

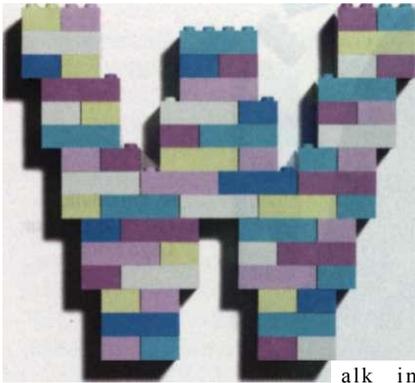
LEGO IS FOR GIRLS

**Focusing on boys saved the toymaker in 2005.
Now the company is trying to crack the code for
“the other 50 percent of the world’s children”**

**By Brad Wieners
Photographs by Nick Ferrari**



Hi, I'm Olivia,
and I want to be your
LEGO Friend



alk into one of Lego's 74 red-and-yellow retail stores around the world, or even down the toy aisles of your local Target, and two things are immediately clear: Lego, the Danish maker of plastic toy bricks, is everywhere, and it's not for everybody. Rows of classic building kits for police helicopters, rockets, and trains soon give way to contemporary releases such as Lego Alien Conquest, a daffy *War of the Worlds* scenario with spaceships and laser cannons, and Lego Ninjago, a "spin-jitzu" warrior-themed product line heavy on martial arts and supernatural powers. Humbled before the Lego Star Wars sets there's invariably a baffled parent on a cell phone: Am I meant to get the one with clone troopers or the Mandalorians? Is it General Grievous who has the double light-saber?

Linger for a few more minutes and you'll notice not just the staggering array of Lego offerings—545 in the last year—but an absence. "They might as well have a No Girls Allowed sign," says Peggy Orenstein, author of *Cinderella Ate My Daughter*, a fierce, funny investigation of the toy industry's multibillion-dollar exploitation of the "princess phase," which consumes girls at age 3 or 4. Orenstein is right. After overreaching and cratering in the early Aughts, the Lego Group deliberately focused on boys, and the short-term effectiveness of this strategy is undeniable. Revenue has increased 105 percent since 2006, according to the privately held company's 2010 annual report, and Lego topped \$1 billion in U.S. sales for the first time last year. It's on track to do that again in 2011. "They're killing it now," says Gerrick Johnson, equities analyst at BMO Capital Markets, who has followed the company's impact on listed toymakers such as Mattel and Hasbro for a decade. Lego, he

says, "is the hottest toy company in the boy segment, and maybe the hottest in toys overall."

There's now arguably a "Lego phase" for school-age boys that's as consuming as the princess phase. But unlike tiaras and pink chiffon, Lego play develops spatial, mathematical, and fine motor skills, and lets kids build almost anything they can imagine, often leading to hours of quiet, independent play. Which is why Lego's focus on boys has left many parents—especially moms like Orenstein—frustrated that their daughters are missing out. "The last time I was in a Lego store, there was this little pink ghetto over in one corner," Orenstein says. "And I thought, really? This is the best you can do?"

Over the years, Lego has had five strategic initiatives aimed at girls. Some failed because they misapprehended gender differences in how kids play. Others, while modestly profitable, didn't integrate properly with Lego's core products. Now, after four years of research, design, and exhaustive testing, Lego believes it has a breakthrough. On Dec. 26 in the U.K. and Jan. 1 in the U.S., Lego will roll out Lego Friends, aimed at girls 5 and up. (French Lego retailers are going rogue and plan to bring out Lego Friends on Dec. 15.) In Lego's larger markets, like the U.S., Lego determined it was better to introduce the new line after the holidays, when Wal-Mart Stores, for example, would give the line dedicated shelfspace it wouldn't during the holiday sales rush. The company's confidence is evident in the launch—a full line of 23 different products backed by a \$40 million global marketing push. "This is the most significant strategic launch we've done in a decade," says Lego Group Chief Executive Officer Jorgen Vig Knudstorp. "We want to reach the other 50 percent of the world's children."

