

Analysis of target consumer groups and optimization of marketing strategies for the LEGO toy brand

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Abstract: LEGO is a handcrafted toy brand with a long history and a solid position in the toy building block market. Nowadays, as electronic products gradually control the entertainment market, LEGO's building block market is also gradually affected by electronic products. People of all ages are more willing to choose video games, and LEGO should therefore slowly integrate its blocks into the electronics market. Thus, this thesis analyzes the current market situation of LEGO and the electronic product market according to the main consumer groups of LEGOS. Using market research on both LEGO and electronic products, questionnaires, and interviews of LEGO's main target consumers, and analysis of LEGO's competitor brands, it is possible to derive the main consumer groups of LEGOS at this stage, the market situation due to COVID, and the main situation of LEGO's stores. Therefore, it is possible to propose new market development, store modifications, i.e., advertising and promotion modifications for LEGO. Finally, we analyze the opportunities for LEGO to enter the electronic market and the degree of integration with electronic products and propose and conclude the overall block market and entry into the electronic market for LEGO.

1. Introduction

1.1 Research background

The name 'LEGO' is an abbreviation of the two Danish words "leg godt", meaning "play well". The LEGO Group was founded in 1932 by Ole Kirk Kristiansen. The company has passed from father to son and is now owned by Kjeld Kirk Kristiansen, a grandchild of the founder. The total number of LEGO stores has now reached almost 600 stores worldwide. It has come a long way over the past almost 90 years - from a small carpenter's workshop to a modern, global enterprise that is now one of the world's largest manufacturers of toys. LEGO is a toy manufacturer of a traditional class of manually interlocking plastic blocks to form larger toys and other shapes. Compared to other entertainment brands, LEGO has retained the traditional manual class of toys until today's society. 2020, one of the LEGO Group's best-selling products is the LEGO Classic Block Box. This is a testament to the enduring popularity of bricks and the endless opportunities it offers for building, dismantling, and rebuilding [1]. But in today's entertainment market, the advent of video games has shattered the unprecedented boom. Lego announced that 2017 saw its first sales decline in 13 years [2]. The total sales of Lego in 2017 were 4.698 billion euros (1 euro is about 7.79 yuan), a decrease of 7.74% from 2016; net profit was 1.048 billion euros, a reduction of 17.3% from 2016 [3]. The progress of technology has made more people more willing to accept the life brought by electronic entertainment. LEGO always hopes that LEGO products can bring people a sense of manual accomplishment as a famous toy company. In this analysis of the LEGO brand, LEGO needs to consider how to build its brand to make it more attractive to consumers in the future, how to use digital games to change its block kingdom and launch more products that combine physical toys and virtual digital games or create new ways to play LEGO.

1.2 Literature review

The traditional toy industry is experiencing unprecedented development crises. Many well-known toy brands withdrew from counters in shopping malls because of the scarcity of passenger traffic. Instead of traditional toys like Lego, many children prefer to have an electronic product like an iPad to play video games. The crisis mainly stems from the impact of electronic products. The existing literature on LEGO has tended to focus on Lego's existing strategic analysis, like reshaping its product line or launching a new slogan such as Lego revamp to ax sub-brands [4]. The current concepts of traditional and digital toys have merged and become the future of toy development.

The research paper from MIT focuses on the transformation of the LEGO Group for the digital economy and describes the LEGO Group's journey to becoming a successful digital company. In order to avoid bankruptcy, LEGO has been looking for and trying to transform itself. The article mentions the sale of Lego blocks with video games and programmable Lego robots to cater to the market [5]. Traditional companies are increasingly turning to platform strategies to accelerate the development of digital value propositions and prepare for the challenges posed by digitalization. How the LEGO Group Is Embarking on Architectural Path Constitution to Transform Its Information Infrastructure into a Digital Platform is about the LEGO Group's digital journey, explaining how physical companies can get rid of difficulties, cater to social development, and trigger the brand's transformation to a digital platform. In this era where electronic products are indispensable, electronic games have been improved. Play and learning in the digital future tell how games and toys become interconnected communication tools. The final integration of the visual network community and the physical world will enable users to move towards a new game stage and a new way of learning. Develop digital toys and games so that toys and their users can live in harmony.

