

BIONICLE



THE BIONICLE STORY



One of LEGO Company's five core values is "learning". This means that we - as an organization - should extract and disseminate the things we learn by doing and use them to constantly improve our skills. To this end, Global Brand Management will start producing an annual learning case based on some of our most significant and innovative launches. The first learning case, which you find in this brochure, is based on the 2001 launch of Bionicle. By sharing this case with colleagues across the organization, we hope to take another small step toward becoming a global learning organization.

Happy reading!



THE ORIGINS OF BIONICLE

In 1997, LEGO Company established a project group to examine developing a product aimed at physically active boys whose attention span is somewhat shorter than that of our traditional consumers. Such boys prefer products and activities that give them instant gratification. They are a segment that LEGO Company has historically found difficult to attract. The average age of this segment is higher than that of traditional LEGO user segments. Thus, the aim was to extend the overall life cycle of the LEGO Brand.

LEGO Company set the following two criteria for the products:

1. Priced within reach of pocket money
2. Make the creative building values relevant to this segment of active boys by reducing building complexity, and balance construction play and role play

The results were launched under the name "Slizer" in 1999. Slizer consisted of eight constructible action figures. The following year, Slizer's replacement RoboRiders was already on the shelves. Slizer and RoboRiders were the beginning of a completely new category in the toy market, best described as a combination of construction toy and action hero inspired by and anchored in LEGO Company's core values.



Even as Slizer and RoboRiders were being launched, the development of a third generation of products was already underway.



Compared to Slizer, the most important new development was that the figures became more visually distinct and emotionally appealing. This was partly due to the detachable masks and individual tools.

Furthermore, the project team saw an exciting opportunity to develop a story that could be owned by LEGO Company and in which both the products and the LEGO values were an integral part. Accordingly, the team agreed on the following strategy for the third generation of "construction heroes":

■ **Create a story in which LEGO products play the primary role.**

Such a story would lend the products stronger emotional value. In turn, stronger emotional value would extend the play value of the products, increase target group involvement and strengthen the desire to collect. The story gave children a new angle on building with LEGO bricks. The personalities and mission of the figures become very important, increasing appeal to children who are not LEGO product-oriented.

■ **Create an epic story, with a life span of at least 5 years. Add new chapters every year.**

An epic story has a broad appeal among children because the classic good vs. evil conflict is an important theme in their fantasy world. An epic story also has great depth, which is important for encouraging involvement.

■ **Develop Bionicle into an Intellectual Property (IP).**

A strong property enables LEGO Company to make the most of the investment directly through its own business areas, i.e. other LEGO Company business units such as LEGO Media, LEGO Lifestyle and LEGOLAND parks can exploit the property.

The concept was given the name "**Bionicle**" – a contraction of "Biological Chronicle" – inspired by the basic idea of the story.

BIONICLE™



WHAT IS BIONICLE?

Bionicle aims to bring the best of three worlds together – construction, action figures and storytelling.

Storytelling is universally appealing to children. Through stories, children learn how to handle conflicts, socially interact, deal with transitions in life, grow up and so on. Furthermore, stories stimulate children's imaginations and work as catalysts for inventing their own stories.

But stories are intangible. It is through playing with LEGO products that the story materializes and children can physically play and work with the story – as well as build their own stories.

The Bionicle story is founded on LEGO values. The children follow six action heroes arriving on an island as "bricks". The heroes build themselves but have no knowledge of who they are, the powers they possess, or why they are there. An exciting journey begins in which the heroes gradually discover more about themselves, their mission, and the world they have entered. Of course, they also need to learn the skills of working together to overcome difficult challenges. At a certain point in time they transform, obtaining new powers and new insights.



Symbolically, the story represents the development that children themselves go through in their journey to become adults. The lesson to be learned is: "Find the power within yourself and you will succeed". The combination of incorporating bricks as a natural element in an open-ended, constantly evolving story, and having a story that revolves around fundamental issues of growing up makes Bionicle a uniquely LEGO story.

This is also why the concept statement for Bionicle is:

THE IDEA OF THE BRICK – THE HEART OF A STORY



Bionicle is a story with a defined set of characters and a defined location. Each character has a unique personality.



