

Lemonade (2019, HBS)

- *Full Name of the Case:* Lemonade: Disrupting Insurance with Instant Everything, Killer Prices, and a Big Heart
- *Teaching Note(s) Available?* Yes
- Case is available through Harvard Business Publishing (product #: 520020-PDF-ENG)

Lemonade is an American insurance company founded in Tel Aviv in 2015 that to date has raised close to \$480m in equity funding from venture capital investors. A born “*insurtech*” (i.e., “insurance” and “technology”) startup, it utilizes technology (such as AI/machine learning algorithms for pricing and risk evaluation, and an online bot) and a business model designed using behavioral economics to disrupt the traditional insurance industry. An important part of its business model is an innovation called “giveback”: users choose a cause, and Lemonade returns a portion of all the unclaimed money at the end of the year to that cause. This interesting innovation in the company’s value logic is aimed at avoiding the conflicts of interest baked into (and, in fact, turning on its head) the traditional incumbent insurance model by bringing in a new, third stakeholder (charities).

The case allows the instructor to highlight the unique nature of business model innovation described in **Chapter 4** by contrasting the innovation in the customer journey (the *How*) with the insurance product. This helps students understand what business model innovation is, and what it is not. It also fosters a discussion of the pros and cons of business model innovation by new startups in an industry that has been traditionally dominated by large incumbent firms.

In addition, the case also highlights the crucial role of AI that lies at the heart of Lemonade’s effort to serve millennial customers in new ways. Therefore, it could also be used in conjunction with **Chapter 5** to illustrate business model DESIGN drivers, in particular the technological trends in the external environment (E), such as AI and machine learning; as well as a relentless focus on customer needs (N), an utter disrespect for incumbents’ templates (I), and boundless entrepreneurial energy and spirit as a valuable deployable resource (D).

Students might also like the case because upending the traditional insurance industry with a technology-enabled business model innovation is a neat idea, as is the “social good” element of Lemonade’s business model. The company, like its namesake, offers a refreshing twist (in this case, on insurance).