1.3 Research gap

The 21st century is a society covered by electronic products, more and more people are more willing to choose electronic products and video games as entertainment and recreation. Electronic products and video games gradually occupy the core of the public's life. Today, adults, teenagers, and children spend most of their time in electronic products and video games. This increase in numbers is especially evident in the current COVID. According to a Parents Together survey, the average amount of time children spent online doubled during the epidemic. The average amount of time children spent online doubled during the epidemic, and 85 percent of parents were concerned that this increase would increase even more [6]. From such a situation, the sales of electronic products in the entertainment market will continue to increase, while the electronic market will gradually replace hand-made toys like Lego.

The existing literature on LEGO has tended to focus on Lego's existing strategic analysis and the transformation of the LEGO Group for the digital economy. What is lacking is how to deal with the impact of electronic products and firmly grasp the interests of consumers for LEGO, such a typical traditional toys company. We developed a generic framework that depicts how LEGO should reshape its brand image and reposition its target consumer groups to address this knowledge gap. We developed a questionnaire, interviewed consumers of different ages, and drew some valuable conclusions, then applied these findings to Lego's store changes, new market development, and advertising.

2. Data collection

2.1 Primary Data

We designed a questionnaire survey and interviewed two forms to collect information about target Lego consumers and people's attitudes towards Lego. For the questionnaire, participants can answer the questionnaire by clicking the website and scanning the QR code. In the end, 112 initial samples were collected from the Wenjuanxing platform.

At the same time, we interviewed a total of 15 LEGO users, including 3 children under the age of 10, 7 college students, and 5 parents, of whom 8 are men and 7 are women. The question mainly involves their thoughts on the whole process of buying Lego and their views on LEGO.

2.2 Secondary Data

LEGO's electronic data experience, according to the information provided by the LEGO official website: LEGO hopes that children can properly use the screen time, through the software development of LEGO VIDEO, to go more encourage children to be able to use electronic products to produce their works [7].

We learned that toy companies did not have many self-owned stores in the past, and they relied heavily on offline retailers such as Toys R Us and Walmart to help them sell their products. The closure of Toys R Us meant that LEGO lost an important offline channel, so they had to rely on self-built stores to make up for the lost market. 2020 saw no significant increase in sales in Europe or the US market. Lego's revenue is driven by emerging markets such as China, especially strong sales growth in China [8].

The LEGO Group operates in a traditional toy market growing by 13% in 2020 compared to 2019, with the largest online sales. Due to COVID causes, consumers cannot buy in offline stores and have more time to shop online. And compared to 2019, the LEGO Group's full-year consumer sales growth of 21% in 2020 outpaces this industry growth based on a strong and diverse product portfolio, resilient supply chain, and a robust e-commerce platform. Not only that, LEGO grows its global market share globally and in the 12 largest countries.

In terms of video games, LEGO released a unique digital and physical game of LEGO Super Mario in August 2020, a product that became one of the LEGO Group's most successful theme releases to date. The combination of LEGO and Super Mario's digital and physical games also gave LEGO a new share and definition in this video game market segment.

Overall, 2020 was a very satisfying year for the LEGO Group, with LEGO claiming the title of the world's strongest brand in 2021. The company delivered double-digit revenue, consumer sales, and profit growth despite the challenges of the COVID-19 pandemic. It also continued to make significant investments in strategic initiatives designed to drive long-term growth.

