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THE LEGO INTERACTIVE TEACHING CASE:
DIRECT CONSUMER ACCESS

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Abstract

The LEGO Company has one of the most successful Internet sites in the world targeted primarily at children, namely the www.lego.com website. In early 1999 the LEGO Company also launched a website for selling LEGO products over the Internet. This site is called the LEGO World Shop. The emergence of those two sites, from the first idea to the implementation and administration of the sites, are covered in the interactive teaching case described in this paper. The objective is to let the users of the case be submerged into the “LEGO world” by playing the role of a consultant. The consultant has the task of evaluating the current Internet strategy chosen by the LEGO company and advising management about future possibilities regarding electronic commerce. This paper presents the case, describing first the background information, then the case story and learning objectives of the case. This is followed by a presentation of the user interface, enriched with illustrations providing a realistic feeling of the actual case. Finally, an overview of the material available in the interactive case is given.

Keywords: E-commerce/e-business, IS education, interactive IS, case study, multimedia, electronic markets

BACKGROUND INFORMATION

The LEGO interactive teaching case was developed by the Copenhagen Business School as part of the BUSINESS-LINC project (Business Innovation Networks – Learning with Interactive Cases). In the project, 18 interactive multimedia cases have been developed during the period from April, 1998, to the end of March, 2000. The objective of the project is to support innovative business solutions, especially in the electronic commerce area, and the interactive cases are seen as a mean to disseminate business solutions to other companies as well as future employees, namely students at business schools and universities. The collection of the 18 cases has been given the name “E-case series,” as they are European and electronic-commerce cases. The European Commission sponsored the project.

The interactive teaching case (which is html-based and distributed via CD-ROM) depicts the LEGO Company, a large play-material producing company, who has taken new initiatives into the market of electronic commerce. The LEGO Company is one of the 10 leading toy manufacturers in the world consisting of 50 companies on six continents.

CASE STORY

The case takes place in December, 1999, and the situation is that the management of the LEGO Company has decided to create a new division called LEGO Direct, which will be responsible for all direct sales and marketing, including the Internet.

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1The case has been approved and released by the LEGO Company.

2Six business schools in Europe participated in the project: University of Cologne (coordinator), Copenhagen Business School, Norwegian School of Economics and Business Administration (Bergen), Rotterdam School of Management, SDA, the business school of Bocconi University (Milan), and Stockholm School of Economics.
The case focuses primarily on the two departments “New Ways to the Consumer” and the “LEGO World Shop,” which deals with branding and selling on the Internet. These two departments are organizationally placed in Sales and Marketing, Europe, and physically located in Denmark. The case illustrates how the two departments emerged in a rather spontaneous and bottom-up approach, but it also shows that once the decision to implement the sites “full scale” was made, the projects became very centralized and top-down. Management has decided to merge these two departments with the North American “Shop-at-Home,” a large mail-order business, and move it all to the new United States-based LEGO Direct division (Figure 1).

The department “New Ways to the Consumer” is responsible for the website LEGO.com. LEGO.com is a site for brand building and marketing of LEGO products. The website started out as a small site developed by one of the employees in the IT department. This site was internally known as Viggo.com, Viggo being the first name of the employee who developed it. Later a real project organization was established, making it an official strategic focus area. There are also sub-sites to the LEGO.com website, like LEGOMedia.com, which are administrated by the local business areas themselves, and not by “New Ways to the Consumer” (see Figure 1).

The primary target groups for the LEGO.com website are children and teens, but parents, educators, and the press are also among the targeted users of the Internet site. The site contains games and virtual worlds or communities for different brands for the children and teens (as well as playful adults). It also contains a product catalog and company information, such as press releases and annual accounts, as well as descriptions of regulations and ethical considerations, which the LEGO Company adheres to, as a play-material producer for different age groups. It takes a great deal into consideration when developing websites that address children in many countries, not only because of the various tastes in design etc., but because different cultures have different ethical and moral codes, for which “New Ways to the Consumer” has to contemplate. Where is the balance between establishing virtual communities and hard core marketing of one’s products (not to say links to one’s Internet shop)?

Figure 1. Organizational Diagram for the LEGO Company (December 1999)
The department “EGO World Shop” manages the Internet shop that sells a selected range of LEGO products to consumers. The initial idea to create a shop on the Internet came in March, 1996. In the beginning of June, 1998, the decision to launch a LEGO World Shop was made. The decision was caused partly by the wish to establish a sales channel for the new electronic products, LEGO Mindstorms® and CyberMaster®, but also as an opportunity to gather useful information about the customers and thereby strengthen the customer loyalty relationship.