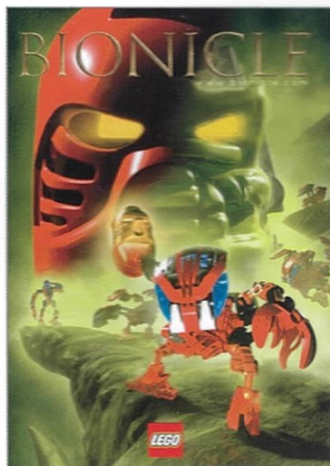
The Bionicle property has been consistently communicated to consumers in a defined tone of voice. When consumers see a Bionicle logo or an icon endorsed by the LEGO Brand they know what values are inherent and what to expect from the product.



Key Visual 2001 OOS



Key Visual 2001 IS



Key Visual 2002 OOS



Key Visual 2002 IS



For boys aged 7-12, Bionicle is the only collectible line of action heroes that combines a building experience from LEGO with a continually evolving fantasy story. This unique idea and proposition gives Bionicle a distinct competitive position.



The strong and attractive IP, represented by the center of the above model, makes it possible to leverage Bionicle into other LEGO business units and branch out into new areas such as a direct-to-video, software, and music. A wide range of licensing products also becomes possible.

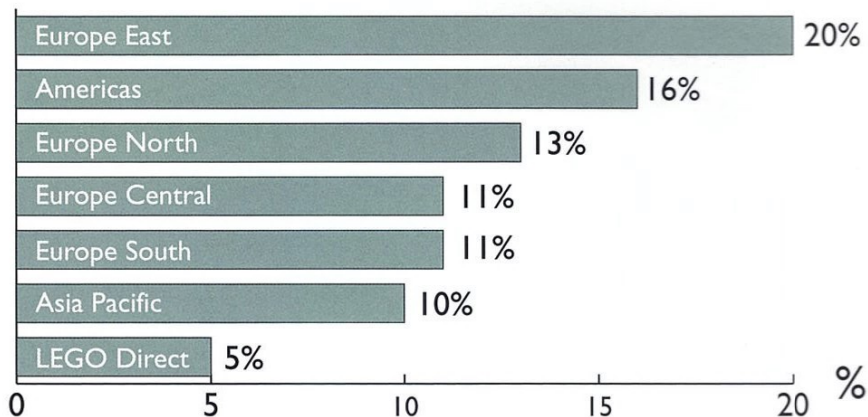


WHAT HAS BIONICLE DONE FOR LEGO COMPANY?

THE BEST-SELLING SELF-CREATED PROPERTY EVER

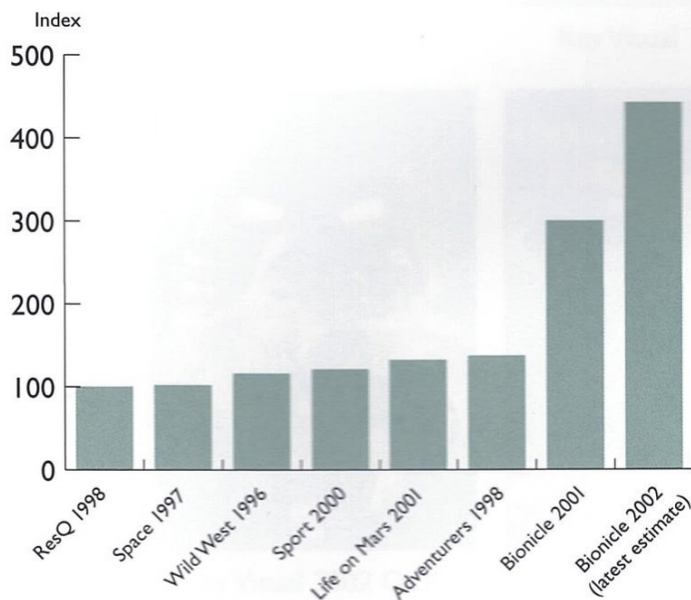
Bionicle has made a solid contribution to LEGO Company's return to profitability. Bionicle sales for 2001 exceeded DDK 1.2bn, contributing more than 10 % of LEGO Company's total turnover. Actual sales were approximately 85% higher than originally budgeted.

