6 Reasons Why Companies Decline & Lessons To Protect Your Market Share

Contents

Pages

1	Achieving Success In The New Digital Era
2	The Digital Economy - Embracing A New Era
3	A Tale Of Fallen Giants
4 - 16	6 Reasons Why Businesses Decline & The Lessons
17	Ready To Embrace The New Digital Economy

Achieving Success In The New Digital Era

The 2020s has so far been a turbulent decade, with seismic shifts in terms of technological adoption and industry norms. These powerful trends can't be avoided and businesses must adapt to this changing environment accordingly.

This report was written for marketing professionals seeking to navigate their team, department or organisation through these uncertain times. It focuses on the 6 primary reasons why once iconic businesses decline and the lessons that can be learned.

Every organisation in the world is vulnerable in this new era and understanding these 6 reasons is the first step towards guiding your business in the right direction.

Doing well is not longer enough in the new digital world - although that helps. It's imperative to be ready what your current and future competitors might do to change your market.

Customers Now Expect The Digital Experience

Digital Enablement

Continuous Innovation

Pricing Based on Value

Anywhere, Real-time

The Digital Economy - Embracing A New Era

Evolution of product life cycles

1970s →	2000s →	2020s →	2023 →	Digital Channels Primary Route to Market
5 Year Product Life Cycle	3 Year Product Life Cycle	<1 Year Product Life Cycle	Daily Product Updates	

One of the primary reasons for the need to disrupt and innovate is the rapid transition into a global digital economy driven by digital transformation. This transition has only accelerated since the pandemic, with a McKinsey survey of 1,140 business leaders revealing that 64% recognise the need for increased investment in digital technology.

This is clearly reflected in the digital transformation market size, which is poised to grow from $164bn in 2022 to $730bn in 2030 – a 23% CAGR for the rest of this decade

Digital channels have become the main route to market across almost all sectors. Gartner predicts that by 2025, 80% of B2B sales interactions will occur via digital channels. This is a powerful trend to navigate if you intend to thrive in the 2020s.

This trend has radically changed product life cycles. In the 1970s, a product had a five-year life cycle, but by the late 2000s this had declined to less to one. Today, +30,000 products are rolled out every year (Harvard Business School) and existing products are subject to daily updates, with many in a constant state of evolution.

New products are rolled out or withdrawn on a regular basis and, out of nowhere, a new proposition can turn a market on its head. It can lead to established players being ousted from the top-spot and see customers switch to newer, potentially superior propositions.

A Tale Of Fallen Giants

GEC

- GEC was a leading British industrial conglomerate
- One of the first FTSE 100 constituents and had +250,000 employees.
- Filed for bankruptcy following a string of poor US acquisitions.

COMPAQ

- Global leader in the computer industry in the 1980s.
- Missed trend of increased consumer computer sales due to Y2K bug fears.
- Acquired by HP in 2002 and the Compaq brand discontinued in 2012.

The downfall of GEC and Compaq are just 2 examples of famous companies that lost their dominant market positions, before experiencing irreversible decline.

In the last 20 years alone, 52% of companies in the Fortune 500 list have disappeared. In the case of the UK, 72% of the original FTSE 100 companies from 1984 have suffered a similar fate!

This trend will only continue and accelerate. The current phase of digitalisation has provided an unprecedented opportunity for existing businesses and new entrants to challenge established status quo.

Well-established organisations are being forced to rethink and reimagine their strategies, stepping into new industries or sub-categories in pursuit of additional revenue streams. And it's digital making that possible.

Another consequence of the rapid evolution of digital technology – particularly in the case of AI – are changes to regulations. These have the potential to cause further disruption to established companies who are rooted in traditional ways of doing business.

Protect Your Market Position Now

In this report, we take a closer look at the reasons for the demise of once-dominant players in various markets. You'll discover the common catalysts for their failures, the competitors that altered the landscape and the lessons that marketers can take

This report concludes by looking at how marketing professionals can protect their market position and grow their share of the market.