Legos come from a small town called

Billund, the closest thing Denmark has to the middle of nowhere. It's a pleasant enough destination (albeit one abashed Danes hasten to point out isn't master-planned, as most of their towns are). If not for Lego, it would be just a couple of intersections, or rather rotaries, without stoplights. Because of Lego, Billund

boasts the country's second-busiest airport, a well-appointed bakery, and a few boutiques. The population roughly doubles to about 6,500 each day during Lego business hours.

In Billund's center, the 1924 home of Lego founder Ole Kirk Christiansen has been renovated into a museum. The Idea House, as it's known, highlights Lego's quaint beginnings (wooden yo-yos and a pull-string wooden duck were among its first toys in the 1930s), as well as its values. Christiansen's motto—*det bedste er ikke for godt*, "only the best is good enough"—is why Lego still uses more expensive plastic than rivals such as Montreal-based Mega Bloks, which sells bricks, on average, at 40 percent of the price. It also explains why, according to a 2010 survey by the Reputation Institute, Lego is the No. 1 admired brand in Europe, No. 2 in the U.S. and Canada, and No. 5 globally.

The Idea House nods to Lego's success in video games (*Lego Star Wars*), programmable robots (Mindstorms), board games (Creationary), iPhone apps (Lego Photo, which renders snapshots in Lego), and even board games that work with an iPhone app (the Life of George, which is shaping up as a hot holiday gift). Yet Lego's core technology hasn't changed since 1958: snug stud-and-tube bricks that snap together and hold fast—and somehow come apart easily. Lego's competitive edge is precision; the tolerance, in engineering terms, of its Lego-branded studs is 1/50th of a millimeter, 10 times finer than a hair. Lego has its own term for its click-fit: clutch power. How clutch power is achieved is as closely guarded as the Coke recipe.

Among the "10 characteristics for Lego" set forth in 1963 by the founder's son, Godtfred, is: "For girls and for boys." Today, girls and boys play equally with Duplo, Lego's bigger bricks for toddlers. But starting at the princess phase, Lego's smaller, more intricate kits skew "boy."

To develop Lego Friends, Knudstorp relaunched the same extensive field research—more cultural anthropology than focus groups—that the company conducted in 2005 and 2006 to restore its brand. It recruited top product designers and sales strategists from within the company, had them join forces with outside consultants, and dispatched them in small teams to shadow girls





and interview their families over a period of months in Germany, Korea, the U.K., and the U.S.

The research techniques and findings have been controversial at Lego from the moment it became clear that if the company were serious about appealing to girls, it would have to do something about its boxy minifigure, its 4-centimeter plastic man with swiveling legs, a yellow jug-head, and a painted-on face. "Let's be honest: Girls hate him," says Mads Nipper, the executive vice-president for products and markets, Lego's equivalent of a chief marketing officer. In terms of Lego iconography, the minifigure is second only to the original studded brick. It's as hallowed as a 1 5/8th-inch piece of plastic can ever be.

The ultimate decision about how much tweaking might be done to the beloved minifigure rested with Knudstorp. Just 36 when he was promoted in 2004, Knudstorp

TOY-ORIENTED WAY

KNUDSTORP

is only the fourth CEO of Lego Group, and the first from outside the founding family. Six-foot-three but not imposing, Knudstorp wears small circular specs and blue Lego cufflinks, and has rushes of enthusiasm more typical of an American than a Danish executive. His passion for Lego Friends comes partly, he says, "from casual observation: I have two wonderful daughters next to my two sons, and they are in a very narrow age range, 4 to 10, so I have a little home study. They all love to build, but certainly they play in very different ways."