Bionicle Share of Market Turnover 2001



In 2001, more than 70 million units of Bionicle-branded products and merchandise were distributed, ranging from play materials to trading cards and board games.

Sales performance compared to historical bestsellers (non-licensing)



CONSUMER REACH HAS DRAMATICALLY BEEN EXTENDED

According to research conducted in the US and in Europe (Germany), the average age of Bionicle consumers is 10 and 8 years, respectively. This is higher than the average age of traditional LEGO consumers. Bionicle consumers are estimated to range from approximately 4 to 14 years of age.

Bionicle achieved approximately 25% total global penetration of the target group, (boys 7-12) and created a large number of heavy collectors. Bionicle has thus strongly contributed to achieving the overall goal for the product category – making LEGO products relevant to the active boys segment as well as to boys above the age of the average LEGO consumer.

BUZZ OF THE TOY INDUSTRY

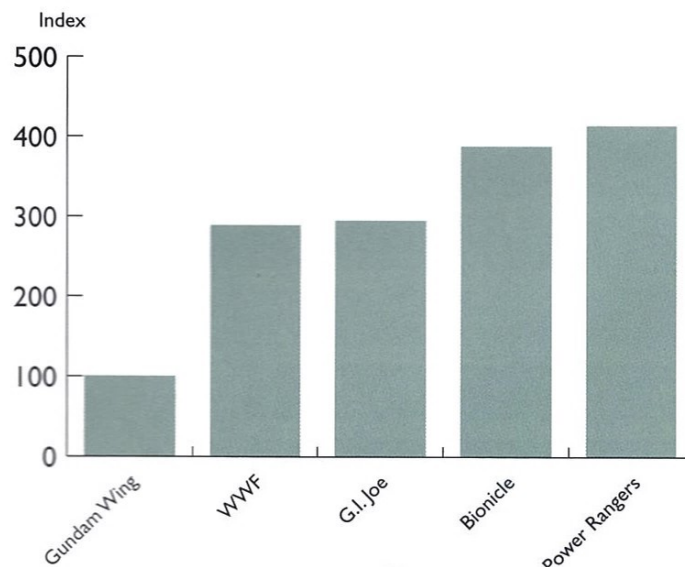
– RECOGNITION OF A NEW AND INNOVATIVE CONCEPT

The introduction of Bionicle in 2001 has had a very positive effect on LEGO Company's general position in the toy market.

Bionicle has been able to build significant momentum in the trade and has created additional credibility around LEGO Company's concept development. At the same time, Bionicle has assisted in building confidence in our ability to create industry-leading, story-driven concepts and ability to leverage such concepts for the benefit of the LEGO Company, its partners and the trade.

Comparing Bionicle to strong brands in the action figure category, LEGO Company has shown that it can successfully compete in an established and mature market.

2nd half of 2001 Action Figure sales (US)



Bionicle has been recognized as an innovative concept throughout the industry.

Examples of industry awards received

- Best Boy Toy: Toy Industry Association (TIA), USA 2001
- Most Innovative Toy: Toy Industry Association (TIA), USA 2001
- Toy of the Year 2001/2002: British Association of Toy Retailers (BATR), UK
- Top Toys of the Year: Today's Parent, Canada 2001
- Best Selling Toys, Overall: Play Date, USA 2001
- Best Selling Toys, Specialty Retail: Play Date, USA 2001
- Hot Holiday Toys: Toy Wishes Magazine, USA 2001
- Children's Choice Award: Canadian Toy Testing Council (CTTC), Canada 2001

BIONICLE HAS ATTRACTED HIGH-PROFILE GLOBAL PARTNERS

Bionicle has further strengthened LEGO Company's position as an attractive global marketing partner. Strong global brands, including category leaders, have approached LEGO Company to gain access to the Bionicle IP.

The list includes brands such as Nike, Universal Music, Scholastic and Upper Deck.

