

## What Life Insurance Companies Can Learn From The Weather Channel

I would have loved to have been a fly on the wall when they first came up with the idea for a 24 hour weather channel. Sure, there may be some weather fanatics out there who are passionate about their favorite subject. And there may be some very impatient folks who don't want to wait for their morning paper or local news. But weather is the epitome of what people talk about when they have nothing else to say. Why not just start the "24-hour small talk channel" and cover your bet with a variety of meaningless topics?

Well, I could not have been more wrong – The Weather Channel is actually awesome! But the world was certainly a different place back when it was launched in 1982. It was also two years after CNN showed us just how much people liked 24-hour channels that talked about the same things endlessly!

The fact that The Weather Channel not only survived but thrived is a tremendous testimony to good management. Yes, the world has changed a lot since 1982 but The Weather Channel (TWC) has evolved from a TV show into a data company that is leaving most of the recent technology start-ups far behind.

To see just how much TWC has changed one only has to look at their corporate slogans. Their original slogan was "we take the weather seriously but not ourselves" – no doubt in anticipation of the inevitable reaction from the general public: a 24-hour weather channel -- are you serious? On the other hand, their current slogan -- "Connecting people to the world's best weather forecasts" – indicates a focus that extends beyond mere forecasting and confirms a commitment to the technology required to deliver their data in a meaningful way.

Right from the beginning, the company invested heavily in data analytics and technology, expanding quickly beyond simply offering 24-hour weather reports. They were sitting on a wealth of historical data and employed a league of highly educated meteorologists ideally suited to analyzing the information. This spawned a variety of specialized commercial products for weather sensitive industries such as airlines, energy traders, commodities traders, farmers, and sports teams.

In addition, TWC pioneered new hardware and software systems that allow local operators to cull through their national satellite feed in order to showcase just the relevant local data. They now provide weather reports to 250 radio stations and 52 newspapers across the country.

These diverse channels account for 10 percent of the company's revenue with an expectation that this proportion could double in the next three years.

However, this is merely scratching the surface. Nearly 50% of the company's revenue now comes from online resources. In fact, this has become such an important and fast growing segment that the company has recently changed its name from The Weather Channel to The Weather Company.

What makes their on-line audience so lucrative? Motivation. People turn to their TV for weather summaries – what is it going to do today or this week? They turn to the internet for very specific information – what is it going to do within the next hour or this afternoon? In addition, contrary to popular belief, weather enthusiasts aren't a bunch of coach potatoes with nothing better to do than watch TV. More likely, their interest in the forecast is because they anticipate being outside doing

something – making them prime targets for advertisers. In fact, a [NY Times article](#) indicates that “the Web site has thrived in part by being a lifestyle guide, not a weather site; depending on the day, Weather.com highlights National Park profiles, a dog walk calculator, wedding planning tools, and automobile safety advice”.

Their mobile app takes things even further. A recent [article](#) in the *Wall Street Journal* referenced how hair care company Pantene targeted their mobile ads for frizzy-hair-taming products where the weather was humid, and hair volumizing products where it was dry. Other examples of very specific timing and placement include “insect repellent sells well in the spring in Dallas when there is a below-average dew point, but in Boston, spring bug-spray sales do well when the dew point is above average. Company scientists also found that the first day of above-average heat in Chicago results in a surge of air-conditioner sales. Meanwhile, in often-muggy Atlanta, people sit out hotter-than-average temperatures for two days before making a run to the appliance store”.

However, the most impressive example was when “the arts and crafts retailer Michael’s Stores, Inc. approached the company about advertising on rainy days when their customers often do craft projects. The Weather FX department took the sales data that Michaels provided and compared it with the weather records of areas that have Michael’s stores. The team found that sales of crafts surged not on rainy days but when the forecast called for rain *three* days in advance”. In essence, TWC was able to move beyond just providing an advertising platform into something more akin to a consultant.

It’s common anecdotal knowledge in our industry that people tend to think more about their insurance and financial security in the fall and less so in the summer. Most agents have also experienced better closing ratios whenever they venture out in especially poor weather – perhaps because people felt sorry for them? But are there more subtle yet persistent climatic influences? Is there an ideal barometric pressure that is conducive to a sale? With a product as difficult to sell as ours, one would think we would be scrambling for every competitive advantage we can find.

What else can life insurance companies learn from TWC?

The sheer agility and ability required for TWC to adapt and evolve in response to changing conditions is in stark contrast to the stodgy and steadfast environment that defines our industry. For many life insurance companies, realigning their product pricing every couple of years is the only evidence of innovation – and a pretty tepid one at that.

Also worth noting is TWC’s commitment to technology and data analysis. One could argue that our industry is fortunate because neither our agents nor our consumers seem to be demanding cutting edge mobile apps or twitter-enabled service access. As a result, we’ve been able to comfortably and safely follow five years or more behind other industries. But at what cost? TWC could have survived with just their 24-hour TV channel but with none of the growth or relevance they enjoy today.

It’s legitimate to wonder if part of the reason why our field force is aging and our sales are barely growing is because the world has changed but our industry hasn’t.

How can life insurance companies become better at adapting and innovating? Here, TWC provides another lesson: start at the top. In January 2012 TWC made a surprising announcement that they were replacing current CEO Michael J. Kelly with digital advertising veteran David Kenny. The motivation was a desire to expand TWC’s digital and mobile business more quickly. David Kenny’s background was

surprisingly devoid of any weather-specific expertise. He's not a meteorologist or a former commodities analyst or energy trader. Instead, he's the past president of technology company Akamai, co-founder of digital advertising company VivaKi, and current Yahoo board member.

In TWC's case, David Kenney was a good choice because his background was consistent with the company's focus on expanding its digital footprint. This raises another good question for our industry – if we were to broaden our focus beyond life insurance, what would we focus on? What expertise would we be looking for that wasn't actuarial, legal, or financial in nature?

Again TWC provides an excellent example. When they changed their name from The Weather Channel to The Weather Company, David Kenney opined that “the word ‘channel’ is too limiting. When Apple Computer decided to just be Apple, it broadened their minds to what was possible”.

Could the same result be achieved if a Life Insurance Company became simply a Life Company?

It's an interesting question since our products certainly have a much broader impact than “insurance” implies. We make it possible for children to go to college. For families to remain in their homes. For people to die with dignity and for their survivors to celebrate their lives and mourn without financial stress. We facilitate the completion of plans for people who aren't around to see them through and for the creation of a legacy that can be even greater in death than it might have been in life.

A company committed to quality of life rather than strictly insuring life would undoubtedly be thinking more broadly and be more open to alternative revenue streams and innovation. In this regard, a name change could certainly be a step in the right direction.

Consider the success that American General Life and Accident (AGLA) has had with their [Quality of Life UL](#) – a unique product that was designed to address the entire spectrum of risks associated with living as well as dying. The company even developed a trademarked mission statement around this concept that reiterates its commitment to “change the way Americans think about, purchase, and use life insurance”.

It's impressive how TWC moved beyond a concept that they knew people probably wouldn't take seriously and morphed into a technological and analytical powerhouse whose success rivals even the slickest of Silicon Valley start-ups. They took something that at its essence was very technical and geeky and built a cutting edge, useful, and accessible business around it. But even more importantly, they have been successful in executing their mission of “connecting people to the world's best weather forecasts” and in the process have opened our eyes to connections that we didn't even know existed.

What's the forecast for your company?