3. Result

Based on the data we collected above, we have made the following analysis and recommendations on the Lego brand

3.1 LEGO brand analysis

Strength	Weakness
<ol style="list-style-type: none"> 1. Global Impact 2. Product Innovation 3. Theme Parks 4. With multiple movie IPs 5. Attention to detail 6. Strong dealer community 	<ol style="list-style-type: none"> 1. Expensive pricing 2. Requires more investment in new technology 3. Expensive material costs 4. Customer popularity
Opportunities	Threats
<ol style="list-style-type: none"> 1. New Geography 2. Personalized Model 3. Education and Learning 4. Virtual reality to know more about the product 5. Branding competitions available in schools 	<ol style="list-style-type: none"> 1. The emergence of substitutes 2. Brands being copied 3. Video game development 4. Force majeure factors-COVID19 5. Competitor companies

Figure 1. SWOT analysis.

One of the conclusions that can be drawn from the SWOT analysis of the Lego brand is that the Lego brand is very strong. First of all, in terms of strength, LEGO is a brand that encompasses almost all aspects of its business community, from its development countries to product innovation, and its starting points are very solid. Lego has a global presence, with branded stores in many parts of the world. In addition, LEGO updates 60% of its catalog every year to stimulate children's anticipation of new products for the next year [9]. LEGO's "LEGO Ideas" platform enables LEGO fans and consumers to showcase their creative creations in the LEGO community. In terms of Strength, LEGO is a brand that pays great attention to customer experience details. Secondly, in terms of Weakness, LEGO, as a brand with upper price positioning, can reflect both in product pricing and product cost. This also directly leads to LEGO stores' positioning being selected in some of the higher consumer spendings on the big cities. Lego SWOT Analysis 2021: Building Blocks of Success: Bandai Namco's video game catalog is four times larger than Lego's. Video game catalog is four times larger than Lego's [9]. That's a big number difference in a competitive market. Then Lego has many possibilities in terms of opportunities. Lego is a brand with a long history, but it still has many opportunities for development in the modern world. For example, new geographical locations can be developed, personalized models, or virtual teaching. The Lego SWOT Analysis / Matrix by Fern Fort University mentions new opportunities to create a higher market share for Lego.[10] Among the "threats", the last threat is substitution or brand copying, video games, competitor companies, and force majeure factors such as COVID-19. All LEGO stores suffer from reduced traffic in mid-2020 due to COVID-19 restrictions, as mentioned in Building Blocks of Success. [9] Even so, the threat of video games and electronics in SWOT will threaten LEGO due to both COVID-19 and the rapid development of technology.

3.2 Recommendations

3.3 Pricing strategy

Lego Group is a private family company in Denmark and has its multinational branch in China. Lego Set 2019 has entered an era of updates, such as control remote control systems proposed by Lego technology, introducing the hidden side of Lego's new series. In the digital age, Lego still retains the traditional building blocks, injecting modern, advanced, cutting-edge experience and developed group design.

One of the key parts of the marketing strategy is the pricing strategy, which considers both buyer and seller factors. The enterprise should consider the impact of cost and the receptivity of the product price in the target market. Pricing has its flexible advantages that can be adjusted in time, and both buyers and sellers jointly affect the pricing of enterprises. Cost leadership, demand-oriented, competition-oriented and demand-oriented pricing are three different pricing strategies specifically determined by market demand and consumer perceptions of products.

With the improvement of production technology and technical level, the functions of toys are increasingly diversified, and toys have more cultural connotations beyond the material form. The interactive development of the traditional toy manufacturing industry and cultural entertainment industry is becoming increasingly popular. Take Lego as an example. It has achieved great success through the combination of "toys + culture".

3.3.1 New market

Lego is a toy brand with a long history. Still, LEGO needs to occupy a stable position in the traditional physical toy market and expand its market positioning direction, such as the operation of electronic games. In the market development of video games, many LEGO theme games cooperating with popular film IP should develop more IP, not just Harry Potter or Batman. Secondly, Lego should classify the age and type of video games in the development of the video game market. Some adults or young people aged 16-18 can join some fierce battle scenes, and the age class of children or teenagers should avoid some scary or bloody pictures. After this classification, Lego can make better progress in the video game market.