Knudstorp completed two master's degrees (in economics and business administration, with coursework at MIT's Sloan School of Management and Harvard) and a doctorate (economics) back in Copenhagen before going to work for McKinsey, the global consulting firm. At 30 he was one of the oldest associates at McKinsey's Paris office; three years later he ran its recruiting for

all of Europe. Three years after that, following a six-month stint as interim chief financial officer, he took charge of a Lego Group in crisis; according to its own financial records the company was losing nearly \$1 million per day. During his first months in charge, Knudstorp says, "Hundreds of consumers were writing to us saying, 'please don't die.'"

To get Lego back on track, he outsourced the Legoland theme parks, selling the resorts, with Blackstone Group, a Lego partner, to Merlin Entertainment Group in 2005. That same year, Knudstorp supervised the restructuring of the company's financial governance so it would be less vulnerable to credit crunches. The Lego Group has a corporate parent, Kirkbi, an investment firm that owns 75 percent of the company (and 28 percent of Merlin); the other 25 percent is held by the Lego Foundation, administered by the Christiansen family. And Knudstorp reduced the number of elements Lego designers could draw upon to create new kits from 12,900 to 7,000. Each new element

BUT IN A

introduced requires new, expensive molds, plus changes in the global supply chain. He pushed Lego designers to be more creative with the existing parts.

Arguably nothing he's done has meant more to Lego than sponsoring the research teams that embedded with families to understand how Lego kids live and play. "If I'm honest, I didn't know what the strategy was," Knudstorp confesses of his first couple years as CEO. "Lego had done what so many companies had done, which is to stretch the brand, and I wasn't sure if [the crisis] was because Lego had stretched too far, or if it was just a very hard strategy to execute. At first I actually said, let's not talk about strategy, let's talk about an action plan, to address the debt, to get the cash flow. But after that we did spend a lot of time on strategy, finding out what is Lego's true identity. Things like, why do you exist? What makes you unique?"

During '05 and '06, the Lego "anthros," as the research teams have been called, discovered some underappreciated cultural gaps. The idea of creative play as conducive to learning, or even formal education, is an article of faith at Lego that goes back to its founder, who defended his decision to become a toymaker during the Great Depression by pointing out that all animals use play to develop their brains. In Japan, however, Lego found that study and play were more clearly delineated. Few Japanese parents bought Lego, as they do in Germany or the U.S., because they were "toys with vitamins in them," as Lego senior director Soren Holm only half-jokingly puts it.

American boys, meanwhile, turned



out to be the least free of any group Lego tracked. British and German boys are far more likely to play unsupervised in yards and wooded areas and even have greater latitude in decorating their bedroom walls. Among slightly older American boys, 9 to 12, building with Lego represented a rare chance to be left alone. (On one subject, boys of all ages and nationalities agreed: A castle without a dragon is worse than no castle at all.)

Lego won't say how much it spent on its anthropology, but research went on for months and shattered many of the assumptions that had led the company astray. You could say a worn-out sneaker saved Lego. "We asked an 11-year-old German boy, 'what is your favorite possession?' And he pointed to his shoes. But it wasn't the brand of shoe that

made them special," says Holm, who heads up the Lego Concept Lab, its internal skunkworks. "When we asked him why these were so important to him, he showed us how they were worn on the side and bottom, and explained that his friends could tell from how they were worn down that he had mastered a certain style of riding, even a specific trick."

The skate maneuvers had taken hours and hours to perfect, defying the consensus that modern kids don't have the attention span to stick with painstaking challenges, especially during playtime. To compete with the plug-and-play quality of computer games, Lego had been dumbing down its building sets, aiming for faster "builds" and instant gratification. From the German skateboarder onward, Lego saw it had drawn the wrong lessons from computer games. Instead of focusing on their immediacy, the company now noticed how kids responded to the scoring, ranking, and levels of play opportunities to demonstrate mastery. So while it didn't take a genius or months of research to realize it might be a good idea to bring back the police station or fire engine that are at the heart of Lego's most popular product line (Lego City), the "anthros" informed how the hook-and-ladder or motorcycle cop should be designed, packaged, and rolled out.