6 Reasons Why Businesses Decline & The Lessons

Why do once seemingly unstoppable companies experience precipitous decline?

Why do 60% of new British companies decline and fail within 3 years (Fundsquire)? Why do only a third of new US businesses escape this fate beyond the 10-year mark (BLS)?

In total we have identified 6 important reasons. We will explore each factor in-depth, provide relevant case studies and look at the lessons that can be learned.

1. Losing The Lead In Innovation
2. Poor Strategic Decisions
3. Reacting Too Slowly
4. Marketing Strategy Not Aligned With Industry Trends
5. Unsuitable Company Culture & Losing The Talent War
6. Product Or Service Quality Issues

Reason 1: Losing The Lead In Innovation

88% of business leaders are dissatisfied with their innovation strategies	**66%** of companies believe they will not survive without innovation	**33%** of UK business leaders believe their firms are innovating enough to generate growth

Sources: Arthur D. Little and PA Consulting

Overview

When companies have dominated a static market over a long period of time, overconfidence and complacency are to be expected. What's worked for years should surely work for years to come. But that's not always the case.

According to a survey by McKinsey, 94% of executives aren't satisfied with innovation performance within their organisation. Only a third of UK business leaders believe they're innovating successfully enough to generate revenue or reasonable growth (PA Consulting).

Just because a company was successful and innovative once doesn't mean they'll be able to maintain it. This can be down to various factors including internal culture problems, budget issues, insufficient strategy and vision, and an inability to act on signals crucial to the future of the business (Harvard Business Review).

Resting on your laurels in the fast-moving digital economy is effectively waiting to be disrupted by established companies and new industry entrants. Failure to innovate, enhance or evolve your products or services represents a major risk.

BlackBerry's lack of innovation

- In 2007 BlackBerry had 50% share of the global smartphone market.
- Slow to react to the rise of touchscreen consumer smartphones.
- Failed to innovate beyond its once innovative keyboard based product
- Lack of innovation saw its market share decline to 1% in 2016.

Blockbuster Video's weak product innovation

- Once a household name with 9,000 stores and revenue +$6bn
- Held onto its brick-and-mortar business model
- Didn't innovate and focus on streaming like Netflix
- Filed for bankruptcy in 2010 and all stores closed in 2010.

Lesson 1: Create A Culture Of Continuous Improvement

95%
of all product innovations fail

91%
of marketers are leading or involved in with driving innovation

Source: Harvard Business School, Gartner

Creating a culture of continuous improvement is easier said than done. Even if you're the market leader with a popular product, you need to be willing to push things further. To disrupt your own proposition before a competitor seizes their opportunity.

That doesn't mean replacing a product that's been popular for a century. It means proactively understanding what matters to consumers, recognising changes in their behaviour and exploring better ways to solve their problems. It means identifying other market trends, such as changes in competitor strategies and tactics.

Building that fundamental understanding means gathering the right intelligence – up-to-date data, analysed and interpreted to produce key insights. This is the foundation of creating a culture of continuous improvement.

Currently only 24% of companies have the skills and capability to innovate (PA Consulting). While just over half of non-high growth companies plan to make investments to achieve high-rates of innovation (Accenture).

Only with sufficient intelligence at your disposal can you first overcome internal resistance and win over stakeholders. With these key insights, you'll be able to strategically invest in the skills, expertise and technology in order to achieve innovation. With this infrastructure in place, only then can you shift your organisation's culture to one focused on sustained improvement and innovation.

Reason 2: Poor Strategic Decisions

70%
of leaders would rather delegate decision-making to robots

+80%
of companies currently lack real-time insights

$270bn
is lost each year in the USA due to poor decisions

Overview

Source: Oracle, Fivetran and Gartner

Success and failure ultimately rests on the effectiveness of an organisation's decisions. Whether it's entering into a new partnership, expanding through investment and acquisitions, adjusting pricing points, launching and removing products, the wrong choices can halt progress and see a once-thriving organisation go backwards.