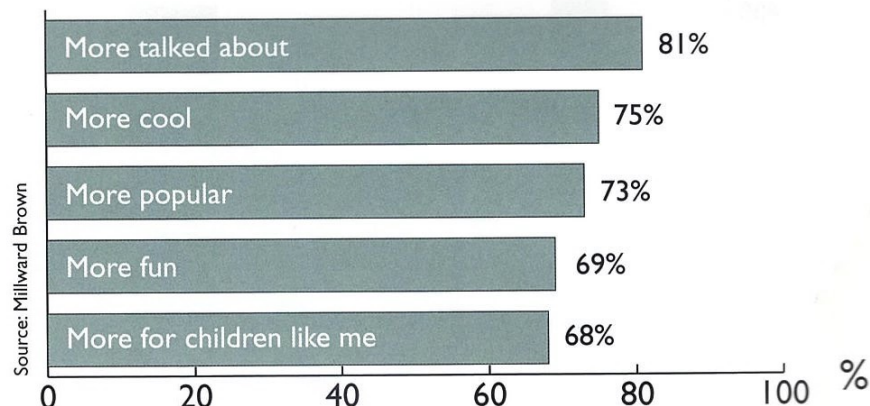


BIONICLE HAS CONTRIBUTED TO BUILDING THE LEGO BRAND

Research proves that Bionicle has positively influenced perceptions of the LEGO brand among both children and parents.

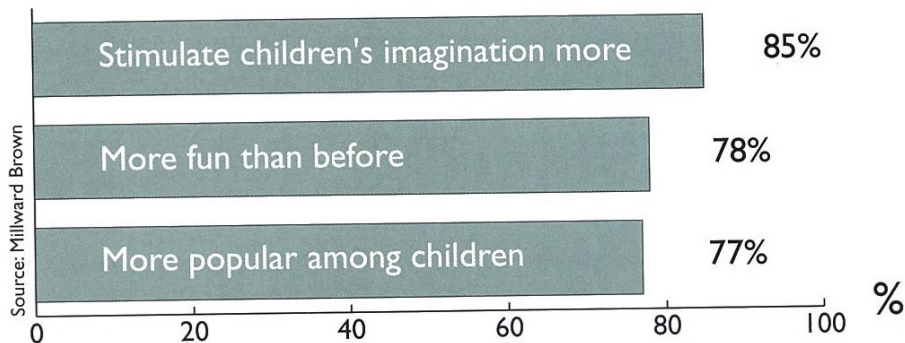
Bionicle's effect on the LEGO brand: Boys 6-11 (US)

Do you think Bionicle makes LEGO...



Bionicle's effect on the LEGO brand: Boys' mothers (US)

Do you think Bionicle makes LEGO...



Bionicle 2001 has proven that LEGO Company is able to expand consumer perceptions of the LEGO brand without disconnecting from our brand values and heritage.

"Bionicle has impacted LEGO brand inventory
- helping make LEGO more than a building toy."

"Bionicle is having an observable positive
impact on LEGO brand equity."

"There are positive effects at all levels
of the brand pyramid."

Source: Millward Brown

BIONICLE HAS BOOSTED THE CONFIDENCE OF THE ENTIRE ORGANIZATION

The success of the first Big Bang has instilled internal confidence in LEGO Company's ability to focus resources on a priority and succeed in creating a craze in the toy industry.

As part of a growth strategy for the US market, the Desert Storm Task Force chose Bionicle as a top priority for 2001, giving the project Big Bang status. Big Bang was a launch concept that entitled Bionicle to receive the largest marketing budget in the history of the Company.

Bionicle 2001 has proven that LEGO Company is able to mobilize the entire Company in order to implement a Big Bang project. With a record-setting marketing budget and mobilization of the entire Company behind Bionicle, LEGO Company was able to implement and leverage a Big Bang project globally. Focusing the company's resources on a top priority has proven to be a highly successful strategy for achieving profitable growth and brand building.