Since products on the website can only be purchased using a credit card, the target group for LEGO World Shop is mainly adults. The shop opened in March 1999. The LEGO Company acknowledged having neither the competence nor the resources to gain the required knowledge to run electronic commerce of this calibre at such short notice. Hence the LEGO Company chose a new approach, namely to outsource everything to IBM, except the actual management of the site.

When selling the LEGO Mindstorms® and CyberMaster® products on the Internet, the LEGO Company places itself in a new link in the supply chain. They face new competitors such as Toys”R”Us and E-Toys, who are already selling LEGO products on the Internet. These competitors are thus also part of the LEGO Company network of retailers. This situation imposes an interesting dilemma, which is covered in the teaching case from the perspective of the LEGO Company (through interviews) and their competitors (through newspaper articles).

LEARNING OBJECTIVES

The interactive teaching case aims at showing users the complexity of decision making and the innovative solutions possible in the field of electronic commerce. One objective is to get the students to reflect on the processes, which the LEGO Company has experienced and to relate the company's Internet decisions to other companies in the same industrial sector. Another objective is to let the students argue for the appropriateness of the LEGO Company's Internet strategy to date and suggest a strategy for the future. The strategy should consider the changes to which the creation of the new division LEGO Direct leads.

The LEGO Company has implemented a number of very innovative changes highly suitable for an interactive multimedia case to be used in a learning environment. Choosing the LEGO Company also has the advantage that, because the company is world-famous, a case describing these innovative business solutions supplies future users with a topic to which they can relate. As a consequence, users will find it fairly easy to evaluate their Internet strategy, compare it with the toy and entertainment sector for children, and come up with probable new strategies for the future.

The user will be acting as a consultant in the case. The consultant has been hired to assist management with their new Internet strategy for the department LEGO Direct. Every fact in the case is true, and the employees appearing in the case are real. All that has been added is the role of the consultant, in order to motivate the user of the case to go through the material.

The interactive case can be used for structured learning situations. Structured learning situations could be university classes or in-house training programs, contrary to the case being used in a more informal manner by companies just wanting to become familiar with what other large businesses have done in e-commerce, the problems they encountered, and how those problems were solved. There are a number of different ways in which the teaching case can be used; for example, in class discussions, for a written assignment, or in an examination (oral or written synopsis/larger report). When using the case for a class discussion the students should begin with individual preparation using the computer. However, because the amount of material available in the case is rather large, a better overview of the situation and a higher degree of reflection on the driving questions or the instructor's assignment occurs when the student takes part in a group discussion.

The teaching case is relevant for MBA students and executives in management of information systems training programs, as well as undergraduate and graduate students attending information systems courses.

Electronic commerce, supply chain issues, customer relationship management, marketing, and outsourcing are the main aspects that the user of the interactive case could consider when working with it. The history of the LEGO Company has always been to sell and thereby also often to receive customer information through retailers except for the “Shop-at-Home” mail order business in the United States and Canada. The company is now changing to focus on the development of direct consumer access.

USER INTERFACE

The introduction begins with a small video sequence with a man taking a train (this clip is animated with small LEGO figures). Arriving at the LEGO headquarters (Figure 2) the narrator, a professional actor recorded in a sound studio, greets the user with the following statement:
Welcome to the LEGO Company headquarters! You are an external consultant being assigned by the LEGO Company to assist the LEGO Company in conducting a major strategic change in the organization. Your task is to come up with a viable business plan focusing on Internet strategies for the new division called LEGO Direct. You have been provided a temporary office, where you will find a detailed description of your assignment in the blue folder on your desk.

The multimedia case immediately places the user in the surroundings of the LEGO Company culture by using elements that are consistent with the company spirit. For example, the LEGO corporate headquarters in Billund, Denmark, uses LEGO bricks and colors for their reception area, for illustrating their organizational diagrams on the wall, etc. The same strategy is applied in the interactive case, as it gives the students an idea of the kind of company with which they are dealing. It shows that the LEGO Company gives room for playfulness and creativity, which seems to be a strong factor, when it comes to acquiring new ideas in the electronic commerce area, implementing them and changing the organization in accordance with them.

The multimedia case is running in an Internet browser environment, which makes navigation easy for most students (if they are accustomed to using the Internet). After the introduction, the screen design also takes on a very familiar structure to Internet users, as the screen is divided into frames. In the center of the screen, the student first sees his/her temporary office (Figure 3). All items are clickable and a small yellow tag tells the student what to expect from each item. The “home” button in the top frame of the screen will always bring the user back to this office.

