The No. 1 Thing That Matters in Investing

Here’s why company moats are the key to investment success.

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In this video, Entrepreneur Network partner Phil Town talks about what makes a company a lucrative long-term investment.

A good company typically has a durable competitive advantage. Investing whiz Warren Buffett has often called these advantages “moats,” or all-encompassing protective layers around your investments.

To identify a moat, look for signs that it would be very hard for competitors to get into that specific niche or industry and become successful at it. Overall, businesses with moats will become more valuable in 10 years.

Here are a few different types of moat that can help to protect a company:

1. **Brand moat.** This often translates to a product’s very name as eponymous to the product. Big companies like Coca-Cola and Apple can survive the ups and downs in changes of inflation rate, making them more resilient.
2. **Price moat.** These are companies known for low prices because their costs remain low. Examples of some big-box stores with price moats include Walmart and Costco.
3. **Secrets moat.** Trade secrets. Pharmaceutical companies’ secrets include patents, while food and beverage companies, like Coca-Cola, have secret formulas. The

problem is that secrets do not last forever.

4. **Toll bridge moat.** These moats are often set in place because of government monopolies. They can apply to utility and information technology companies.
5. **Switching moat.** This moat is when customers are so locked in to a company, they do not want to go to the trouble of switching companies.

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