



Stanford eCorner

Recognizing Opportunity in the Rain

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Video URL: <http://ecorner.stanford.edu/videos/2791/Recognizing-Opportunity-in-the-Rain>

CEO David Friedberg tells the story of how a bicycle rental shop in the rain served as opportunity recognition for a new venture. Friedberg also outlines the initial steps in the company's startup process and product development efforts.



Transcript

So let me tell you the story. In 2002 I used to drive past the - down the Embarcadero to get on the 280 to go to work. Sorry, to get on the 280 then 101 to go to work in Foster City. I mean it's a drive past this place called The Bike Hut, it's right next to AT&TPark on the Embarcadero. And they rent bicycles to tourists and they ride them around on the waterfront. And at the time when I was doing investment banking, you know, I was learning about finance and I was learning about business and how managers think about their P&L and their operating and their income statements and so on. And every day it was raining, The Bike Hut would be closed. So the guy wouldn't even come in and open up shop because tourists aren't renting bikes and riding around in the rain. So the dude didn't even show up to work. And I thought that's a pretty crappy business, like whether or not this guy is going to make money in a given month it's based on how many days it rains.

And so you start to think well that's actually a big problem. Do you ever go to the movie theater on a Sunday when it's raining? There's like so many people in the movie theatre and the coffee shops are packed when it's raining. No one goes to the ski resorts when it's warm and it hasn't snowed. So like you start to think about it and it turns out that - and I love the statistic, this is our big number, the 70% of businesses are affected by the weather every year. So years later when I was at Google, I came back to this idea about sort of all the world's businesses affected by the weather, maybe there is something they can do about it. And we can sell coverage to pay them if bad weather happens, making it easier for them to run and manage their businesses. 70% of the world's businesses, you know, \$4 trillion of the GDP in the United States each year and at the time I was working at Google, working on AdWords and this idea of sort of taking lots of data and being able to extract signal from it and determine some sort of fee or charge that one would make to a customer in the case of Google advertisers could apply here. We could analyze weather data, we could determine the probability of future weather events occurring and we could sell you coverage that would pay you if bad weather were to happen to your business. And so if you know that the bad weather is going to cause a loss of \$100, well then you want to get paid \$100 when that bad weather happens. And so we will give you a price to cover that because we will be able to figure out the probable - the probability of that event occurring and we will charge you an appropriate charge to cover you.

And there's no claims process or proof of loss because we can monitor the weather, there is all these data feeds available now. So choose a weather station where we have a data feed and we will monitor the weather automatically and we will trigger a check to you if it happens.