The temporary office contains all relevant material concerning the two departments “New Ways to the Consumer” and “LEGO World Shop,” how they made the necessary changes, which lessons were learned, and the outcome of the decisions made. In order to be able to understand the processes involved and the sequence of events that the LEGO Company experienced with respect to the Internet, certain background information is also provided. This includes organizational structure, the financial situation, and historical descriptions of the development within the different business categories.

Choosing the blue folder leads to a description of the consultant’s assignment. In this folder, the consultant will find an overview of the current situation and the instruction that it is the two departments (as described earlier) on which he/she should focus. The folder also contains questions, which the consultant should answer, when writing his/her Internet Business Plan for the LEGO Company (Figure 4).
Two of the three red folders placed in the center of the “office” screen contains the descriptions of the departments “New Ways to the Consumer” (NWC) and “LEGO World Shop” (LWS). When choosing one of the two folders, a small animation begins, turning an enlarged version of the folder around, giving the students the possibility to choose one of the “reports” placed in the folder. The reports are named change process, the chosen solution, and results and lessons learned. An example of one page in a report is shown in Figure 5.
In order to supplement the more objective kind of information, which is presented as text, sound, and graphics, hyperlinks to interviews with employees at the two departments are placed at relevant points. These links are always provided in recognizable yellow boxes. Also, whenever the narrator speaks, it is possible for the user to stop, pause, and replay the sound in the top right corner of the center frame (Figure 6).
The consultant (the user) can also perform an interview with the employees by choosing the “calendar” item in the temporary office. Here the students will find business cards from four employees at the LEGO Company (Figure 7). When choosing to perform an interview, the students will get the opportunity to ask several predefined questions (Figure 8). The answers to these questions are given in the form of video clips, sound sequences, or text quotations (Figure 9).
MATERIAL AVAILABLE IN THE INTERACTIVE CASE

This section gives a short overview of the material available in the interactive teaching case. The material can be divided into the following six categories:

**LEGO World Shop**: The development of the idea to create the shop as well as the objectives and challenges (barriers and opportunities) with which the department had to deal are presented. The reasons why an outsourcing strategy was chosen and the implemented business system and pricing strategy are described from taxation and regulation issues to storage and distribution centers. The target group, competitors, and suppliers are introduced and the retailers response to the Internet shop are shown, together with the LEGO Company’s achieved results. Finally, different “lessons learned” are presented.

**New Ways to the Consumer**: Just as with the LEGO World Shop, the emergence of the LEGO.com website is described. The mission statement of the department is presented and as the history of this site is longer, here the students can see how the objective of the site has evolved. Unlike the LEGO World Shop, the LEGO.com site is primarily administrated and updated through in-house resources. The case presents the web team, their tasks, and the suppliers, as well as an overview of the target group and competitors of the site. The results concentrate on three issues. First, the quantitative data/measures from the log files. Second, the more qualitative data in the form of examples from the 7,000 to 10,000 e-mails that the department receives as feedback to the site every week. Third, the consequences the website had internally in the organization (awareness of the opportunities of the Internet, etc.). Getting top management attention in a company as large as the LEGO Company and getting dedicated human resources (representing business, marketing, IT, and creative competencies) have been the major lessons learned.

**Newspaper articles**: The case includes summaries of five articles, which were published in the Danish press, plus a link to the LEGO.com website, where the students can find the LEGO Company’s own press releases. The articles primarily focus on the reactions of retailers toward the LEGO Company’s decision to sell directly on the Internet, but one article discussing the ethical considerations in having a cocktail with the ingredients marketing, Internet, and children is included.

**Organization**: The information provided on an organizational level is material about the LEGO business categories, organizational structure, financial information, and the history of the LEGO Company (from 1932 to 2000). Financial information includes key figures from the annual reports of 1996, 1997, and 1998, as well as a detailed description of the financial situation in 1998.
Shop at home: The material about the “Shop-at-Home” department is rather scarce, since the case does not actually focus on this department. It is, however, necessary for the students to know a little about the experience that this department has in direct sales. “Shop-at-Home” is the only department within the LEGO Company that has their own large logistics department and distribution center. The students should contemplate this when looking into future electronic commerce possibilities.

Websites: The case also has selected pages from the two websites: LEGO.com and LEGO World Shop. These pages are from the versions that launched in March 1998 (LEGO.com) and March 1999 (LEGO World Shop). The pages were downloaded from the Internet in late August, 1999; however, both sites have changed since then. Links to the current addresses of the two sites are also given, so that the students may compare the changes and speculate about the reasons for these changes.

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