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*Section* 20

**BEWARE OF  
CHEAP IMITATIONS**

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endorsements (Yamaha signed Elton John). Their top-line products offer tantalizing technological advances, such as fourth pedals, extra keys, and high-tech materials. Kawai's Shigeru concert model even looks after the pianist's fingers with a soft-close lid that cannot be accidentally slammed down. To date, though, most of the big names have been prepared to risk their fingers with Steinway.

## NOTES

“**With a tone so rich . . .**” Steinway.com

## REFERENCES

*Daily Telegraph, Financial Times, Forbes, Fortune, The Guardian, Los Angeles Times, Music Trades, New York Times, Plain Dealer, Sunday Telegraph*

# Lego

## One brick at a time

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**L**EGO IS SO COMMONPLACE TODAY (WITH FIFTY-TWO PIECES for every person on the planet) it is hard to imagine a time when these little plastic shapes were considered high-tech. But in 1947, when carpenter Ole Kirk Christiansen brought the first plastics injection-molding machine to Denmark, his fellow toymakers, who worked with wood, were horrified.

Yet Christiansen was on to something, and among his early experiments he produced what he called “automatic binding bricks.” Thanks to the slightly flexible nature of the plastic, the bricks snapped together, and, more importantly, stayed together. Christiansen’s company, Lego—derived from the Danish words for “play well”—refined the design, and patented its “stud and tube” locking system in 1958. The potential for play was enormous: just

six eight-stud Lego bricks can be put together in 102,981,500 combinations. Take a few thousand and, thanks to what Lego calls “clutch factor” (the bricks’ ability to stick together), you could make an airplane, a farm, a city—whatever you wanted. Ole Kirk believed passionately that the purpose of his bricks was to engage children in free-form play, to stimulate their imaginations.

After enormous initial success that took Lego from Scandinavia to Europe and then worldwide (in 1962 it bought its own plane) the company realized its business plan was flawed: the trouble was, a child who had a box of the stuff had absolutely no need for any more. Lego started cautiously expanding the core product, developing extra elements such as windows and wheels, which helped to make models more realistic. Then it moved into themed sets, including a farm, a medieval castle, and space models that came with genre-specific pieces. Philosophically, this was a great leap from Ole Kirk’s original idea: instead of children dreaming up their own scenarios, Lego was now offering sets that came with step-by-step instructions.

While each new range usually generated an enormous sales boost, Lego remained cautious. No changes were considered lightly: it took, for instance, ten years for the company to consider giving its little human figures a range of expressions beyond the basic friendly smile.

For four decades, Lego built a brand that spoke of quality, reliability, and admirable principles (no Lego toy is allowed to represent a real, post-World War I weapon). For parents it was, and still is, a purchase they can feel good about.

In recent years, though, Lego began to look increasingly anachronistic. The company’s only major attempt to diversify was through theme parks, the first of which opened in Billund, Denmark, in 1968, inspired by the stream of visitors who came to visit the Lego factory. Early ventures into new technology through the Mindstorms range of programmable robots foundered when

the kits proved too expensive for children (though they were a hit in the adult geek community). This was, essentially, still a company reliant on little plastic bricks—a product easily imitated as the original patents expired.

American company Tyco advertised, “If you can’t tell the difference, why pay the difference?” Moreover, these direct competitors, less concerned with quality and brand values, were able to turn over their ranges more quickly and certainly had no problems offering kits for warships and fighter planes—a niche Lego refused to enter.

In the 1990s, video games began to seriously compete for the toy dollar, along with characters linked to television shows. In 1998 and 2000, for the first time in its history, Lego lost money, despite turnover well in excess of \$1 billion per annum. In 2000, a company spokesperson blamed some of Lego’s fading fortunes on Pokémon, the trading card/video game hybrid that became a playground craze. Ironically, the same year, Lego was voted Toy of the Century by the British Association of Toy Retailers, *Fortune*, and *Forbes* magazines.

The profit slump proved a wake-up call for the family-run company, now run by Ole Kirk’s grandson, Kjeld Kirk Kristiansen (who changed the spelling of the family name). Instead of relying on its own powers of innovation, which had been somewhat stifled by the cloistered atmosphere at Billund, Lego sought partnerships with those at the forefront of the digital revolution, offering suitors unimpeachable brand values and access to millions of children worldwide. First came George Lucas and a range of *Star Wars* kits in 1999. Then there was a partnership with Steven Spielberg (who had only once before allowed his name to be attached to an entertainment product) to produce a film-making kit for children. MovieMaker turned Lego characters—including a new range of *Jurassic Park* dinosaurs—into props for animated films, providing a bridge between the original product and the new world of multimedia. Lego then joined forces with Microsoft to develop games

for the Xbox console, with plans to use Microsoft technology to power its movie-making products, now called Lego Studios.

In 2001, bolstered by the success of *Star Wars*, it launched a range of models based on the Harry Potter movie, which became the must-have toy of 2001. To prove it could still come up with its own ideas, it created its own Pokémon-style collectible called Bionicle, a range of robot-like creatures intelligently priced at pocket-money level that became the company's number one product in 2003, accounting for roughly 20 percent of turnover.

The company is still in transition to the digital era—despite some successes, it posted another loss in 2003 and announced job cuts. In 2004, Kjeld Kirk Kristiansen stepped down as CEO for thirty-five-year-old Jørgen Vig Knudstorp (Kristiansen, the company's majority shareholder, stayed on as vice chairman). Some question whether the company can survive while it still manufactures most of its bricks in Denmark, though it recently moved a factory from Switzerland to Prague. Others question the company's increasing reliance on fads and movie tie-ins, arguing that they lack replayability—once you have constructed the 3,104-piece *Star Wars* Imperial Star Destroyer you're unlikely to want to take it apart again. Meanwhile, the company admitted it had blundered by sidelining its Duplo line of larger bricks, a staple of preschools the world over, relaunching them in 2004 amid a renewed focus on the original bricks and playsets.

It's not all gloom—Lego recently set up the Lego Learning Institute, which funds research into play and learning, and Vision Lab, an internal thinktank, to plan the way forward and, in the words of one Lego executive, help the company loosen up a bit. The company has also sold off its theme parks to concentrate on the core business. But for Vig Knudstorp, a plain-speaking man who has promised to stabilize the decline and make the business profitable, rebuilding Lego's world will be a tough job, taken one brick at a time.

## REFERENCES

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## Harley-Davidson

### Be a Hells Angel for the weekend

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**M**EMO: HARLEY-DAVIDSON TO HELLS ANGELS. SUBJECT: Thanks for all the bad publicity.

It hasn't quite happened yet, but Harley-Davidson certainly owes a debt of gratitude to the outlaw motorcycle club that adopted its products in the 1940s and gave them a bad name.

Harley-Davidson's checkered past holds tremendous appeal for Baby Boomers, who are attracted to the brand as a symbol of freedom and rebellion. The Hells Angels still ride Harleys, but the typical buyer is now a forty-something, well-heeled professional, looking to reclaim a little of his or her youth on the weekend. "Born to be Wild," proclaims a popular riders' T-shirt, adding in smaller letters underneath: "At least for a couple of days."

Nostalgia has offered the last remaining major American motorcycle manufacturer a second chance and its executives have made the most of it. As a maker of motorcycles, Harley-Davidson was long ago left behind by the competition, but as a luxury lifestyle brand, it has plenty of spark left.

For most of its one-hundred-year existence Harley-Davidson mirrored the fortunes of other great American industries. It was founded in a wooden shack in Milwaukee, Wisconsin, by twenty-one-year-old William S. Harley and twenty-year-old Arthur