LEGO turned itself around by analyzing
overbearing parents

By Mikkel B. Rasmussen and Christian Madsbjerg | March 20, 2014

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After decades of growth and innovation—in 2000, the company was the fifth-largest toy maker in the world—LEGO hit a major slump. In January 2004, it announced a huge deficit. It was, by its own accounts, bleeding cash to the tune of $1 million a day. Owner and CEO Kjeld Kirk Kristiansen, grandson of founder Ole Kirk Christiansen, was at the helm of a strategy to turn the company around. He stepped down and appointed Jørgen Vig Knudstorp, a former McKinsey consultant, as new CEO of the company.

Somehow, the company honored with the Best Toy of the Century award twice had completely lost touch with its core consumers. How did it happen? And how did LEGO come out of the fog and solve its own mystery?

Look for patterns

A team of researchers immersed themselves in data on how kids play with Legos through conversations. “We were constantly asking, ‘What is that kid doing over there? Is that the same as what this kid is doing here?’” one member of the team told us. After an intense
period of discussion about the data, each researcher stepped away and made his or her own
decision about the most important patterns. The researchers brought a whole lifetime of
critical training to the pattern recognition process, but they also brought themselves. They
melded art with science by using their own perspectives to discern the experiences of the
children.

When all of the researchers came back to the conversation, they shared their choices. “Once
we started deciding on the patterns,” one team member said, “we kept saying to one
another, ’Is this really supported by the data?’ Then we would go back and check to be
certain.”

“You need to think about it and talk about it,” said one of the researchers. “We didn't say,
‘Okay, first we are going to decide, and second, we are all going to vote, and third, we are
going to move on to the next step.’ The process was much more nonlinear.”

During a session with the photo diaries, for example, the researchers noted that the
children’s bedrooms in New Jersey tended to be meticulously designed by the mothers.
“They look like they’re from the pages of Elle Décors,” noted one participant. Another
child’s bedroom in Los Angeles was suspiciously tidy with a stylish airplane mobile hanging
down. “That looks staged,” an anthropologist observed, and the team discussed what that
might mean. These were children who were driven everywhere in SUVs with carefully
managed after-school activities. The researchers noted that the moms were also “staging”
their children’s development. They were trying to shape children who were creative, fun,
outgoing, humorous, intelligent, and quiet all at the same time. Throughout the
conversation, critical theory from the human sciences provided a framework for the
observations. The researchers discussed how these “staged” childhoods resembled
Foucault’s “panopticon,” where activities were under surveillance and subject to
disciplinary measures. One of the analysts drew a picture with a large circle and a very tiny
circle. “This is the space we used to have for playing,” he said, pointing to the large circle,
“and this ever-diminishing circle is the space these kids have right now.”

In this same session, several researchers reported that children were hiding things from
their parents. The observers noted the acronym POS (parent over shoulder) so prevalent in
online gaming. One researcher reported being invited into a young boy’s room to see his
most secret prized possession. The child pulled a shoebox out from under the bed and
announced that it was filled with magic poisonous mushrooms.

“We asked one kid to design his ideal room,” another researcher told us. “And it had all
sorts of covert elements: booby traps and CSI [from the Crime Scene Investigation TV
series] secret doorways. Everything was communicating, ’Stay out!’” The anthropologists
discerned that the box of mushrooms and the booby-trapped room were both reactions
against the staging and surveillance happening in the children’s lives. After further
discussion, the team saw a pattern emerge more clearly: the children were suffocating.

“These kids were bubble-wrapped,” one team member recalled. “Every physical space in
their life was curated, managed, or staged by an adult. Whereas children in the past used to
find freedom and an appropriate level of danger on the streets, playing on sidewalks
throughout the neighborhood or roaming free in the country, these children needed to find
their freedom in virtual spaces through online gaming or in imaginary zones (like the box of
magic mushrooms).”

An important insight came to the group through the discussion of all of these observations.
One role of play for these children was to find pockets of oxygen, away from adult...
One role of play for these children was to find pockets of oxygen, away from adult supervision. The group realized that kids were desperate to sneak some element of danger into their lives. If the researchers had used a more linear process—one focused on the properties of the children’s play—the team would never have thought to put poisonous mushrooms and booby traps in the same category. But the nonlinear act of connecting the dots revealed that the underlying phenomenon of both behaviors was the same.

