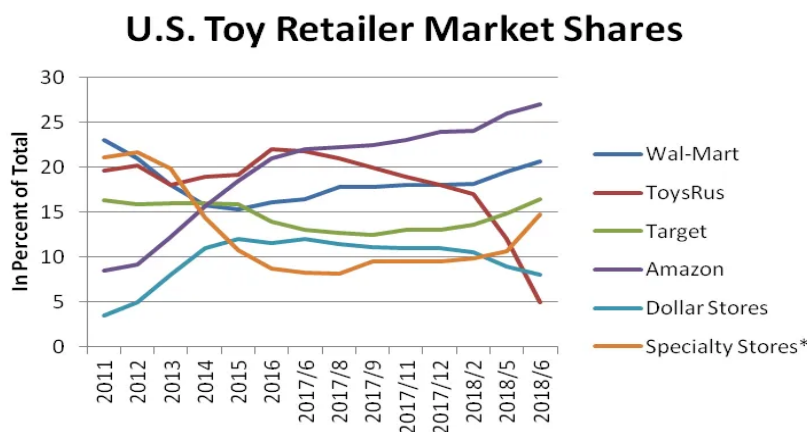


Figure3. Market shares of Toys Retailer companies between 2011 and 2018.

In chart at the beginning of the year of 2011 the market share of Toys "R" Us showed 20% however in 2018 the indicator declined to 5% owing to having competition pressure, outdated structure of business coming from ignorance of market trends and company owned the lowest percentage of market share among its competitors, Amazon, Target, Walmart and other stores.

As significant decline of market share and customer demand, on September 18 in 2017 Toys "R" Us company had to file chapter 11 bankruptcy protection. At the beginning of 2018 toys "R" Us planned to close its 180 stores out of 880 but by the month of June companies all stores in US were liquidated and around 33000 employees lost their jobs. By the year of 2017 the sales of toy retailer decreased to \$11.5 billion from \$13.6 billion in around 2015 and as chart market share declined to 5% by 2018. In 2017, \$164 million net loss was reported by company then it led to confront with financial crisis (License Global, 2018).

One of the major challenge of Toys R Us was competition pressure, that its competitors Amazon, target did not only digitalize their market into e-commerce, also their in-store experiences were improved to provide high level of customer satisfaction. Moreover, its competitors offered lower prices, different discounts leading challenges for Toys R Us with price matching strategy, as a result company's costumers shifted to online offerings for lower prices by its competitors.

As having outdated business model by owning large physical store liabilities caused high operational costs with financial decline indicator, hence the preferences of costumers shifted to e-commerce with digital improvements. Another factor which led to the failure of toy retailer company was lack of innovation, while competitors were producing Toys with digital devices Toys "R" Us did not focus on market trend with technological advancements. It directly caused less appealing products to costumer with low level of market relevance.

Research Methodology

As a research design mixed methods approach was chosen in order to provide both quantitative and qualitative analysis through statistical, numerical data with qualitative insights for broader exploration of how business failures can be influenced by market trends. Case study of failed businesses was reviewed as a qualitative insight with their decision making and adaptation processes and as a quantitative data, secondary research was selected from various industry reports. Both statistical and thematic analysis were used to identify and analyze trends. Businesses from two industries, including technology and toy retailer which failed because of not adapting to market trends were selected a sample selection part and explained both company's failure reasons with clear statistical charts with details to get a wide range of failure experience.

Findings

There are several problems businesses face when they ignore current trends of the market. Some organizations implement strong techniques in order to prevent themselves from becoming just another number on failed businesses' statistics, however challenges and loss in the loyalty of customers as well as big changes in the revenue are unavoidable. There is other several issues companies face because of not paying close attention to the current trends in the market such as:

-Losing competitiveness: Each and every organization operates thanks to its customers. In order to keep loyal customers, it is always essential for businesses to stay innovative and easily adapt to the new market shifts. The particular reason circumstance, ignoring trends might lead to the loss of brand reputation, which affects customer loyalty. Also, organizations that are not providing goods/services that are trendy, might fail to attract new customers, especially adolescents who are driven to the innovations. This actively demonstrates that, not being able to appeal new consumers and losing loyal ones along the way as well as having a bad reputation will remove the business aside from competing market.

As an example of this circumstance, Blockbuster, which filed bankruptcy protection in 2010, can be taken, and its failure was related to the ignorance of advanced technology and changing customer preferences. While having physical rental stores, its competitors like Netflix took dominance through transferring into digital streaming service by appreciating customers convenience (Management today, 2024).

-Customer dissatisfaction: Ignoring market trends can lead to the disappointment and customer dissatisfaction. Companies that do not adapt to the rapidly changing customer needs will not be able to offer their customers what they really want, as a result, this will lead not only to the inability of the business to attract new customers, but also to the loss of old, loyal ones. Organizations that do not analyze market trends will miss the opportunity to introduce innovative solutions and technologies necessary to improve the quality of their products or services. Outdated offers will lead to the loss of clients who constantly want improvements and new products.