A revealing global survey by McKinsey suggests that only 5% of leaders believe that their organisation excels at decision-making. What's more troubling is that 70% of business leaders would rather delegate this responsibility to a robot (Oracle).

So why do organisations make poor strategic decisions? Why does a company overextend itself or get key choices all wrong? In a lot of cases, it boils down to a lack of quality data to make objective decisions.

It's estimated that over 80% of companies lack real-time insight and are instead relying on outdated data (Fivetran). What's the consequence? A similar percentage of businesses are making wrong or sub-optimum strategic decisions and therefore losing revenue as a result.

Without data, decisions default to experience or intuition, increasing the margin for human error.

Poor strategic decisions by key stakeholders are a significant burden on organisations. Research by Gartner suggests that it costs companies 3% of profits or $270bn overall in the USA each year.

This is a conservative interpretation though. As we examine below, poor strategic decisions can greatly undermine leading businesses.

Kodak's lack of foresight

- Once the leading camera manufacturer with revenue peaking at $20bn in 1997.
- Decided not to launch the world's digital camera built by its own engineer in 1975.
- Industry rivals Canon and Nikon entered into the digital space in the early 1990s.
- Lost market share due to this strategic error and filed for bankruptcy in 2012.

Hewlett Packard's (HP) poor acquisition decisions

- The world's leading PC manufacturer from 2007 to 2013 with nearly 20% market share.
- Made an ill-fated decision to acquire software company Autonomy for $11bn in 2011.
- Became clear Autonomy was overvalued with reports of fraudulent financial statements.
- HP had to write down the valuation by $8.8 billion and lost top position to Lenovo.

Lesson 2: Embrace Data & Insights In Your Decision-Making

x3

more likely to report improvements in decision-making if they're data driven

80%

of business leaders say data is crucial for better decision-making

73%

of business leaders believe data helps reduces uncertainty

Source: PWC and Salesforce

Every decision brings a degree of risk. Without data, those risks increase. Poor data alone is estimated to cost an organisation on average $12.9m (Gartner). This is specifically the case for the 76% of businesses that are yet to foster a data-driven culture (Harvard Business Review) and 67% of CEOs that make decisions based on experience over data (KPMG).

Comprehensive market and competitor intelligence – data that has been gathered and analysed by market experts – enables you to make informed decisions across all functions of your organisation, including product, marketing, sales, HR, acquisitions and more.

For years, organisations have relied on market research (proactive) and periodic state-of-the-industry reports (reactive) to build their intelligence. Both continue to be valuable sources, but the growth in AI-powered competitive intelligence tools mean you now have an opportunity to gather data in real-time (live) with the click of a button.

You can access a full picture of what's happening online. Every move your competitors make, every review or comment that's left by a customer and every change to industry regulation – all monitored and captured the moment they happen. And all easily shareable with various decision-makers within your organisation.

Using data means your organisation will be able to learn from what works and doesn't much faster, informing future decision-making as well. Supplementing human experience and intuition with rich market data and insights means smarter, faster decision-making.

Reason 3: Reacting Too Slowly

40%
of CEOs think their companies aren't viable a decade from now without change

59%
of employees believe management is too slow to embrace 'game-changing' tech

35%
of leaders believe their organisations will hit digital transformation targets

Sources: PWC, E&Y and Gartner

Overview

Every organisation in the world has the potential to be affected by changes in the market. That could be a change in a competitor's product, marketing or sales strategy, a new product, feature or service entering the market or legal and political updates, such as new legislation.

All businesses need to be ready to adapt to survive. But even that may not be enough. History is littered with examples of businesses that have reacted to threats and opportunities in their market but done so too slowly to halt a decline in revenue.

In the digital economy, where changes occur more frequently than ever before, the risks are endless. Businesses can encounter threats from three potential sources.

