

EXCERPT:  
NEW POWER AND LEGO

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# **NEW POWER**

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## **HOW LEGO SAVED ITS COMPANY BY EMBRACING NEW POWER**

A new millennium was beginning, but the Lego company was crumbling.

The seventy-year-old Danish firm had focused too much on its theme parks. It had created a vast number of products, many more than the market would bear. It had lost its connection with its consumers. It was suffering from sales decline and a culture of top-down management. In 2003 it posted its biggest loss ever.

Enter Jørgen Vig Knudstorp, who in 2004 became CEO, the first non-family leader of the family firm. He carried out many of the typical turnaround CEO tasks: cut staff, reduced the number of

products by half, sold off peripheral businesses, and refocused the company. Out were the wristwatches. In were the bricks.

Knudstorp represented a big shift in business strategy, but he was closely aligned with the owner and chairman, Kjeld Kirk Kristiansen, who played a key cultural and symbolic role within the company. In an attempt to understand the Lego business better, Knudstorp—often accompanied by Kristiansen—began to attend the fan-organized Lego events that had multiplied across the country. He recalled how important his visit to one such event, Brick Fest 2005, had proved.

“I came with my family, so it was a really nice event. I gave a talk for half an hour with no slides. Afterwards I spent two hours with the fans on Q & A from the stage. It was my breakthrough because I established a personal relationship with them. During the rest of the weekend they came over and talked, took care of my kids . . .”

What he saw in the crowd was great passion. And also great commercial potential. The Lego brand had always been well loved, of course, but the growth of the internet was allowing more dynamic forms of appreciation for the product.

People weren’t just getting together at conferences like Brick Fest; fan clubs were beginning to pop up across the world. And nascent online communities were emerging, too. Take MOCpages—now one of the largest online Lego fan communities in the world—which was launched by a single Lego fan, Sean Kenney. When Kenney launched his site, he had been surprised and inspired to see that “visitors from around the world were leaving messages, rating his creations, and sharing their ideas.” He witnessed, before the Lego people did, the surging demand among “makers” to share, connect, and build on one another’s creations (MOC stands for “My Own Creation”). Today it is a platform for over half a million fan-made designs using Lego sets.

As it tried to dig its way out of crisis, Lego’s leadership was sensing a big opportunity in this deeply committed—and increasingly networked—consumer base. But to uncover it, they needed to engage with a group of customers they had historically ignored.



For the first time in their history, the Lego Group decided to get serious about the AFOLs.

### Meet the AFOLs

Robin Sather has not gone through a single birthday or Christmas without receiving a gift of Lego. He is in his fifties and remembers getting his first Lego set when he was four. He still has some of those bricks.

As he got older, his love for Lego toys never faded. But this was a source of discomfort rather than pride. Before the internet came along, he thought he “was the only adult that was still into Lego.”

He wasn't. Individuals all over world had kept on building into their adulthoods, but they just hadn't found one another. “We all thought we were freaks and all alone and did it in secret,” said Robin.

The rise of the internet saw a global network of people like Robin stepping out of the closet (or, more often, the garage). “We all discovered each other, as with many things, a lot of Lego enthusiasts started to form clubs and a community happened.” No longer a furtive solo builder, Sather became a proud co-founder of the Vancouver Lego club. He also took on a new badge of honor. He became an AFOL.

An AFOL is an Adult Fan of Lego, someone like Robin who loved Lego sets as a kid and then kept up with their interest in later life. In *Brick by Brick*, David Robertson and Bill Breen reported that this was a group that the Lego company had historically neglected. They were seen as “few in number and not worth listening to.” Some saw them in less flattering terms than that. And even those middle managers who saw potential in adult fans were usually rebuffed by leadership.

Yet under Knudstorp and Kristiansen's new direction things started to change, and for good reason. Even though AFOLs were only 5 percent of the total market at this point, they were outspending the average family with kids *twenty to one*. They were responsible for another phenomenon, too. AFOLs would often turn up

at a Lego fair, build something amazing, and then 2,500 kids and families would show up. So would local media.

In our new power terms, the AFOLs were the Lego company's super-participants. Invested, passionate organizers, they were capable of generating communities of their own around the Lego brand. Sure, the company's core participants remained the kids, but increasingly Lego's executives would see its economic value, and its community culture, as shaped by AFOLs. The Lego Group's big pivot was to stop treating AFOLs as an underclass of nobodies, or a den of weirdos, and start building structures to respect them, engage them as super-participants, and channel their value for the Lego ecosystem.

### **Opening up the castle**

At the heart of this effort was senior director Tormod Askildsen. He hired the company's first community manager, began to engage seriously with the Lego super-users, and started to identify smart ways to connect the company with its crowd.

This paid off quickly and unexpectedly. One super-user, John Barnes, was an expert in making high-tech sensors. Working with Barnes's firm, the Lego Group made big improvements to their new robotics kit. Another, Adam Reed Tucker, founder of Brickworld Chicago (now one of the largest fan events) and a self-described "guy with an idea," had become passionate about building highly detailed re-creations of great buildings using Lego materials, notably attracting interest and press around his Chicago Sears Tower. Previously, mid-level Lego managers had been serving as AFOL dealers, feeding him bricks to fund his habit, but now senior management engaged. This partnership developed into the hugely popular "Lego Architecture" line, which has created sets for AFOLs to build the world's greatest buildings, from the Sydney Opera House to Falling Water to the Burj Khalifa.

