

*“...they are
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MADS NIPPER

EXECUTIVE INSIGHT



LEGO CMO Mads Nipper explains why the intelligent integration of digital and physical is the next frontier for the business of play.

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Children are fantastic little creatures," says Mads Nipper with a conspiratorial gleam in his eyes, "because next to drunk people, they are the only truly honest people on earth."

The CMO of LEGO is sitting at the far end of a spartan meeting space in the company's Billund HQ. The world's third largest toy brand dominates this corner of Denmark, its sprawling factory complex offsetting the primary-colored theme park next door. This room is one of the few in LEGO's inner sanctum that isn't decked out in the bright hues of construction sets. Mads Nipper is a man in charge of a \$400m annual marketing budget, and this is where the serious work is done.

There has been much of it to do. Ten years ago, LEGO was floundering. The company was losing the fight for children's attention, costs were soaring as product lines expanded, and complacency was setting in at a corporate level. Thinking it knew best, LEGO stopped listening to its customers.

In turn, those customers stopped buying LEGO. As a DKK326m (\$58m)

profit in 2002 slumped to a DKK1.9bn (\$339m) loss in 2004, drastic action was taken. Former McKinsey man Jørgen Vig Knudstorp was installed as CEO, and LEGO gradually drew back from the brink. Product lines were slashed and the number of moldable elements (the individual bits that make up each LEGO product, like a minifigure torso, a wheel, or the iconic brick) was reduced by half, cutting manufacturing costs. From 2006 to 2010, LEGO posted 20 percent annual growth. Profits are back at DKK3.7bn (\$660m).

The new LEGO is a hugely admired and innovative brand that has made big bets on digital. But Mads Nipper has no doubt where the focus lies. "We don't see ourselves either as a technology company or a toy company," he says. "We see ourselves as being in the business of play."

Although LEGO continues to manufacture classic construction sets like LEGO City, or best-selling franchises like LEGO Star Wars and Harry Potter, Nipper is equally clear that the business of play has changed with the advent of digital technology. "There's no doubt that digital is revolutionizing everything we do – the way we find

information, the way we communicate, the way we engage, and also the way we play," he says. "But we still believe that even in a highly digital world, physical experiences – what we call 'hands-on/minds-on' experiences – are critically important. At the same time, ignoring the digital movement, just saying, 'We're going to be about our building bricks and nothing else,' would be equally wrong."

That interplay between the physical and digital worlds is the cornerstone of LEGO's philosophy, and was visible in the marketing for 2012's 'big bang' launch of LEGO Friends, the first LEGO product line aimed exclusively at girls.

The company's strategy began with traditional consumer insights: "Where boys are about winning and losing, killing and surviving, for girls it's much more about relationships, friendship, and nurture." But the key question was how those insights related to the ways in which girls consume media. "We asked ourselves, 'How do we actually engage girls in a different way, both in our storytelling and in the way they're interacting?'" Nipper explains. The result, alongside ➔



traditional Saturday morning TV ads, was a LEGO Friends ‘dress-up’ app, “Which looks nothing like anything you’d have for a boys’ app. But it never starts with the technology. It starts with asking, ‘What does it take to make a fantastic experience? What does it take to make girls interested in this?’ And that is in terms of the product, the hardware, the media landscape, the digital opportunities – how we leverage all that together.”

The possibilities of cross-media integration – from search and display advertising to gaming and content creation – are currently making Mads Nipper a very excited marketer. “Sometimes we will use content as a key driver of our strategy, sometimes broadcast content and sometimes digital content only,” he says. “Sometimes we use digital gaming as a centerpiece of what we do. Sometimes we could integrate paid gaming as well.

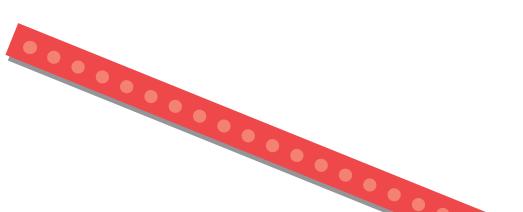
“But it’s the integration across different online/offline media – TV, broadcast, whatever – that truly determines how successful any campaign or marketing effort is because any media as a standalone is typically less impactful. From an advertising perspective, it’s about how intelligently we integrate digital – be it search marketing or banner ads or whatever it is – into the total campaign context, which in our case, in almost all cases, would be under the heading of a product line.”



After 80 years of manufacturing (LEGO began as a wooden toy-making business in 1932), almost all of those product lines are today entrenched in people’s lives. That includes online, where lego.com is visited by 20m users a month (they can play games, design models, and sign-up to LEGO’s own kid-friendly social network), and offline, where there’s a strong legacy interest in the brand.