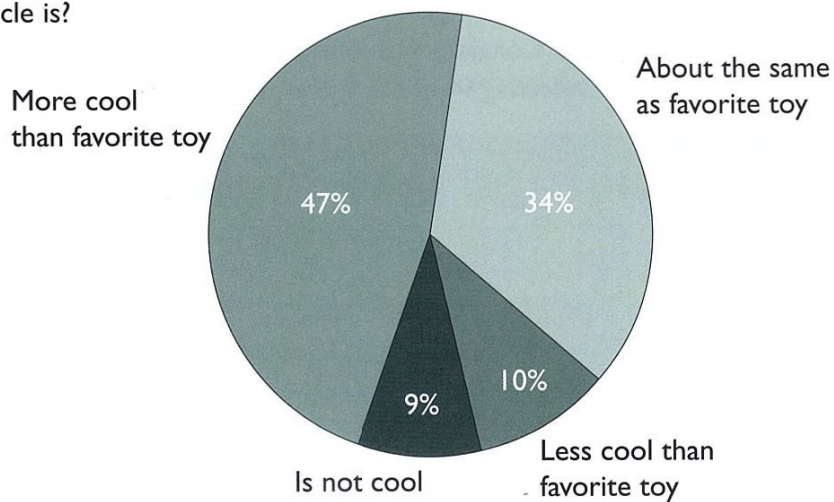


WE RAISED THE BAR FOR MARKETING INNOVATION – MAKING BIONICLE WAY COOL

The LEGO Company is, more than ever before, viewed as a progressive, innovative marketing force in the children's marketing arena. Bionicle has shown that it is possible to bring a story to the market via a strong media mix and powerful execution. In the USA, the consumer marketing campaign has achieved a very positive position among children.

How cool is Bionicle?

Bionicle is?



Source: Millward Brown

REACHING NEW CONSUMER SEGMENTS – COMBINE CONSUMER NEEDS WITH BRAND HERITAGE

When seeking to expand into other categories in the toy market and reach new, profitable consumer segments it is important to remember the point of departure: The LEGO brand values and brand heritage. Combining the unique history of developing creatively stimulating and fun toys for children with the needs and wants of consumers in other categories creates a high-impact, long-term selling proposition.

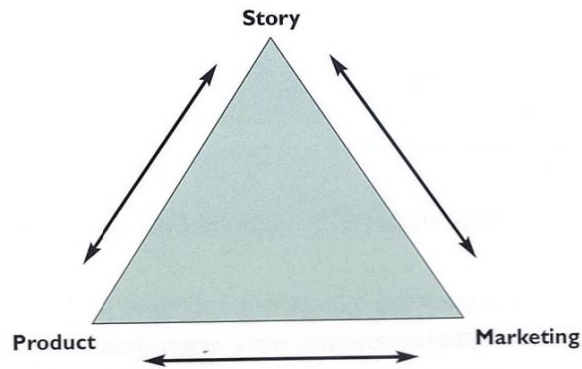
Thus, the Bionicle success story has proven it is possible for LEGO Company to expand into the action figure category with a product that appeals to boys 7 years of age and older. Although the vast majority of boys of this age are usually no longer interested in playing with action figures, LEGO Company succeeded in expanding the age range for the entire category. Such an achievement would not have been possible without a strong connection to the LEGO brand and alignment with the LEGO core values.



EXPLICIT LESSONS LEARNED

INTEGRATED CONCEPT DEVELOPMENT - CROSS-FUNCTIONAL AND CROSS-BUSINESS UNIT INTEGRATION

The concept was designed around a simple working model that stresses the importance of integrating story, product and marketing early in the development process. The three elements are thus highly interrelated. A change in the story would automatically lead to an adjustment in the product assortment and its marketing mix, and vice versa.



A result of this working method and the first example of the interrelation between the elements is the story starter: "A canister drifts a shore on the Island of Mata Nui".

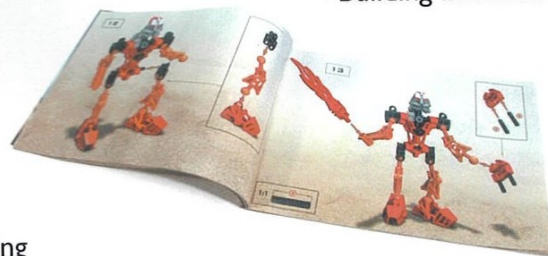
The packaging of the six main products resembles the canisters in which the six heroes arrive on the island. The heroes then build themselves on the beach (making building an integral part of the story). To stress this part of the story, the building instructions inserted in the box center around the beach.