First up are established players who can quickly steal a march with their vast resources and expertise. The next is risk from established giants in other industries. According to a PWC's Future of Industries survey, 56% of CEOs believe a large existing player from another industry will move into their industry.

Finally there are 50 million start-ups being launched every year (Creately) across multiple industries. These smaller, more nimble and risk-taking businesses are able to move and react much faster than their larger counterparts, putting the latter in risk of decline.

In many instances, organisations either know about the impending threats and do little to counter them or they're unaware of what's about to happen. Either way, by the time they react, the market has already been disrupted, leaving them to play catch up.

MySpace's slow response to better experiences

- At its peak in 2006 MySpace had 80% of the global social media market share.
- Facebook emerged in 2004 and offered a more friendly UX experience and features.
- MySpace's slow reaction to the threat of Facebook resulted in its rapid decline.
- Today MySpace only has 1 million active users and isn't a major social media platform

Pan Am's missed opportunity to diversify

- In the 1970s, Pan Am was the largest airline with 40% of the international market.
- Its popularity was credited to its luxurious service and global network of travel.
- In the late 1970s, low-cost carriers like Southwest with simpler services emerged.
- Pan Am made a series of ill-fated decisions that ultimately led to its demise in 1991.

Lesson 3: Stay Ahead Of Potential Threats

> "Our survey showed a strong correlation between quick decisions and good ones, suggesting that a commonly held assumption among executives—namely, "We can have good decisions or fast ones, but not both"—is flawed."

Source: McKinsey

What if you could know about potential threats and opportunities early enough to prevent or minimise their impact on your bottom line?

If you're only discovering a competitor's change in strategy at the point it's rolled out (or later when it's started to affect your revenue) you're already in a weakened position.

Yet in most cases, the early warning signs are there. Maybe they've hired a new marketing director with a track record for a specific tactic or strategy. Or they've made acquisitions that complement their existing offering. Or they've received investment that will fuel rapid growth and new capabilities.

If you can identify these signs early - at the moment - rather than the impact of them months later, you can move early to protect your position. By gathering real-time competitive intelligence, you'll be better prepared for what's to come. You might even be able to accelerate your own product developments or refresh your marketing messages to strengthen your position.

The key to success lies in the analysis of those signs. Raw data alone is often unmanageable. You need market experts who can interpret and then communicate the potential impact of competitor (and regulatory) changes.

Reason 4: Marketing Strategy Not Aligned With Industry Trends

14%	71%	38%
of companies fail due to poor marketing	of consumers expect companies to deliver personalised interactions	of customers can be lost because of poor marketing personalisation

Overview

Sources: PWC, E&Y and Gartner

Technology isn't the only factor altering the business landscape. The world is ever-changing and so are consumers' values, cultural norms and behaviours.

In recent years we've seen attitudes change towards environmental issues, mental health, gender equality and more. Accenture research shows that around 70% of millennial consumers will choose a brand over another if it demonstrates inclusion and diversity in its promotions.

A Nielsen study also revealed that 73% of millennials will spend more on a product if it comes from a sustainable and socially conscious brand. While a further 81% expect the brands that they buy into to be transparent in their marketing.

All of these cultural, attitudinal and behavioural changes have played a big role in how organisations are marketed. But for every good example, there are plenty of established brands that have misjudged the prevailing sentiment of the time.

Millions have been spent on marketing campaigns – from strategy to execution to media budget – only to have been withdrawn in the face of public backlash. While many of those brands have been stable or big enough to withstand the financial impact, others haven't fared so well.

There are notable examples of businesses having declined rapidly following a marketing misstep and misjudged strategy. It costs businesses revenue and people their jobs, as well as giving rival businesses opportunities to move ahead in the market.

Bud Light's controversial rebrand that triggered a boycott

- The leading American beer brand with a 12.6% share of the US market in 2022.
- In 2023 the company tried to rebrand with transgender TikTok influencer Dylan Mulvaney.
- The decision faced a major backlash, with conservative consumers boycotting the brand.
- In 2023, Bud Light lost its position as the leading beer brand which it held for 2 decades.

