

The SHARK TANK FORMULA FOR STARTUP SUCCESS

OVER THE COURSE OF FIVE SEASONS OF SHARK TANK, THERE HAVE BEEN



AS OF 2013, THE SHARKS HAVE OFFERED TO INVEST OVER

\$20,044,000 IN **109** COMPANIES

1/3 of the deals made on the show actually close! After the deals are made, the entrepreneurs and their companies undergo a months-long vetting process by the Sharks.

According to Daymond John, "Only about 20% of [deals] close after doing the due diligence."

Why Such a Low Rate?

Since 2012, only **1 in 17** ventures have ever seen a profit.

The Sharks are tough—but the real world of venture capitalism and entrepreneurship is even tougher!

Here are key lessons from the Sharks to ensure your start-up's success

Know The Need for Your Product

One of the biggest problems for hopeful entrepreneurs is that they've created a product and are trying to find a target. A good start-up finds a target, then creates a solution for their needs.

Elephant Chat was a product that was definitely NOT needs-based! The invention was meant for married couples: a stuffed elephant in a plexiglass case that was supposed to be removed and passed back and forth to help facilitate serious "relationship" discussions... But who needs a \$60 stuffed elephant when any old object will do?

68% Entrepreneurs state their reason for becoming an entrepreneur was to capitalize on a business idea.

46% Entrepreneurs fail due to incompetence.

Always Be Prepared

Whether it's pitching to a potential investor, going into a business meeting, or creating a business plan, you need to have your numbers down!

"Know your numbers. And if you aren't good with numbers, bring someone who is!" —Kevin O'Leary

For Shark Barbara Corcoran, the most successful entrepreneurs are OVER prepared. Corcoran has one of the highest deal rates on the show—over 80%.

Great Ideas Are Made Successful by Great People

The pitch isn't just about the product; it's about the enthusiasm of the person selling it. It's the entrepreneur, not the product, that knows how to turn a profit.

"Great entrepreneurs are not just passionate about their business idea, but have enough passion to weather all the obstacles and see things through to the finish line." —Barbara Corcoran

The inventor behind Chord Buddy, a device that helps people learn to play the guitar, caught Shark Robert Herjavec's attention because of his great attitude—his investment was personal as well as professional.

That said, your investors should be just as passionate about your ideas as you are!

Build Your Investor Network

Finding a good investor is often critical to the success of any start-up. Investor's don't just bring capital: they bring valuable insights and connections that can help you scale your business the RIGHT way!

"Investors will put their money into a deal when they trust and believe in the CEO and know that the business can grow and distribute large profits." —Daymond John

"Mr. Wonderful" Kevin O'Leary has a passion for tea and invested in Talbott Teas in Season 3. After close the deal with 250k for 35% of the business, he eventually introduced the product to the CEO of Jamba Juice, who bought the entire company for an unknown—but undoubtedly large—sum.

Know Your Negotiating Limits

The Shark Tank is all about the pitch, the sell, the negotiations. You need to know when to accept, when to back down, and what's your "absolute bottom." Entrepreneurs who take too long to accept deals—or ask for more—often go home empty-handed.

2% business deals occur during a first meeting.

8% SALES PEOPLE make up **80% SALES**

8% knows how to negotiate—they don't give up after "no."

Learn and Listen!

Regardless of whether or not they accept the deal, the Sharks are always providing amazing advice. In order to keep growing, you can never stop listening, and must always be willing to learn.

...but self-made billionaire Mark Cuban knows that sometimes "It's not about money or connections—it's the willingness to outwork and outlearn everyone... And if it fails, you learn from what happened and do a better job next time."

36% People say that the fear of failure stops them from acting on the business opportunities they see...

The average full-time employee works **39 HOURS/week**

The average entrepreneur works **44 HOURS/week**

* SINK OR SWIM * THE BEST AND WORST OF SHARK TANK

BEST

Talbott Teas
As mentioned above, designer whole-leaf tea line Talbott Teas was one of the most successful deals in Shark Tank History.

Lesson to Learn
The owner's passion for tea—and appeal to the right investor—paid off.

Lollacup
When a husband and wife couldn't find a straw cup suitable for their infant, they made one themselves. Mark Cuban and Robert Herjavec partnered to offer \$100k for 40% equity.

Lesson to Learn
The inventors originally asked for \$100k for 15%, but were flexible, took the deal, and saw sales skyrocket 100%.

Breathometer
This season-five pitch for a breathalyzer that plugs into your smartphone got not several, but ALL the Sharks to invest \$1 million in his company.

Lesson to Learn
This start-up entrepreneur came prepared with a strong business plan and evidence of previous success, and it paid off.

WORST

Rolodoc
Two brothers introduced the idea for a secure social platforms for physicians, but had no business plan or marketing strategy.

Lesson to Learn
You can't rely on a good concept or buzzwords; you need a comprehensive understanding of your business goals.

Viewspot
A clothing line used sweat-activated technology to make motivational messages appear on your clothes as you work out, but the owner had no patent.

Lesson to Learn
If your concept is truly unique, get a patent to protect your valuable—and profitable—idea. patent.

Wake N' Bacon
This inventor wanted \$40,000 to fund his alarm clock that used the smell of cooking bacon to wake people up patent.

Lesson to Learn
Not all ideas are great ideas. This product was not only poorly conceptualized, but was poorly explained—the inventor couldn't even name the price of production!

Don't be blinded by passion. Know your business better than anyone else. A business without profit is just a hobby. Demonstrate clearly how an investor can make money from you. A great idea must be complemented by an even better pitch.

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