

Lego's Market Segmentation Strategy

Introduction

The Lego Group provides a prime example of how insightful market segmentation and a fundamental understanding of different consumer personas can lead to successful social media marketing. By carefully targeting its intended audiences and using the social media platforms where these consumers actively participate, The Lego Group is able to effectively reach its customers and offer them the kind of online experience that helped win their Lego Brick the "Toy of the Century" award, one of most coveted honors in the toy industry."²⁷

History

The Lego Group began in a carpentry workshop in Billund, Denmark, purchased in 1916 by the founder of the company, Ole Kirk Christiansen.²⁸ However, it wasn't until furniture sales slumped during the Great Depression that the company moved away from making chairs and tables to manufacturing toy versions of the furniture.²⁹ When plastics become available in Demark after World War II, the company began producing plastic toys.³⁰

In 1949, the Lego Group developed blocks that could be stacked upon each other, much like wooden blocks, except the plastic ones, initially dubbed “The Automatic Binding Brick,” had round studs on top and hollow holes on bottom, which allowed them to lock together, but not so securely that they couldn’t be pulled apart and reassembled in another configuration.³¹ In 1953, these plastic bricks were renamed “Lego Mursten” or “Lego Bricks.”³²

The company’s line of Lego Bricks continued to expand in both type and popularity in the coming decades, employing innovative marketing techniques, such as featuring building block contests and tie-ins with



Lego blocks

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Hollywood themes like Star Wars® and Harry Potter®.³³ As a consequence, the Danish toy maker produced double-digit sales gains and swelling earnings during the mid-2000s, as well as a loyal following of enthusiasts.³⁴

Challenge

With the advent of social media, the Lego Group faced the challenge of how to market their Lego Bricks on the social web. Jake McKee, a former social media practitioner at Lego, recalls that initially, “We as a company were walled off like crazy [from the social web] . . . I always joked that my task was really to jackhammer holes in that wall.”³⁵

McKee eventually was able to help change the culture within the organization, so they could use the social web to build relationships with customers, generate new product ideas by sharing proprietary information, and better understand their customers.³⁶

Strategy

Understanding consumer behavior in regards to its products gives the Lego Group an edge in developing social media strategies. In fact, it enables the toy maker to effectively use personas to segment its markets. According to Conny Kalcher, a Lego Group representative, the company uses six distinct personas to categorize their customers based on purchase and usage rates:

1. **Lead Users**—people LEGO actively engages with on product design
2. **1:1 Community**—people whose names and addresses they know
3. **Connected Community**—people who have bought LEGO and [have] also been to either a LEGO shop or a LEGO park
4. **Active Households**—people who have bought LEGO in the last 12 months
5. **Covered Households**—people who have bought LEGO once
6. **All Households**—those who have never bought LEGO³⁷

These six personas range from consumers who are highly involved with the Lego Group's products, such as those who help shape product design to those having no experience with the brand. The persona category of Lead Users has the fewest members, while All Households has the most. However, the first three personas represent the most fertile ground for social media interaction because of their deeper involvement with the brand.

Indeed, the Lego Group focuses its social media marketing initiatives on the upper three segments by co-creating products online with the Lead Users, and interacting with the Connected Community and 1:1 Community, using online communities and social networks.³⁸ By actively engaging these people and giving them special attention, the Lego Group stands the best chance of encouraging them to be the company's most ardent advocates.³⁹

Moreover, proper customer segmentation and persona profiling enable the Lego Group to concentrate its efforts on the social media platforms with the highest number of brand active residents. In the words of Lars Silberbauer, the first global social media strategist for the Lego Group, "What platform you use depends on your target audience and the product you are marketing."⁴⁰

Result

In 2010, the Lego Group became the world's fourth largest toy manufacturer, capturing approximately 6.9% of the global market share of toy sales and continues to sustain a high growth rate, as well as showing a net profit of about 688 million dollars for the year.⁴¹

According to Jake McKee (now the chief innovation officer of the social media consultancy, Ant's Eye View), "the Lego Group has never seen such tremendous success as they have in the past few years, since they began taking advantage of their most valuable resource – their fans. Not only have they received more coverage on the Internet, through the proliferation of cool LEGO pictures and fan-made viral videos, but have also turned feedback into new products."⁴²

Review Questions for Lego Case Study

1. Which of the three personas does the Lego Group spend the most social media marketing time and effort? It is likely that different personas will emerge for the Lego Group over time? Explain.
2. What factors may have influenced the Lego Group's target marketing decisions?
3. This case study indicates that the Lego Group believes its optimal target audience are young boys. Based on principles from the chapter, who do you think the company's secondary optimal target audiences might be? What social media marketing efforts might help the company reach those other audiences?
4. How does identifying a target audience with personas help a company select the best social media platforms to focus its social media marketing efforts on?

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33. Schwartz, Nelson D. (2009, September 5), "Turning to Tie-Ins, Lego Thinks Beyond the Brick," *The New York Times*. Retrieved November 5, 2011, from <http://www.nytimes.com/2009/09/06/business/global/06lego.html>

34. Ibid.