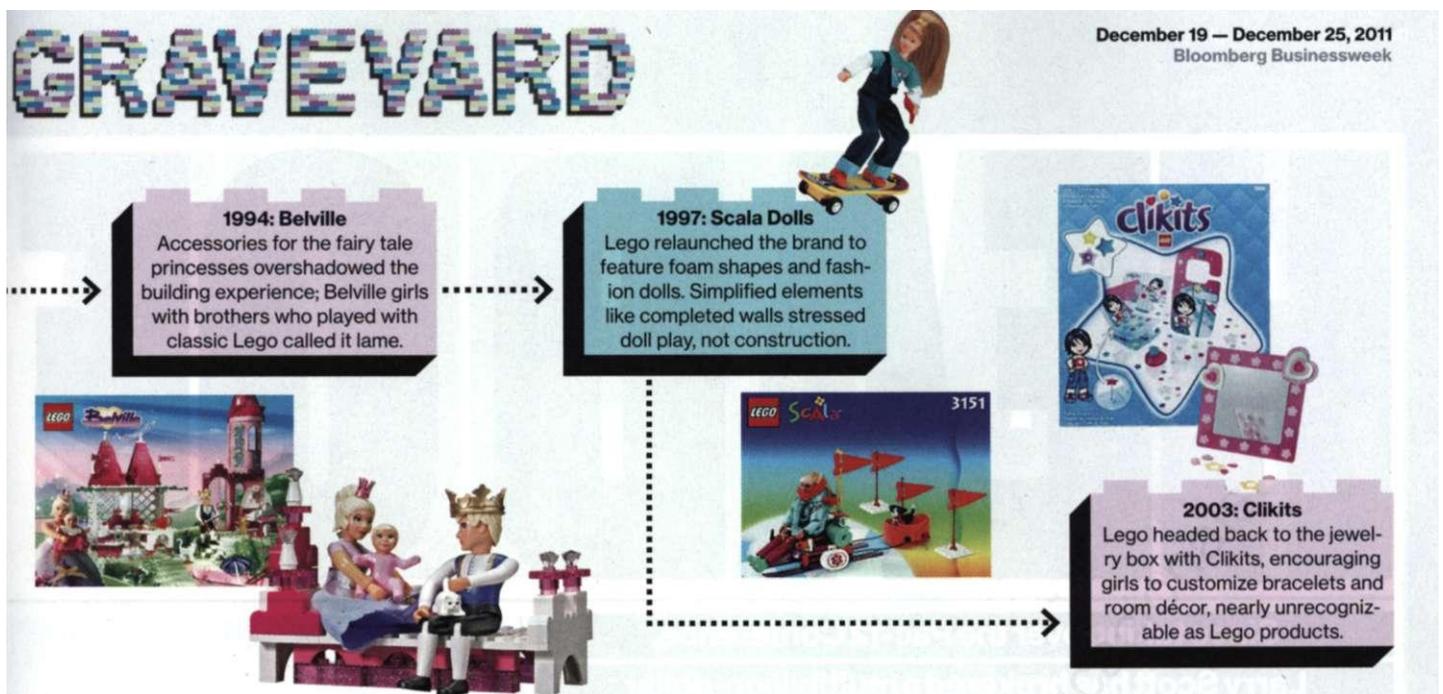
Encouraged by what it had learned about boys, Lego sent its team back out to scrutinize girls, starting in 2007. The company was surprised to learn that in their eyes, Lego suffered from an aesthetic deficit. "The greatest concern for girls really was beauty," says Hanne



Costa built a multinational team to make Lego girl-friendlier

GRAVEYARD

December 19 — December 25, 2011
Bloomberg Businessweek



Groth, Lego's market research manager. Beauty, on the face of it, is an unsurprising virtue for a girl-friendly toy, but based on the ways girls played, Groth says, it came, as "mastery" had for boys, to stand for fairly specific needs: harmony (a pleasing, everything-in-its-right-place sense of order); friendlier colors; and a high level of detail.

