## What do Red Lobster and Rock Star Video Games have to do with life insurance?

The last LIC article discussed one of Darden Restaurant's flagship companies, Olive Garden. This month we'll take a look at another one of their main brands – Red Lobster – for a different perspective.

Red Lobster was founded in 1968 by Bill Darden and Charley Woodsby in Lakeland, FL. The company was acquired by General Mills and then spun off in 1995 as part of Darden Restaurants. Today there are nearly 700 Red Lobster locations throughout the United States and Canada, along with a few locations in Japan. Although most people remember Red Lobster's long-time motto, "For the Seafood Lover in You", over time the brand's pride in deep-frying led to being widely considered "an out of date fried fish shack", and as America became more health conscious, Red Lobster sales began to decline.

Never one to stand still, Darden embarked on a risky reinvention of the company – an extremely difficult task for any corporation, but especially for a large publicly traded restaurant chain with an entrenched consumer identity. They began a dramatic rebranding that included offering a new "lite" menu in 2004, a "fresh" fish menu in 2006, and an entirely new "wood-grilled" cooking platform in 2008 that required evaluating seventeen different cooking platforms and retraining and certifying 3,500 of their cooking staff as "Grill Masters".

Today, Red Lobster's slogan is "Come See what's Fresh Today" and a quick look at their website confirms how completely and effectively they have embraced these changes. By far, the words "fresh" and "healthy" dominate every aspect of their marketing. A more substantial confirmation of their success comes from being voted "#1 Best Seafood" in a 2009 Zagat Consumer Survey, and "Healthiest Sit- Down Chain Restaurant in America" by Men's Health Magazine's 2010 "Eat This not That" guide. And best of all, despite drastically changing their brand, overall customer satisfaction is up nearly 10%.

But even more impressive than Red Lobster's rebranding efforts is their long-term vision. In the July 2009 Fast Company magazine article by Chuck Salter titled Why America is Addicted to Olive Garden, he writes about how the company tackles the almost Zen-like question of "is there a Red Lobster without lobster"? The combination of fluctuating lobster harvests and the very real dangers of overfishing can place a huge burden of uncertainty on a company whose business model depends upon fast delivery of ample fresh fish. In response, Red Lobster bypassed wholesalers to create a national seafood distribution network as well as the means to purchase direct in more than 32 countries.

The Company's website reinforces their long-term commitment to supporting the seafood industry with a pledge to never serve endangered species such as Chilean sea bass or live lobsters larger than four pounds. In fact, all of their seafood comes from certified sustainable farms, often purchased for a set yield at a set price.

The certification of these fish farms sheds further light on the extent of Red Lobster's commitment to controlling and preserving this very important aspect of their business. The Aquaculture Certification Council certifies the fish farms according to standards developed by the Global Aquaculture Alliance (GAA). The GAA is a nonprofit trade association that partners with governments and NGO's (non-governmental organizations) and was cofounded by – drum roll please -- Darden Restaurants!

In addition to their substantial commitment to numerous industry foundations, Red Lobster has also partnered with the government of New Brunswick in an effort to protect lobster harvests for years to come. Scientists "catch pregnant lobsters and care for their young until they're mature enough to

burrow into the ocean's sandy bottom". They then release the tiny animals into the wild and wait and hope – for six years or more – to determine if their efforts have been successful.

I wouldn't have thought that it was possible for a restaurant chain to proactively influence and protect their interests in the fishing industry any more than I would have believed life insurance companies could change consumer behavior as respects smoking, obesity, fitness and healthy eating. Yet Red Lobster's success in influencing even peripheral aspects of their business represents a bold challenge for all industries to rethink what may be possible. This is certainly true for the life insurance industry where the benefits of a healthier lifestyle extend far beyond merely improving our bottom line.

Another place to look for long-term inspirational vision is the MIT Media Lab. One would think that this would be a bastion of boring engineering and geek science, but in reality the MIT Media Lab is anything but. According to an article in Mental Floss magazine by Linda Rodriguez McRobbie titled <u>Boston Tech Party</u>, the lab was founded in 1985 with the mission of developing "pre-competitive ideas" – visions that are ten to fifteen years ahead of their time.

What would constitute a "pre-competitive idea" for the insurance industry? Does anyone even remember when the last truly revolutionary idea transformed our industry?

This elite graduate program targeted "misfits who didn't belong within the rigid confines of academia" by bringing together people with diverse and unique backgrounds including "the arts, sciences, computers, engineering, architecture, and urban planning". One of those misfits was Tod Machover, a Julliard-trained composer with a deep interest in computers. Machover's grandiose goal was to "create new technology that could turn music into as positive and creative a part of people's lives as possible".

How's that for ambitious thinking? It almost makes lobster population control seem positively mundane in comparison!

After creating "a fleet of musical robots and new interactive instruments for performers as varied as Yo-Yo Ma and Peter Gabriel", Machover went on to produce "groundbreaking software called Hyperscore, which allowed children to create original music without any prior musical training". Two of Machover's fellow researchers, Alex Rigopoulos and Eran Egozy, expanded on that idea and developed a program that allowed users to "improvise pop-music solos with a joystick". They eventually left to start their own company, Harmonix, which turned those same basic computer programs into the extremely successful video games Guitar Hero and Rock Band. In addition to creating an entirely new genre of video games, their sales have grossed more than \$2 billion dollars worldwide.

Less we think that the Harmonix story was a fluke, the article goes on to list numerous innovative and practical applications that were born out of the MIT Media Lab's synergistic and forward thinking directive. One of the most important was the development of "e-ink", a critical component that allowed the creation of e-book readers such as the Kindle and the Nook.

These examples illustrate another objective of the MIT Media Lab – to make money. Rather than relying on MIT's endowments, the lab receives the majority of their funding from large corporations. Although corporate sponsors don't get to dictate how research is conducted, "they do receive intellectual-property rights to any gizmos created there. This puts added pressure on the faculty members and students to design and build technology that's relevant to the real world". In fact, the development of e-ink inspired the sponsorship of a total of 75 different companies.

Most companies revise their strategic plans annually. A few develop three to five year plans. Both Red Lobster and the MIT Media Lab represent inspiring examples of how much longer-term planning resting upon broad, ambitious goals can result in significant improvements to profitability.

I don't know if I would go so far as to characterize every juvenile policy ever sold as being equivalent to one of those tiny lobsters that Darden burrows back into the ocean floor, but given the very long-term assumptions that our product projections rely upon, this sort of thinking is certainly already a fundamental part of our business model. Good and bad mortality can be priced for, but the value of positively influencing our results long after our policies have been purchased has potential benefits not only for insurance companies, but for society as a whole. And who knows, perhaps some smart company can also figure out a way to turn this sort of vision into a new video game?