Microsoft Zune's unsuccessful attempt to challenge the iPod

- Introduced in 2006, Zune was Microsoft's answer to Apple's dominant iPod mp3 player.
- Microsoft attempted to market it as a 'social' device and a 'cool' alternative to the iPod.
- Zune's marketing campaign was criticised then as being confusing and unappealing.
- The Zune failed to make a dent towards Apple's market share and was discontinued in 2011.

Lesson 4: Understand Context & Learn From Others

356%
more likely to report success if marketers plan projects proactively.

72%
of consumers are "most frustrated" when brands send inconsistent messaging.

34%
of consumers trust the brand they buy from

Sources: Inc Magazine, MoEngage and Edelman

Albert Einstein once said that "Any fool can know. The point is to understand". When it comes to aligning a marketing strategy towards industry – or indeed cultural – trends, context matters.

While raw data can tell you what is happening, it takes a combination of emotional intelligence, wisdom and industry knowledge to transform it into high-level insights.

If you're tracking trends, it's important to analyse the context in which they exist in order to draw deeper conclusions.

Another important factor is that consumers are wise to brand's jumping on the bandwagon with their marketing and advertising. They can see through cynical attempts to profit off a trending cause or marketing gimmicks.

This is why according to a CIM survey, 49% of marketers are actually wary of working on sustainability campaigns. There's real awareness that consumers can potentially turn them against them.

Speed can also be a big advantage for businesses when it comes to leveraging trends, so conducting or waiting for market research is often not viable. Using real-time, analysed intelligence about the market gives you fast insights that can be used to qualify or disqualify any ideas you're thinking of implementing.

You'll be able to see how people and businesses are talking about key topics as well as tracking how the public reacts to the marketing approaches of other businesses – even those outside your industry. All of this can help you make considered marketing choices before investing thousands or even millions.

Reason 5: Unsuitable Company Culture & Losing The Talent War

> **Culture eats strategy for breakfast.**
>
> Peter Drucker, one of the most influential thinkers on management

Overview

This sentiment is certainly echoed by industry data too: 94% of entrepreneurs and 88% of job seekers say that a healthy culture at work is vital for success (TeamStage). While Richard Branson advises that businesses should "create the kind of workplace and company culture that will attract great talent".

For businesses that get culture right, the rewards are clear. They're able to recruit and retain the best people. But for those who get it wrong, the costs can have catastrophic consequences.

A report by SHRM in 2019 shows that bad work culture cost American businesses $223 billion in the preceding 5 years alone! But what does it mean for individual businesses?

An inability to hire, or hire well, will also cost businesses thousands. The estimated cost of a bad hire is £30,000 (Oxford Economics). It leads to more time wasted in the market or sky-high fees for recruiters. Likewise, if the wider company culture has significant problems, it can trigger a talent exodus and accelerate a company's decline.

We live in an age of transparency thanks to review sites, social media and other forms of user-generated content. As a result, both positive (e.g. philanthropic activities or training opportunities) and negative cultural traits (e.g. bullying or limited opportunities) are more visible in the public realm. The leadership styles that were acceptable 20 years ago are no longer fit for purpose.

Yahoo lost the talent war to new generation of tech companies

- Yahoo was the leading search engine in 2000, ahead of Lycos and Ask Jeeves.
- The tech giant hired Marissa Mayer as new CEO in 2012, having lost market share to Google.
- Rigid hiring and workplace practices caused a talent exodus and Yahoo to lose the talent war.
- It continued to lose its market share and top employees, and was acquired by Verizon in 2017.

WeWork's damaging high turnover rate

- WeWork is one of the top shared workspace companies and was valued at $47bn in 2019.
- Although the pandemic was the main reason for its decline, its work culture was problematic.
- WeWork's employee turnover rate reached 30%, with a toxic culture being cited for this.
- Recruitment costs and a damaged reputation contributed to WeWork's ongoing financial woes.

