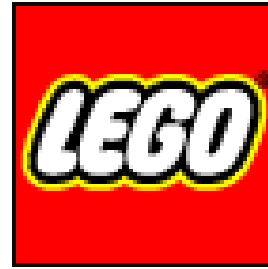


LEGO®

LEGO - the well-know children's building system - has been around for a long time and in an age when new toys come and go with astonishing rapidity and technology-based toys like video games are reaching impressive heights of sophistication, it might be difficult to understand the enduring market appeal of these basic building blocks.. Well the answer is that LEGO has changed with the market and the company, currently owned by the founder's grandson Kjeld Kirk Christiansen, continues to invest large sums around the world to understand changes in children's tastes and to explore new product developments based around its mission 'to inspire children to explore and challenge their own creative potential'.



The name 'LEGO' is an abbreviation of two Danish words "leg godt", meaning "play well". The company was founded by Ole Kirk Christiansen in 1932. It is now the world's sixth largest manufacturer of toys, with its head office in Billund, Denmark, branches throughout the world and some 5000 employees its products are sold in more than 130 countries. The traditional interlocking LEGO brick has twice been named toy of the century by Fortune Magazine then by the British Association of Toy Retailers, although in its present form it was launched in 1958. Approximately 17.8 billion LEGO bricks and other components are made every year. However the product range is now far wider than the basic brick with 'classic' products like LEGO DUPLO, LEGO CITY, LEGO TECHNIC being constantly upgraded and added to with concepts like LEGO MINDSTORMS (robot building sets). There are theme based products like LEGO Harry Potter, Spiderman 2, Bob the Builder and Star Wars, introduced under licence and there are brand new products like CLIKITS and BIONICLES. BIONICLES allows children to construct action figures like knights and to develop a detailed online world into which they can be placed to play through a story. LEGO have also moved into different market segments. LEGO BELVILLE is aimed at young girls, allowing them to construct scenes from everyday life and, more recently, moving into the world of fairy tale with princesses, fairies and butterflies. These developments have evolved through four 'eras': the first was the developing construction and building as the central elements in play; in the second the LEGO products gained motion through wheels, small motors and gears; role play formed the third era, when LEGO figures were born; and the fourth era introduced intelligence and behaviour. Alongside this LEGO has developed numerous 'play themes' for all their products such as fire station, police, airport, knights, castle and racing cars. There are also four LEGOLAND theme parks around the world in Denmark, England, Germany and California, USA with a LEGOLAND Discovery Centre opened in Berlin in 2007.

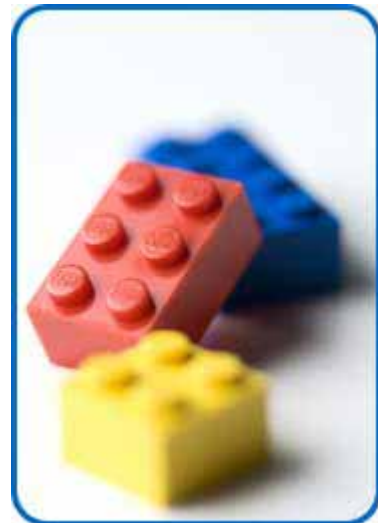


Strategic partnerships have played an important part in recent innovations. In 1984, before digital development really took off, LEGO entered into a partnership with Media Laboratory at Massachusetts Institute of Technology (MIT), USA. By blending physical and virtual worlds into an integrated play universe, the company came up with new products. LEGO TECHNIC Computer Control was the first tangible product of the partnership, launched in 1986. This paved the way to the introduction in 1998 of LEGO MINDSTORMS, integrating robot technology

with LEGO constructions systems and enabling children to create and programme intelligent LEGO models. LEGO, in partnership with a US non-profit organisation called FIRST ('For Inspiration and Recognition of Science and Technology'), have established FIRST LEGO League, a worldwide tournament in which children compete by designing their own robots and participate in a series of scientific and mathematical or technical projects. The 2006 version, LEGO MINDSTORMS NXT, allows children to build and programme a robot that can see, hear, speak, feel and move in just half an hour.

The company's web site LEGO.com is more than just a showcase for the company's products, it allows children to play games, enjoy stories and undertake activities. It is important because stories spur children to play games. Over 25% of toy sales are now related to movies or TV series and, since none to date have featured LEGO parts, it is important for the company to be able to inspire children through its own communication medium. In 2006 the web site was one of the top 25 'Lifestyles and children's websites' in the USA, building a virtual community of LEGO enthusiasts. LEGOfactory.com even allows children to build virtual LEGO models, exhibit it in a virtual gallery and then order the parts, if they want.

Concept and product development take place primarily at the company's headquarters in Billund at the Concept Centre. This creative core is made up of 120 designers representing about 15 nationalities, most having trained at Art school. The company also has what it calls 'listening posts' – otherwise known as Concept Labs - in Munich, Barcelona, Los Angeles and Tokyo. At these Labs children from four very different countries are encouraged to try out different combinations with the same LEGO pieces and create worlds of their own, which the company can incorporate into its 'play themes'. The Labs try to spot trends in children's play, understand the motivations behind this and to translate them into what it means for the company and new product development – effectively trying to systematically understand children's' creativity by observing them at play. The Labs also take an active role in the product concept and early development phase of any new product.



Visit the company web site on www.lego.com to see some of the features described in this case.

Questions

1. *If you were in charge of LEGO what would you want the Concept Centre and its Labs to find out and how would you set about getting that information?*
2. *How important are strategic alliances? How do they influence innovation?*
3. *With whom does the company develop relationships? What role do they serve and how are they developed?*