



# Surviving the Shark Tank

**Q:** I'm looking to get some investors. I think we do a good job appealing to customers, but what are some tips for appealing to investors?

**A:** It's a good time to be thinking about seeking investments. After last year's successful IPOs by Zoës Kitchen and El Pollo Loco, the restaurant sector seems quite attractive to investors. Private equity firms' appetites for restaurant investing remain healthy. And restaurant companies like DineEquity and Buffalo Wild Wings are said to be considering acquisition candidates, especially fast casuals.

A lot of factors impact your attractiveness to investors—unit volumes, management team, real estate assets, etc. I've actually learned a lot about appealing to investors from the popular TV show “Shark Tank” and the similar programs it has inspired, including “Restaurant Startup” and “America's Next Great Restaurant.” It's true these shows are far from the “reality” status they might claim, and many deals initiated on the shows are never consummated or end up failing. But they reveal some factors that contribute to getting an investor to say “yes.” And while many of these factors are fixed or inherent to your company, you can adopt a marketing mindset to position your company as a smart investment.

As with customers, your first impression with investors is critical. You need a clear, focused statement that sells your concept in a few words or a short phrase. For example, on a recent “Shark Tank” episode, an inventor pitched “a smart kitchen container that helps you form good habits”; another described his product as “the next generation of washcloths for kids.” It should be simple and memorable. Your tagline may serve this purpose, but keep in mind that some taglines are more fanciful or evocative than descriptive, and a pithy description is important to helping investors get your concept quickly. The statement also should do more than simply describe the type of food you offer or the category you operate in; you want to hook an investor and entice him or her to want to learn more.

Promoting a robust economic moat also makes an effective investor pitch. *Economic moat* is a term coined and popularized by famed investor Warren Buffett, and it refers to a company's ability to maintain competitive advantages over its competitors. In technology and hard goods, patents establish wide economic moats by ensuring competitive advantages can't be copied; in services businesses, high switching costs often prevent competitive encroachment; in fashion, a designer's name can form a powerful moat. In the restaurant industry, your moat might be a secret recipe or cooking method; low-cost/high-volume pro-

duction capabilities; exclusive rights to locations, ingredients, or sponsorships; or a healthy franchise community. Whatever moats you have, you need to demonstrate to investors that they provide strong competitive advantages now and will endure over time as imitators pop up.

Speaking of competitors, you should know who your primary competitors are and be able to explain the advantages you have over them and vice versa. Be conversant about your competitors' customers, products, marketing strategies, pricing, growth plans, etc., most of which can be discovered through some clever detective work and careful observation. Sometimes you may need to educate investors on your segment before you can sell them on your company, so be prepared to succinctly describe the competitive landscape and your position in it. And remember, investors won't believe you if you claim that you don't have any competition or don't share a realistic assessment of your competitive standing.

Just as customers want to be entertained and excited by a new restaurant, investors want to be inspired by your pitch. Display your products with pride, share a well-designed and well-rehearsed presentation, and demonstrate authentic passion for your business. Stories are powerful. Weave your story as the restaurant founder and the story of your business into a unified narrative that people can connect with. With most investment opportunities, you are selling yourself as much as you are selling your concept, so explain your purpose and vision for the business and reflect the personality and style of your brand in how you appear and in how you present yourself. Think about your pitch as a long-form ad; pore over the details and perfect it.

Above all, your product has to taste good and the service and experience you provide has to be consistently remarkable. While this point may seem so basic and seem to have nothing to do with marketing, excellent product and execution are the engines of word of mouth. And while most investors have to like your restaurant personally to want to invest in it, they're much more interested in what the public has to say about your brand. Great reviews, social media exposure, and “word on the street” tip off investors and serve as proof that demand for your brand can expand far beyond your sales levels.

Signing up investors is hard work. Like consumer marketing, your approach needs to be strategic, informative, inspiring, and well executed. Otherwise it can be just as expensive and risky. Mark Cuban, one of my favorite sharks on the “Shark Tank” show, once said, “It's not about the idea; it's about how prepared you are. Everyone has ideas; most don't do the work required to get the job done.”