The main reason businesses fail

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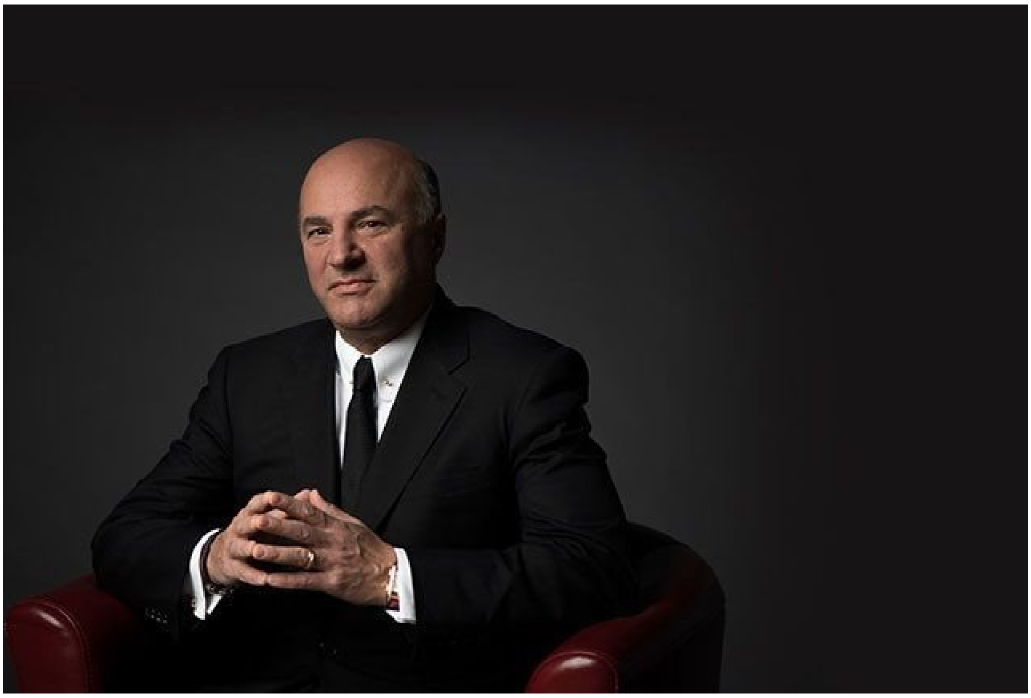
Canadian businessman and *Shark Tank* investor Kevin O'Leary said the main reason businesses fail is because the cost of acquiring a customer is higher than the lifetime value of that customer.



O'Leary is well known for founding SoftKey in a Toronto basement in 1986, a company that published and distributed personal computer software for Windows and Apple devices.

SoftKey showed strong growth in the '90s and became a major consolidator in the educational software market.

During this period, SoftKey acquired almost all its rivals in the North American market and was rebranded as The Learning Company.

In 1999, The Learning Company was acquired by Mattel for US$4.2bn – which made O'Leary a multi-millionaire.

In 2006, O'Leary made his TV debut with the Canadian show *Dragons' Den* and later joined the American version *Shark Tank*.

Through his career, he invested in numerous businesses and now has a portfolio of over 50 companies in a wide range of industries.

This places him in an excellent position to comment on why businesses fail and what they should look out for.

Speaking to *Behind the Brands*, O'Leary said eight out of 10 businesses fail in America within the first three years for a single reason – they are never able to get their customer acquisition cost below the lifetime value of a client.

This is a fancy way of saying they are blowing money on ineffective advertising, which is not giving them any traction.

"These businesses cannot get people to their website or their business in an economic way," said O'Leary.

Improving return on investment

To lower the cost of acquisition and increase their return on investment, companies should only use the most effective marketing tools.

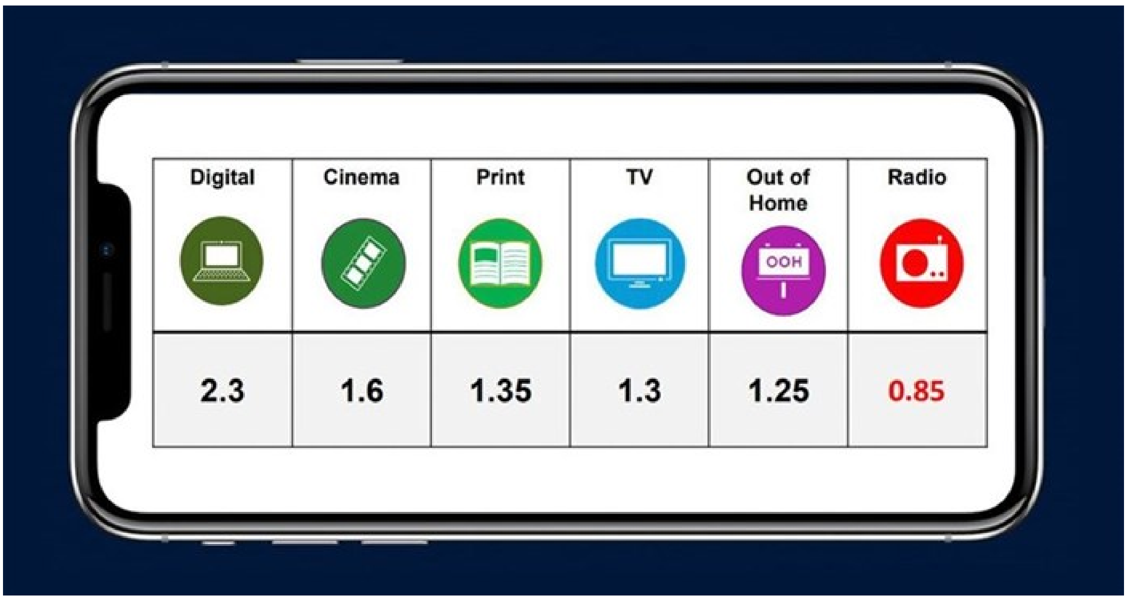
According to Nielsen’s Media ROI Benchmarks report for South Africa, online advertising spend gives companies the best return on investment by far.
Digital advertising comfortably outperforms TV, print, cinema, radio and billboard/outdoor advertising channels.

For every R1 spent on digital advertising, companies receive a R2,30 return on their marketing investment.

Print and TV advertising deliver R1,35 and R1,30 respectively, while billboards and radio perform below this at R1,25 and 85c, respectively.

Considering the drive for increased ROI during the economic downturn, it is not surprising that most South African companies have moved their marketing budgets online.

The graphic below from the Nielsen report shows the average ROI per marketing channel.



Digital	Cinema	Print	TV	Out of Home	Radio
2.3	1.6	1.35	1.3	1.25	0.85

The best online marketing channels

Digital and online marketing consist of many different options, including banners ads, sponsored articles, online videos, search, email, online events and social media campaigns.

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According to the latest research, content marketing – which includes sponsored articles, email and social media campaigns – produces the highest ROI.
Display advertising, video campaigns and online events also produce a good ROI when targeting specific audiences, like C-level executives or IT decision-makers.

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MyBroadband marketing director Cara Muller said she has seen a big influx of new campaigns as companies hunt for value-for-money.

She said the most popular marketing products on *MyBroadband* during the lockdown have been sponsored articles, social media campaigns, banner ads, HPTOs and online videos.

The Cloud 2020 Online Conference was also popular among IT and telecoms companies who wanted to reach IT executives and decision-makers.

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