In the past, toy companies did not have many self-operated stores, and they relied heavily on offline retail stores such as Toys R US and Wal-Mart to help them sell their products. The collapse of Toys R US means that Lego has lost an important offline channel, so they can only rely on self-built stores to make up for the lost market. In 2020, the sales volume in the European and American markets did not increase significantly. The revenue-driving force of LEGO mainly comes from emerging markets such as China, especially the strong sales growth in the Chinese market. In order to cater to the Chinese market, Lego must make a lot of localized designs for the brand. For example, release new LEGO products with Chinese characteristics, conform to the consumption habits of China's e-commerce live broadcast, and cooperate with domestic well-known KOL anchor live broadcast to sell goods.

3.3.2 LEGO stores

LEGO stores are now still in traditional stores' most basic marketing mode, focusing on selling packaged products. With the new development of products and the current electronic products market, the LEGO brand can change a new mode of operation for the overall state of stores. Firstly, for different countries, Lego can integrate and innovate the decoration design of stores according to their national culture. Secondly, new store services can be developed, such as adding Lego Store VR laboratory. Lego has already developed several products that combine physical building blocks with digital games, but few consumers know this new playing method. In the VR lab, players can feel how to assemble larger models in the VR world and control similar character models while building them. This way can enable customers to experience the feeling of technology and new products in LEGO stores and make customers' impression of LEGO not only as simple building blocks - it can also be combined with electronic products and have a new way of playing.

3.3.3 Advertising

Over the years, children have always played the most important role in LEGO advertising. However, as young people have gradually become part of LEGO's target consumers, Lego also needs to consider attracting these consumers. Unlike children's addiction to toys, young people's demand for toys is more demand for decompression and relaxation. They are immersed in the world of toys and temporarily avoid the pressure of work and study. Therefore, in future advertising, Lego can also be designed for young people and put advertisements on how to use LEGO to relieve pressure and show personality. Such advertisements are more suitable for young people's concentrated networks and social platforms. Not only that, but Lego should also advertise LEGO video games on game platforms like steam, X box, and PS4. In this way, the target customer population can be expanded, and the revenue can be obtained in the video game market.

3.3.4 Storytelling

For today's consumers, it is far from enough for a product to be of good quality. They also want toys to have a certain story, which makes them more emotionally attractive. Therefore, Lego can design a story background for its new products so that consumers can read a story during the splicing process. Secondly, we found that LEGO Group has actually done many things that are meaningful to human development, such as LEGO has been paying attention to environmental protection and sustainable development, Lego has donated many children and affected families during the epidemic, the LEGO Foundation announced 100m dkk grant to support vulnerable children in Haiti and Afghanistan, etc. LEGO can combine these things to make educational publicity films, which makes people know these groups in need of help and makes people aware of the social responsibility of LEGO Group.

4. Conclusion

This paper mainly discusses the background of the LEGO brand and the current problems encountered by LEGO - how to compete with electronic products for children's game time. The problem of digitization is a great opportunity for LEGO. LEGO needs to not fight with iPad or digital

games but find ways to transform actively. Although the physical Lego building blocks will still be the enterprise's core, digital technology allows LEGO to enhance the toy experience. By finding new markets, repositioning, elaborating the brand story, expanding its target customers from children to children and young people, and advertising widely for the new group of young people. And launch new products combined with digital technology, online games, and its IP content products to redefine the future of LEGO and make the brand sustainable.

Next, Lego should focus on the depth of the core product innovation rather than on the innovation. Trying to find a good product sells on the market, and for these products and consumers together to start a new design and development, let the consumer find lego interest, from the design to realize take the customer as the center, rather than a designer as the guidance. Under the guidance of such ideas, gradually establish a customer-centric innovation and research and development system, through the step, rhythm of product development to continue to meet the needs of customers around the world

With the popularity of mobile Internet devices such as smartphones, traditional toys are becoming more challenging to attract most children's attention. As a traditional entity building blocks, most consumers believe that the experience process of Lego is to buy blocks and then build them by themselves. In 2003, Lego also experienced the market transformation from eliminating traditional toys to electronic products or video games. However, Lego should not succumb to the threat brought by the evolving lifestyle, so we need to redefine Lego's future.

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