Gender Differences in Venture Capital Funding on ABC’s Shark Tank

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Introduction

Context
ABC Network’s reality television show “Shark Tank” gives entrepreneurs the opportunity to pitch their company to a panel of investors for the chance to receive venture capital funding. Although it is a television show, each business pitch and the resulting negotiations with the Sharks is a small window into the world of venture capital.

Research Intent
The purpose of this research is to examine the differences in venture capital funding based upon the entrepreneur’s gender. I approached this topic with three questions in mind:
1. Do differences exist in how entrepreneur’s receive funding based upon their gender?
2. If so, what factors are causing these differences?
3. How can these differences be addressed?

Prior Work
- Women in Venture Capital: institutional and social network barriers, firm partnership, Babson College Diana Project.
- Shark Tank: audition selection, pitch preparation, presentation execution.

Resources are lacking on the specific differences between male and female entrepreneurs on Shark Tank.

Methodology

Data Collection
Two data sources were utilized. These sources were formatted, cleansed, and combined to create one dataset.
- SharkTank.tvquotes.net offered data through season four and contained twenty variables.
- Halle Tecco offered data through season seven and contained twenty three variables.

This data was then validated by randomly selecting ten pitches per season and verifying their accuracy by watching videos of the pitches on YouTube, as well as ABC’s website.

Analysis
- Descriptive statistics
- Calculated variables
- Correlation matrix
- Linear regression
- Tableau visualization
- Pivot tables

Despite having comparable or better businesses than their male counterparts, women still tend to ask for lower valuations and accept deals for less relative to what they asked for.

Findings

Discussion

Interpretation
Why is this occurring? Who is to blame – the Sharks, the industry, the entrepreneurs, society?

Figure 1: Ask Valuation Differences Across Genders

Figure 2: Deal Acceptance Across Genders

Figure 3: Ask & Deal Valuations Across Industries

Despite having comparable or better businesses than their male counterparts, women still tend to ask for lower valuations and accept deals for less relative to what they asked for.

Figure 1 demonstrates that women compared to men:
- have very similar average revenues, 413k vs. 412k.
- have nearly three times greater profit, 233k vs. 77k.
- yet ask for only 53% of what men do, on average.

Figure 2 demonstrates that women compared to men:
- receive offers at nearly the same rate as men, 60% vs. 57%.
- are less likely to decline an offer than a man, 11% vs. 21%.
- accept deals on average of only 57% of the valuation they ask for, compared to 65% for men and 81% for mixed.

Women are willing to give up more of their company in order for a problem to be addressed it is vital for it first to be recognized. This research is that first step of recognition.

Recommendations
1. Women need to be more confident in the worth of their businesses and ask for higher valuations.
2. Women need to be firmer when negotiating with the Sharks.

Insights
- In order for a problem to be addressed it is vital for it first to be recognized. This research is that first step of recognition.
- Entrepreneurs and investors both can utilize this information to better prepare themselves before considering making a deal.

Implications
- In order for a problem to be addressed it is vital for it first to be recognized. This research is that first step of recognition.
- Entrepreneurs and investors both can utilize this information to better prepare themselves before considering making a deal.

Future Research Opportunities
- Collect data from the rest of the seasons.
- Compare and contrast with Dragon’s Den.
- Code for more variables.
- Information on post-show performance.
- Other research avenues with this same dataset.

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