Dive In!

Tips for Teaching Economics through Shark Tank

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ABC’s *Shark Tank* fan base is rapidly growing beyond its TV audience. The show is a reality competition series aired on ABC where aspiring entrepreneurs make presentations to persuade potential investors to invest in their business. Instructors are beginning to discover the show’s attraction for students and application to the classroom. Assignments and simulations based on the show engage students and make the concepts memorable. Students learn to recognize economics principles and see their applicability and relevance in real-life scenarios.

We help navigate five seasons of the show by capturing and organizing clips in categories that relate to common economic topics and making suggestions for how they may be used in the classroom. We are developing an online repository of clips and teaching suggestions. The beta version is scheduled to be released May 2015!
“Scotty Claus” owns The Living Christmas Company, which rents live trees to families over the holidays. This business only has sales 1-2 months a year! Scott talks about how a $150,000 investment will help him expand his business and create 200 more jobs for that two-month period. What kind of employment is Scott referring to? Ask your students if this will have any impact on current unemployment statistics. Why or why not?
In season 2, Kim Nelson, owner of Daisy Cakes, made a deal with Barbara Corcoran. This update on that deal emphasizes how sales have rapidly increased since that time, forcing Kim to move from a small kitchen with 4 ovens to a larger bakery with walk-in ovens. Now, she is able to expand production from baking 8 to 160 cakes at a time. Discuss the difference between fixed costs and variable costs in this clip with your students. Note that in the short-run the small kitchen and 4 ovens were fixed costs, but in the long run they are variable costs. Kim’s deal with Barbara has allowed her to expand her capital and have lower per unit costs due to economies of scale. Ask students to identify other costs involved with operating Daisy Cakes and categorize them as either fixed or variable costs.
In this clip, James Ambler, owner of Paparazzi Proposals, values Lori Greiner’s help over Robert Herjavec’s and ultimately chooses to take less money for the same amount of equity in his company. Like any rational economic actor, he had to weigh the perceived costs and benefits of his decision, but it was not simply about dollars -- he valued Lori’s input very highly. Even though he accepted less money, the entrepreneur still made a rational decision. Try pausing the clip before the entrepreneur makes his decision and ask students what they would do in this situation. Would they take the deal with Robert? Or would they reject him to have Lori on their team? Why would they make this choice? This provides an excellent basis for discussing subjective value, marginal thinking, and rational choices.
In this clip, Julie Busha explains how she and her husband saved a large sum of money so they could successfully launch Slawsa, a new condiment that is a cross between coleslaw and salsa. Mark Cuban commends her on this and discusses how it’s nice to see someone giving up a little bit now to have more in the future. This is a classic PPF example of future vs. current consumption. The entrepreneur also discusses how she is not taking a salary at this time because she wants to focus her time, energy, and resources into the business. This nicely illustrates the idea of opportunity costs, which are classified as implicit costs in business production decisions. Ask students if this means that she is really working for free and engage them in a discussion of other potential implicit costs.
Students often find production and costs mind numbing. This clip helps connect some of these concepts to the real world. “Wine Balloon,” owned by Eric Corti, produces a wine-preserving product. The product currently sells for $22 and costs $6.50/unit when production is at 700 units. The sharks advise that the potential to cut costs are huge and hence increase revenue. If he produces 100,000 production cost per unit will fall to $2.50. That would be a $4/unit savings! This nicely illustrates economies of scale. Students can be asked to calculate total costs using the average cost formula for both low and high production levels. Other exercises include drawing short and long run output expansion average costs curves and average fixed costs curves.
Pursecase: Season 5, Episode 10
Concepts: Price elasticity of demand, elasticity and total revenue

Jenn Deese and Kelley Coughlan pitch Pursecase, a smartphone case that also includes a front pouch that will hold an ID, a couple credit cards, and a small amount of cash. Kevin O'Leary asks them for the retail price of a PurseCase, to which they respond $38. He is flabbergasted at this high price and immediately argues they could change the price to $19.95 and sell ten times more than they are currently selling. In his mind, PurseCase is a product with a very elastic demand – so elastic that he thinks they could lower the price and collect much more in revenue. Based on the sales numbers given in the video, students can actually calculate the elasticity of demand for this product perceived by Mr. O'Leary. Students sometimes have difficulty understanding how a company can make more money by lowering the price of a product. This is a good example to begin that discussion.
Liddup: Season 4, Episode 21
Concept: oligopoly

A very enthusiastic duo, Taylor and Jason develop an innovation for coolers, an industry with only 3 major competitors! Their idea is to put LED lights in a cooler to make it easier to find what you’re looking for in the dark. The sharks point out that they’ll never be successful selling their own coolers in such a concentrated market and will have to license their technology to one or more of the big players. This is an excellent discussion starter for oligopolistic competition and barriers to market entry.