



Things we can learn from Shark Tank

The popular TV reality investor program, “Shark Tank” can teach us much about the perfect sales pitch. The investors on "Shark Tank," and investors ask several specific questions to get the answers they need. Some are straightforward and some are not, but you would be wise to have excellent answers for the following.

Here are eight questions that every entrepreneur should consider before pitching:

1. What are your sales?

You really need to understand your numbers. And just knowing the dollar figure isn't enough. You need to be able to articulate where these numbers are coming from, on what platform, are they driven by promotions, and what sort of partners are you working with? Is the marketing working? What does it cost to produce? What are your expenses?

Know your sales information inside and out. The number better be good and growing. They also want to understand what your plan is to keep it that way. You should have a story about how expanding to new geographies, new product lines, or online has boosted or can potentially boost sales. The investors are profit-focused, and the more a business can scale, the better.

Their primary goal is a return on their investment.

2. What do *you* bring to the table?

Investors are not only buying into your business, they're also investing in you. Highlight your record of success, industry experience, or why you're dynamic enough to justify taking a gamble on.

People do business with people they know, like and trust. So, what are you doing with your business already that is going to make them want to partner with you? A strong personal story or a great narrative about the business, along with strong presentation skills, goes a long way toward impressing your investor.

Know what you bring to the table, and be confident in that.

3. Why do you need our money?

Investors want to know what your next steps in growth. Answer the question “What are you going to do with this money?” in such a way to help the company grow and scale rapidly. This could include building manufacturing, hiring, or marketing. Spell out exactly what the plan for the funding is.

4. Why the big valuation?

One of the first questions the investors often ask is “How did you get to your valuation”. The Sharks are interested in a big equity stake in a promising company for the least amount of money invested. If you are asking a large valuation, you better be able to explain your justification.

5. Is your product unique?

Several of the Sharks are interested in patents and licensing. Explain how your product is unique. If it is unique, make sure it's protected via a patent. More often than not, if your product and service can be duplicated quickly by other competitors, it's going to be hard to get an investment.

Knowing what sets your business apart, and how it can be protected against competitors is absolutely essential.

6. How much debt do you have?

This goes back to “know your numbers”. If there's a large amount of debt, be able to justify it, and know the terms it's been borrowed under.

7. How much inventory do you have?

Excess inventory is a sign that you are not moving your product fast enough. This is a clear sign that the market isn't interested in what you have to offer.

Remember, the investors are interested in a quick return on their investment. Excess inventory is dead weight because you've earned zero return on it.

Being able to produce products in response to demand is a sign of having good data, a good sense of the market, and a good supply chain.

8. What are your costs?

Investors want to gauge your ability to make high profit margins by keeping costs low or having enough demand to keep prices high, or ideally both. You should be able to explain what it costs you to make each product or service, and the difference between that cost and the unit sales price. You should also prepare to outline overhead costs, such as rent, utility expenses, and insurance.

Less Frequently Asked Questions – but you will do well to be prepared

1. How much of your own money do you have invested into this business?
2. How does this business scale?
3. Are you willing to send production off-shore?
4. How will your product be distributed?
5. How do we get this to (or find) your target market?
6. How many competitors do you have?
7. How many total owners are there?

Conclusion

If you know the answers to these questions as they pertain to your business, you'll be in a good position to make your pitch to any potential investor.