"It was an education," recalls Fenella Blaize Holden, an under-30 British designer, on the process of getting Lego Friends made. "No one could understand, why do we need more than one handbag? So I'd have to say, well, is one sword enough for the knights, or is it better to have a dagger, too? And then they'd come around."

Lego confirmed that girls favor role-play, but they also love to build—just not the same way as boys. Whereas boys tend to be "linear"—building rapidly, even against the clock, to finish a kit so it looks just like what's on the box—girls prefer "stops along the way," and to begin storytelling and rearranging. Lego has bagged the pieces in Lego Friends boxes so that girls can begin playing various scenarios without finishing the whole model. Lego Friends also introduces six new Lego colors—including Easter-egg-like shades of azure and lavender. (Bright pink was already in the Lego palette.)

Then there are the lady figures. Twenty-nine mini-doll figures will be introduced in 2012, all 5 millimeters taller and curvier than the standard dwarf mining. There are five main characters. Like American Girl Dolls, which are sold with their own book-length biographies,

these five come with names and backstories. Their adventures have a backdrop: Heartlake City, which has a salon, a horse academy, a veterinary clinic, and a café. "We had nine nationalities on the team to make certain the underlying experience would work in many cultures," says Nanna Ulrich Gudum, senior creative director.

The key difference between girls and the ladyfig and boys and the mining was that many more girls projected themselves onto the ladyfig—she became an avatar. Boys tend to play with minings in the third person. "The girls needed a figure they could identify with, that looks like them," says Rosario Costa, a Lego design director. The Lego team knew they were on to something when girls told them, "I want to shrink down and be there."

The Lego Friends team is aware of the paradox at the heart of its work: To break down old stereotypes about how girls play, it risks reinforcing others. "If it takes color-coding or ponies and hair-dressers to get girls playing with Lego, I'll put up with it, at least for now, because it's just so good for little girls' brains," says Lise Eliot. A neuroscientist at the Rosalind Franklin University of Medicine and Science in Chicago, Eliot is the author of *Pink Brain Blue Brain*, a 2009 survey of hundreds of scientific papers on gender differences in children. "Especially on television, the advertising explicitly shows who should be playing with a toy, and kids pick up on those cues," Eliot says. "There is no reason to think Lego is more intrinsically appealing to boys."

Maybe not, but even Knudstorp acknowledges that Lego's girl problem will

be hard to conquer. Lego sponsors a series of clubs called First Lego League to get kids interested in science. Recently, Knudstorp attended a Lego robotics contest and spoke to a Berkeley (Calif.) professor whose daughter excelled. "We're seeing lots of girls perform extremely well, but her mother said to me, she won't say that she's a 'Lego kid' because that's a boy thing," Knudstorp says. "I don't have any illusions that the girls business will be bigger than the boys business, but at least for those who are looking for it, we have something to offer."

In the U.S., Wal-Mart, Toys "R" Us, and Target all plan to carry Lego Friends. Target's Stephanie Lucy, vice-president and merchandise manager for toys and sports goods, says the Minneapolis-based department store will introduce Lego Friends on an end-cap (at the end of an aisle), then shelve it with other girl-oriented toys, not with the rest of the Lego—all currently in the boy section. As long as girls find it, Lucy says, "I believe it will do very well."

Grown-up Lego hobbyists, who gather frequently for weekend conferences, have their own acronym, AFOL, for Adult Fans of Lego. AFOLs will also factor in Lego Friends' performance. "Oh, we're going to buy Lego Friends," says Joe Meno, "but we're going to buy it for all the wrong reasons." Meno is co-author of the new book *The Cult of Lego* and editor of the *Brickjournal*, a glossy fanzine. "We want the sets for the new colors. One of the colors is ideal for a Perry the Platypus I want to build." The lady minifig, he predicts, "I'll probably toss aside." Stupid boys. ©