As an example, we can consider the Kodak company, which during the 20th century was one of the most famous and largest organizations in the photography market, despite this, at the beginning of the 21st century they made a major mistake, which led to the bankruptcy of the company. Despite the fact that the field of digital photography was rapidly developing in the market, Kodak decided that the traditional method of work would be enough for further successful business development. Ignoring the changing needs of customers led to their loss as well as to the announcement of its collapse in 2012, since the company's entire focus was only on the production of tapes. At the same time, competitors such as Sony and Canon were able

to consider this opportunity and began to produce digital cameras, as a result of which they were able to lure all Kodak customers to themselves and achieve success in this (Mui, 2012).

-Increased expenses and wasted resources: The inability of companies to stay in tune with consumer preferences can lead to a loss of budget and it affects greatly on financial capabilities of organizations. Ignoring the needs of customers, as well as the relevance of manufactured products, will lead to the fact that businesses might produce a large amount of goods that no longer have any demand among customers. Since the production and storage of these goods require a large amount of costs and resources, companies, unable to sell all this, will be forced to declare bankruptcy. In addition, ignoring market trends can lead to the creation of incorrect marketing campaigns that require huge financial costs. Companies can spend their entire budget on advertising and do not get any response from customers, because despite all the efforts, not knowing the relevant platforms for promotion, the opportunity to succeed is reduced to zero.

For example, Kodak and Blockbuster. These two companies suffered losses due to their inability to adapt in time to changing customer needs and new market trends. Kodak continued its traditional business and it was fully focused on the production of film cameras, which in fact no longer had any relevance among users. Having spent huge amounts of money and resources on production, the company was forced to cease its activities. Blockbuster faced the same problem: ignoring the growing need for streaming services, the company persistently continued to increase its number of physical stores, which in the end only stood empty. The company suffered heavy losses and was unable to recover, refusing to follow the changing needs of the market (HealthManagement.org, 2024).

Discussion

Any enterprise aimed at making a profit is based on the needs of customers, which tend to change over time. Every day, the number of businesses is growing, hence the competition too. Therefore, companies do their best to stand out from rivals in order to attract as many potential customers as possible. The needs and preferences of consumers are not constant, which requires businesses to constantly innovate, as well as analyze changing market trends. Ignoring consumer expectations can lead to their dissatisfaction and loss, which can cause bankruptcy of enterprises. Because companies that do not adapt to the needs of customers can continue to produce no longer relevant, outdated products for which there will be no demand. Given that the production and storage of products requires high costs and resources, without buyers, companies will be forced to declare bankruptcy. The analysis of market trends reflecting the changing needs of consumers helps companies avoid a shortage or oversupply of manufactured

goods. In addition, accurate market analysis helps to competently manage the company's finances, and identify the most effective methods and platforms for promoting their products and services. For example, invest in promotion through social networks, rather than television, since the number of its users is only growing every day. Customers always choose businesses that take into account their changing needs and quickly adapt to them, meeting their expectations by offering only the products and services in demand. And for this, companies should introduce innovative technologies and solutions into their work processes to improve the quality of products and offers.

Nowadays, it is very hard to stay competitive in the market as it requires a lot of hard work and USP from companies. The fact that trends are continuously changing and customers' preferences are becoming harder to predict is challenging organizations even more. Although some industries do not want to lose their origins and refuse to follow current trends, this might have a lot of consequences in the era of constant evolution. There are several factors to help companies guarantee their future success. Taking small steps and linking them with the objective of the business is the most efficient way.

To have a proper insight about customer preferences, it is crucial to have a clear Marketing Strategy plan. Frequently updating the company's knowledge about market conditions and shifts will help the organization offer goods/services accordingly.

Entrepreneurs always have to think ahead and come up with plans all year long. Having knowledge about their sphere and innovations that are catching customers' attention will help them to understand how market dynamics are changing. However, sometimes it is hard to predict the future demand just by looking at the statistics. That is why being in touch with customers and seeking feedback, asking how they feel about future market trends helps companies to make better decisions.

Also, to have a clear view of competition businesses always have to observe their competitors. Knowing how expanded they are, and their attention towards their target audience, etc, will be helpful to have a dominating power over them).

The inability of companies to adapt to changing market trends may not be the only reason for business failures, as there are many other external and internal factors at the same time. For instance, the strategic mistakes that the company made, poor employee performance management, lack of market, competitor, customers' needs, and preferences analysis as well as many other reasons. All of these factors could be the cause of the ignorance of rapidly changing market demands by companies. Given that the purpose of this article was to precisely study the role of market trends in the failure of businesses. Lack of opportunity to conduct questionnaires or interviews made it challenging to find reliable information proving the existence of other listed factors so

they stayed uncovered. This provides an opportunity for further research to identify the main causes leading to the failure of organizations so that companies can predict and successfully avoid them.

Conclusion

This article reported the influence of challenges coming from market trends on the failure rates of different industry businesses. Ignoring market trends with customer preferences which contributed to several problematic areas in the business sphere, like low level of customer satisfaction, loss of competitiveness, and increased amount of expenses with wasted resources was revealed through our analysis. The significance of these findings was highlighted with proper recommendations to improve survival rates of businesses through being able to adapt customer behavior and changing preferences with updated knowledge, being open to innovation to keep customers with appealing, advanced products/services, having a clear view of competitors to make product/services stand out and enhance current offerings by following market trend and demand of costumers. In the discussion part of our research, future direction for businesses was provided, to help them not to become outdated and stay attractive in customers' eyes. It is vital for entrepreneurs to analyze market dynamics as well as staying innovative with updated system to thrive in a competitive environment.

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