That interest, a powerful driver of brand diffusion, led to one of the boldest decisions in Nipper’s 20-year career at the company. LEGO has always attracted older fans, targeting them with the LEGO Technic range in the late ’70s before releasing the revolutionary ‘programmable brick’ in the first generation of LEGO Mindstorms (a collaboration with the MIT Media Lab) in 1998.

Suddenly, LEGO began appearing in science laboratories and architecture firms. With the growth of the web and smartphone technology, it was all over YouTube, powering record-breaking Rubik’s cube machines, *Star Wars* barrel organs, digital cameras, CG fashion shows and dozens of other fan-fuelled inventions. LEGO had gone viral, but as an IP business, was that good or bad? Nipper decided it was great and suggested to the board that they should officially open source the brand. After all, the original patent on ➔



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the interlocking brick had expired in 1975 – the only way they were going to distinguish themselves from the competition was through pure creativity.

"We found out it was the [creative] experience in its totality that was where we should differentiate ourselves," explains Nipper, "not on this component or that technology or this brick. It was difficult because there were people both from our line management and our legal department who said, 'We can't [open source]. How's that ever going to work?' But we said, 'It's just going to be the best experience for everybody if we do it.'"

Today, LEGO innovations comprise a bewildering array of cutting-edge digital experiences. There's the 'mirror box,' an augmented-reality case that shows its own contents being assembled in real time. There's the Life of George, an app that combines real-world building with a digital play experience. There's *LEGO Universe*, a bespoke massively multiplayer online game. And there's the interactive window in the Water Tower Place store, Chicago, developed with Intel, which transforms shoppers into virtual minifigures.

These experiences, dreamed up by LEGO's in-house innovation department, often in conjunction with technology partners, have demanded a fundamental change in mindset for the marketing and production teams. "We have a certain development time; We mature a concept; we develop a product; we produce; we launch. We're not slow but we're not fast either," explains Nipper. "But applying that same mindset to digital just doesn't work; things move too fast. So we need to be much more iterative, get out with something, learn from it, adjust, move on. Sometimes we just have to accept that what we put out the first time is not to our normal quality standards.



It's safe, it's good, but is it perfect from the start? Probably not – but that's just the name of the game in digital."

That iterative approach may mean more mistakes, but as we enter a new era of merging digital and physical experiences, every brand needs to take risks. "I think we are only at the very, very early stages of this and I quite honestly think that four out of five of the products we're going to see launching in the next couple of years are going to be gimmicky and therefore unsuccessful,"

argues Nipper. "But I have no doubt that the true next frontier in how digital can be revolutionary in our industry is by that intelligent merging."

And how will he judge the gimmicks from the truly revolutionary? "The simple definition to me of whether something is gimmicky or not is whether there's lasting play value," he replies. "The ruthless measure of how successful any concept is in our business is how many hours children play with it." ☀

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Unvital Statistics

When was your last moment of clarity?
Last Sunday, while running.

What was your greatest mistake?
Saying 'yes' to a board position I never had a chance to sufficiently prioritize.

What has been your biggest failure?
When I failed to insist enough when our company made some terrible decisions 10 years ago.

What gets you out of bed in the morning?
My alarm clock... And a fantastic job and family I enjoy being with.

How much is enough?
When all the world's problems are solved.

When were you last surprised?
Yesterday.

What do you want to be when you're older?
Healthy and loved.

What does success look like to you?
When I feel I am part of making a real and positive difference in people's lives – irrespective of whether it is one person or millions.

What's your signature dish?
Spaghetti with seafood and Italian tomato sauce.

Tell us a joke...
Two guys are sitting on a barstool. One starts to insult the other one. He screams, "I slept with your mother!" The bar gets quiet as everyone listens to see what the other weasel will do. The first guy again yells, "I slept with your mother!" The other says, "Go home, dad, you're drunk."

If you had to stay in one place, where would it be?
Tuscany in Italy.

What do you want that you can't have?
Grandchildren.

Who is your inspiration?
Everyone who is able to handle tough situations with a positive mindset.

What is your earliest memory?
A bicycle crash as a three-year-old.

When did you last feel ashamed?
Last weekend, when I failed to say 'no' to my son when I should have.

When did you last let yourself go?
At a rock concert about a month ago.

What do you see in the mirror?
Someone I actually like to be.

What are you searching for?
To continue to develop as a person and a professional. And an electric drill I lost last year.

What is your greatest extravagance?
Several bottles of way too expensive red wine in my cellar.

Which piece of music alters your state of mind?
ACDC's *For Those About to Rock* ☺