Lesson 5: Track & Embrace The Latest Cultural Trends

73%

of US employees left a position due to bad work culture

83%

of employees will decline a job offer if it doesn't offer flexible working

400%

difference in productivity between high performing and average employees

Sources: Robert Walters, IWG and HBR

Businesses that have a strong company culture by embracing the latest cultural trends tend to outperform. Organisations with high levels of employee wellbeing have outperformed the stock market by around 2%-3% per year over a 25 year period (London Business School).

If you're not keeping up with culture trends, such as the rise in importance of employee wellbeing and welfare – and your competitors are – it's not difficult to see the potential impact. After all, 56 percent of employees say culture is "more important than salary" for job satisfaction (Glassdoor).

Key stakeholders within companies that are responsible for culture and talent need to grasp the situation internally and the wider labour market. If employees feel management is not responsive, they will look for companies that are aligned with existing cultural trends.For example, a study by Mercer found that thriving employees are seven times more likely to work for a company that prioritises employee wellbeing.

From tracking online review sites like GlassDoor to LinkedIn and Instagram accounts to companies' websites, there's a wealth of data available that can help you identify company culture trends and understand what employees actually want.

Although every industry will have their differences, decision-makers need to have a strong grasp of wider cultural trends when shaping their organisations' culture. Armed with this knowledge, companies need to ensure these trends are aligned with their employees' expectations, before thoroughly implementing these changes consistently across their organisation.

Reason 6: Product Or Service Quality Issues

80%	72%	86%
of consumers have switched brands because of poor customer experience	of consumers likely to switch to a competitive brand after just one bad experience	of consumers will leave a brand they trusted after 2 bad experiences

Sources: Qualtrics and ServiceNow, The Northridge Group and Emplifi

Overview

Complacency is one of the biggest factors in declining companies. If the quality of their product or customer service doesn't get the care, attention and investment it requires, it will inevitably lose its relevance to the people who once used it.

Even a gradual decline in quality is likely to tarnish customer perceptions and undermine the proposition that the company has been built on. As customer satisfaction falls, they're more likely to voice their concerns and opinions via the plethora of online platforms they have access to. The damage to the brand and brand loyalty can see once prominent organisations lose their position in the market.

In many cases, the quality issues aren't always a decline but rather a case of standing still while the market moves forward. A failure to embrace the latest technological trends, for example, could see a product lose its relevance for consumers who are ready for more advanced solutions to their problems.

This is naturally compounded by the activity of competitors or new entrants in the market that have developed modern, forward-thinking propositions that offer the best quality service and experience. A good example of this is businesses that have failed to digitise their offline processes or experiences.

Dell's decline due to declining product quality

- Dell was the top PC manufacturer in the mid 2000s, with a 17% market share in 2005.
- A decline in R&D investments resulted in Dell's quality falling behind rivals HP and Acer.
- Dell's reputation took a hit when 12m Optiplex desktops were recalled due to faulty parts.
- Although it remains a leading PC brand, Dell never regained the top spot it once held.

Takata's fall from grace due to poor quality airbags

- Takata was a Japanese manufacturer and world's third largest airbags producer at its peak.
- In 2013 the company had to initially recall 3.6m vehicles due to defective airbags
- It was fined by the US government and a further 42m cars were recalled in 2015.
- Filed for bankruptcy in 2017 due to financial woes and was acquired by Key Safety Systems.

Lesson 6: Invest in your offering (the right way)

Quality is more important than quantity. One home run is much better than 2 doubles.

Steve Jobs, Founder of Apple Inc.

A business's proposition should be an evolving entity. Because, in 10 or 20 years, it's likely to be a very different proposition that dominates the market. If you don't invest in and develop what you offer, or you're not willing to disrupt yourself, another business will.