Part of Askildsen's success was his openness to ideas from the outside. Robin Sather remembers putting together a white paper for

Lego that proposed the creation of a formal ambassador network and recognized status for the most talented builders. Lego Ambassador Network now has a full-time staff and an online platform dedicated to supporting and connecting the leaders of hundreds of local user groups from Hawaii to the Philippines to Jakarta. In effect, this is a sophisticated community of Lego super-participants, who work to grow events, develop ideas, and test new markets for the firm. In return, the Lego company provides free kits, funding, marketing support, and, perhaps most of all, a communal identity and legitimacy for its (unpaid) leaders.

### **The crowd makes the kits, the crowd makes the movies**

The “Lego Ideas” platform took engagement with AFOLs even further, bringing to the mainstream an idea that grew from a pilot project from Lego Japan. Put simply, it crowd-sources the creation of the next Lego models. So if you are a fan with an idea for a new set you can submit your plans to be assessed by the Lego community. If 10,000 participants vote to get behind your idea, Lego administrators take it to a formal review. The very best ideas turn into new products. With three seasons each year, Lego Ideas is like *American Idol* for AFOLs. Over a dozen sets have now made their way from the crowd to the shelves. Those whose Lego ideas get to market don’t just get glory: they share in the value creation, earning 1 percent of sales revenues.

One winner was Dr. Ellen Kooijman (online alias Alatarriel), a geochemist who had never before shared any of her Lego creations with anyone other than her husband. She was frustrated that female Lego figures were in the minority and fell into stereotypical roles (the Lego Group suffers from a heavily male bias in both its fan base and its corporate culture). As a scientist herself she saw the need for “professional female minifigures that also show that girls can become anything they want, including a paleontologist or an astronomer.” Women, scientists, and AFOLs everywhere agreed.

After years of cultivation, the Lego community is now a critical piece of business infrastructure, as important to the company as its factories or intellectual property—something that it can count on in large and small ways. The base was critical to the success of *The Lego Movie* in 2014, which was a huge hit, bringing in almost \$500 million in worldwide box office returns. When Twitter user @Shiz\_Nit asked, “Is there anyone out there who is super excited about The LEGO Movie and is older than 32 so I can feel slightly better about myself?” Lego staff knew exactly how to respond, replying, “Age Is Just a Number,” and encouraging this AFOL to join community engagement efforts around the film. In fact, AFOLs were active in both the development and promotion of *The Lego Movie*. The film’s creators invited the Lego community to film and submit their own scenes—and several fan creations actually landed in the final cut.

Looking back on a decade of change, Robin Sather, now one of just over a dozen Lego Certified Professionals, the company’s most prestigious title for expert builders, puts a nice wrapper on things. “The Lego company was like Willy Wonka’s chocolate factory. It was this massive edifice where delicious, wonderful things came out the front door, but you never really knew how. You had no access inside. You didn’t really know where they came from. You didn’t know how it all worked. As the internet flourished and a bunch of different things happened, the doors gradually opened up, and we began to see inside. The whole renaissance of the Lego company opening itself up to the community and to the world has been amazing, and it just continues to evolve.”

The Lego company was able to say yes to each of the questions in the decision tree, giving us a good sense of why its turn to new power was so successful.

The Lego Group built a **strategy** in which cultivating its new power community was key to reviving its core business—this wasn’t just window dressing or pandering. The company’s connection with the AFOLs and its wider communities acted as an incredible—and incredibly inexpensive, compared to traditional broadcast adver-



tising efforts—marketing machine (just glance at how many fan-created Lego YouTube videos there are). The crowd also provides it a huge expert innovation resource at very little cost. As Knudstorp has noted, new products deliver 60 percent of total Lego sales each year. Executives also had a clear sense of what *they* could do for the crowd. Yun Mi Antorini, the Lego community engagement director of innovation and development, and an academic who has studied the Lego Group over the years, sums up the company's philosophy toward the crowd: "You're crashing someone else's party . . . What can you bring to the party?" By putting community management at the center of their business and investing in carefully structured incentives to participate, Lego leadership made being an AFOL more rewarding and meaningful.

Lego staff also worked hard to develop **legitimacy** with the crowd. The early efforts of both its owner and its CEO to engage with their previously neglected communities created the right signal. They earned legitimacy with the AFOLs by legitimizing *them*, taking them out of their AFOL closets and putting them at the center of the company's culture and innovation engine. This offers a key lesson: if you want to be taken seriously by your crowd, taking them seriously is a good place to start.

When it came to thinking about **control**, Lego had something of an advantage. The core design of their product relied on their consumers' shaping the product. As Antorini put it, "The Lego Group could never, can never, and should never, as to this day, really influence what users are doing with the product." But leadership should still be credited with an essential insight: that by relinquishing control even further, they would uncover value. By providing smart routes for participation, Lego staff was able to guide its crowd in certain directions, but without insisting on outcomes. The surge of support behind Alatarriel's female scientist Lego figures is a good example of how the crowd course-corrected the company, which had neglected to meet this need.

All this progress required a long-term **commitment** from Lego. It went through an evolution over a decade, not a revolution over a season, with a steady stream of initiatives and experiments that

shifted the structure and culture of its business and its communities. As Antorini told us, this has *not* been easy. Talking about “win-win” models is easy to do, but striking the right balance between crowd and company is “hard work to make it work on both sides.” This commitment came from the very top of the institution—and has never been a stunt.

This thoughtful and deliberate approach delivered ten consecutive years of organic growth and a renewed dominance in its sector. By 2015, Lego had surpassed Mattel as the world’s largest toy company and was anointed “World’s Most Powerful Brand” by a leading brand strategy consultancy, not least because of the deep passion of its community.