

LEGO® Products: Building Customer Communities Through Technology

The LEGO Group, the world's third-largest manufacturer of play materials with 2011 sales of 18.7 billion Danish kroner (about \$3.3 billion U.S.)¹, is a privately held company based in Billund, Denmark. The company is owned by the Kirk Kristiansen family (who founded it in 1932), now led by grandson Kjeld Kirk Kristiansen. The name LEGO is an abbreviation of the Danish words "leg godt," meaning "play well." The company is dedicated to the development of children's creativity through playing and learning. In 2002, the LEGO Group faced several threats to its business model from low-cost/low-quality imitators, cheap alternative products from competitors, and new Internet-based channels of learning and play for children (e.g., video games, iPods, etc.). To thrive in the changing market, LEGO Group management and senior leadership chose to adapt their business model to integrate fans (i.e., devoted users of LEGO products), forge new partnerships, change their organization's structure, and build new capabilities based on a customer-centric approach.

Gaute Munch, the technology product manager at the company, was a quiet, thoughtful man, but his eyes twinkled when he talked about the power of engaging fans in his work. He leaned forward, telling the story of a brilliant fan from Poland whose work Munch saw on YouTube and who later became instrumental in a key design element for the LEGO Power Functions line — the new LEGO electric building system that contained battery boxes to deliver power, motors to make parts move, remote control, and the ability to connect to computers so that LEGO users could control their personal creations.² The Polish fan was one of many from France, Belgium, the United Kingdom, and the United States who spurred the LEGO Group's thinking about an entirely new scale of design for LEGO train tracks (as part of the LEGO Power Functions line). Munch spoke with utmost respect for the hundreds of thousands of fans whose passion for LEGO products led to some of the company's most creative and innovative applications, which went well beyond the scope of what the company could have imagined. The LEGO Group illustrated the notion that a toy manufacturer was only as strong as its fan base, so much so that LEGO fans were also credited with helping in the rebirth of the LEGO corporate culture.

Years of serious declines in profits and a slipping share of the children's entertainment and education market had left the LEGO Group in a precarious state.

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