But how do you make the right investments? How do you ensure you don't reinvent yourself at the wrong time – as many brands have done before with 'new flavours and ingredients?

The key is to keep listening and learning, staying close to your customer base. You can do that through surveys and review scores, but also by monitoring their sentiment towards your brand and that of your competitors. Recognising how they're feeling and talking about the products and services in your market can help you identify and solve issues they have.

It's also important to monitor the competitive landscape, analysing what other businesses are offering and what they're doing to innovate. It can help you identify threats to your market share as well as unexplored opportunities that can fuel your growth.

Finally, as we're operating in this new digital era, it's vital to stay abreast of technological advancements. It's vital to embrace the right innovations into both your proposition and the processes that sit behind them. Digitising your business, products, services and experiences can save people time and effort, which will help you stay relevant in the years to come.

Ready To Embrace The New Digital Economy?

Outsmart your competition now with competitor intelligence!

Now you know the major reasons why companies decline and the lessons, it's time to take action. Accessing real-time competitor intelligence is the first step towards protecting your market share.

This is where WatchMyCompetitor (WMC) comes in!

Most software on the market serves up hard-to-mine unfiltered data. Or collate past data into periodic reports that lack valuable real-time insights that can really affect everyday decisions. WMC is the complete competitor intelligence platform that allows you to automatically track the competitive landscape in real-time.

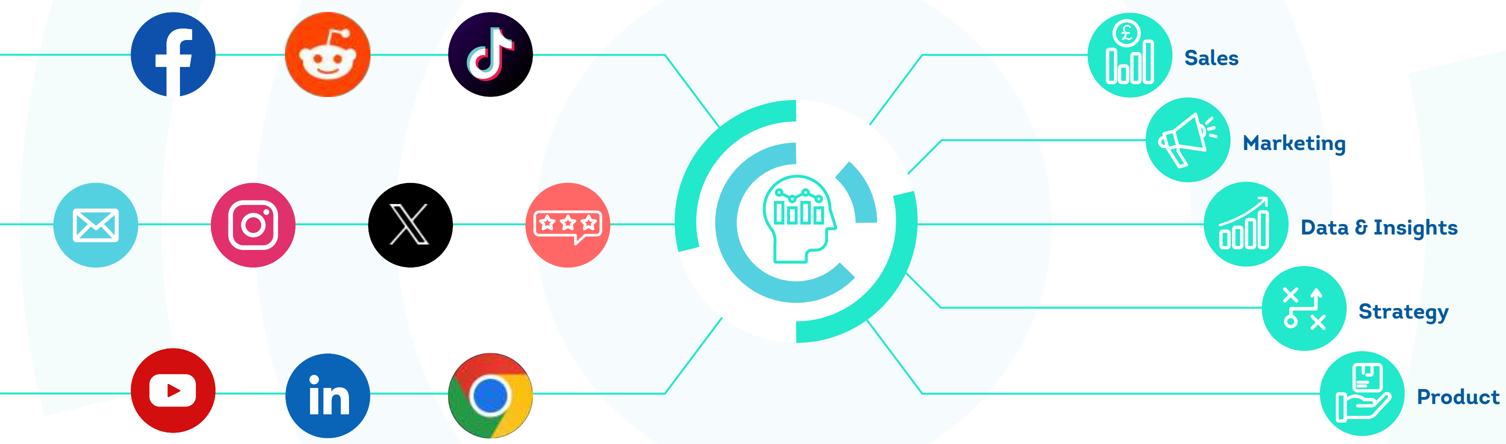
Access the latest industry intelligence at your fingertips now. From industry peers' latest promotions and recruitment strategy, WMC will enable your organisation will access the relevant intelligence to protect and grow your market share.

How Does It Work: 3 Simple Steps

Step 1: Automated Tracking Of Competitors' Digital Footprint

Step 2: Analysts Continuously Curate & Analyse The Data

Step 3: Targeted, High-Value Intel Delivered Across Organisation



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