At another point in the discussion, the researchers reported that kids in both Germany and the United States had systems of rankings and hierarchies everywhere. One researcher told the group about a boy’s elaborate game of ranking his fantasy football players. The boy could rattle off endless statistics about every one of his imaginary players. Another anthropologist talked about the almost incessant discussion of videogame scores within a group of boys. He reported that every day seemed to bring a new assessment of the hierarchy based on the videogame’s rankings. The research team turned again to the phenomenon: what did the kids’ attention to rank say about the role of play? The team discovered that just as animals use play as a means of establishing social order and hierarchy, so too do children. They are playing to understand who is alpha and who is beta.

The most salient observation revolved around an old shoe. An 11-year-old German boy showed a researcher his most prized possession. It wasn’t a video game or a fancy new toy. It was his beat-up sneaker. He lovingly pointed out all the ridges and nooks along the side and the bottom. They communicated to his friends that he had mastered a specific skateboard trick. From this observation, the researchers discerned a larger pattern of mastery. Children play to achieve mastery at a skill. And if the skill is valuable to them, they will stick with it. The German boy’s dedication to skateboarding—and the social currency it brought him—dismantled all of the earlier assumptions about time compression and children’s need for instant gratification from their toys. In fact, the analysts discussed, it was the exact opposite. The most meaningful play for children seemed to involve degrees of difficulty and skill acquisition. The team dubbed this insight “instant traction versus paying your dues.”

These and other findings led the researchers to identify the key patterns: children play to get oxygen, to understand hierarchy, to achieve mastery at a skill, and to socialize. The patterns were simplified into four categories: under the radar, hierarchy, mastery, and social play.

“I still have the notebook from that first workshop,” Smith-Meyer told us. “I was thinking, ‘Why don’t we do this all the time? Why would we just sit and talk to focus groups?’ LEGO has done a lot of research on play, but it almost becomes too academic. It didn’t really live in people, certainly not in the management. We should have been out with families. These are the real people who use our products.”


In the lead-up to its blockbuster IPO (expected to be the biggest since Facebook’s), Chinese e-commerce giant Alibaba has been on quite a shopping spree, shoring up its fortifications against assault from internet rival Tencent. Now it’s getting into malls, spending $692 million for a 26% stake in Intime Retail, a department store operator that will help the company reach people who prefer to do their shopping the old-fashioned way.

Unlike Facebook, which has been frantically snapping up businesses that might one day become the future of technology, Alibaba has been mostly buying into industries that have been around for years, if not decades.

**Alibaba’s pre-IPO shopping spree**

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In the last four months, Alibaba has bought stakes in mapping company AutoNavi, the appliance and logistics company Haier, the film and TV studio ChinaVision, the messaging app Tango, and the Amazon e-commerce competitor ShopRunner. Tencent has similarly bought stakes in a Yelp-like service and an online retailer.

In the same time frame, Facebook has acquired the virtual-reality hardware maker Oculus Rift, staff from solar-powered dronemaker Ascenta, and the mega-popular messaging start-up WhatsApp. Google, for its part, is buying military robots, building driverless cars, and launching high-altitude internet blimps.

The comparison is striking: In China’s relatively young internet sector, major players like Alibaba are buying relatively stodgy old companies. Meanwhile, in the relatively mature US internet sector, major players like Facebook and Google are placing bets on dynamic and fast-developing future technologies.

As New York-based venture capitalist Fred Wilson wrote last week: Facebook got “to a good place on mobile (and that’s what the $19bn WhatsApp buy was all about). And now Zuck and his team are looking up and saying ‘what’s next?’ It’s not that different from what Larry Page and his team are doing at Google.”

One key difference, of course, is that China’s internet sector has not had time to develop into the same kind of oligopoly as in the United States, where Facebook, Google, Apple, Amazon, and Microsoft each reign supreme in well-defined niches, albeit with many areas of overlap. In China, as Quartz has reported, Alibaba and Tencent (and, to a diminishing degree, search engine firm Baidu) are conducting an all-out war for supremacy.

Maybe when Alibaba or Tencent is eventually victorious, or when the firms have fought to a draw, their focus will shift to forward-looking bets on fanciful future technology. But until that day, which is years away at the earliest, expect a lot more deals like today’s shopping mall splurge.