Story pictures



Packaging



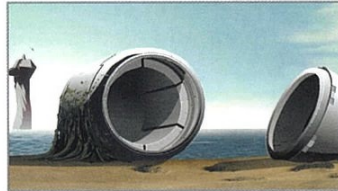
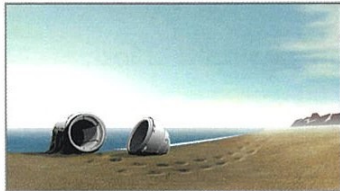
Building instructions



In the mass communication strategy, this first part of the storyline is communicated in print ads, cinema spots and on www.bionicle.com.



Cinema spot

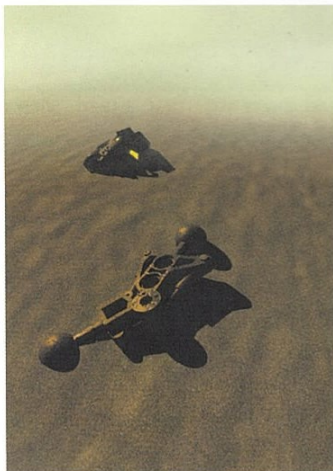


Adventure game on www.bionicle.com

TRADE SELL-IN – EXPANDING DISTRIBUTION

The Bionicle launch was supported by a strong selling-in package, presenting this during a market tour. Regional marketing people were given detailed selling-in material including products, campaign elements and a concept video. The aim was to give key account managers and regional marketing people the tools to work together to make the best possible presentation to the trade.

Creating a strong and visually attractive selling-in package and delivering it early to the markets has been shown to both inspire and motivate the trade. The trade offered LEGO Company special placements, end-cap and cash register placements. Broad distribution channels such as corner stores, drugstores, gaming/card shops and gas stations were secured. With this broader distribution and the special placements, LEGO Company has been able to successfully reach the Bionicle target group through one of its most extensive distribution platforms ever.



Bionicle sell-in posters



INTEGRATED GLOBAL TEAM - ACHIEVING TEAM DYNAMICS AND ENTREPRENEURIAL DRIVE

The Bionicle team is a cross-organizational and cross-functional global team. Delegation of work and trust are key elements in this team where the application of a "best man for the job" approach has been an important factor.



Team dynamics is achieved by bringing relevant people together and making them a part of the team when required, integrating internal functions within the team. Physical presence in the project room enables:

1. Quick understanding of concepts
2. Easier and less formal communication
3. Faster decisions
4. Better-integrated end result

The team utilizes an entrepreneurial approach within the global team to create the same kind of drive, motivation and attitude that is characteristic for entrepreneurs.

- Team members can input good ideas beyond their own disciplines
- Cross-functional groups enrich and excite
- Empowerment is critical for speed and vitality
- Early imagery is key for understanding and believing in the concept

The team brings together key people from the regions and business units (such as Direct, Lifestyle, Media) to update and, equally importantly, to share thoughts and ideas across regions and departments.

Having the same mindset enables everybody involved in Bionicle to make fast, correct decisions. Furthermore, involving key persons throughout the process creates highly motivated and empowered spearheads.



VISUALLY ATTRACTIVE MATERIALS

– STRENGTHENING EMOTIONAL APPEAL

Visually strong communication of the story was emphasized in order to strengthen emotional appeal. A number of story pictures were created to support or replace text, assisting to communicate the story line. Each picture was intended to tell its own story and subsequently inspire children to create their own stories.

The idea of launching a story was continued in the communication strategy. Communication materials ended up as posters, trailers and story pictures taken from a movie.

To support the feeling of a movie, the entire Bionicle Universe was created in 3D. This made it possible to construct animated characters and bring the universe to life.



With the use of 3D and an overall focus on visual quality, every element of the communication materials became attractive and fascinating, stimulating the creation of an emotional bond between the Bionicle brand and the children.

MARKETING INNOVATION

– NEW MARKETING TOOLS CREATED CONSIDERABLE BUZZ EFFECT

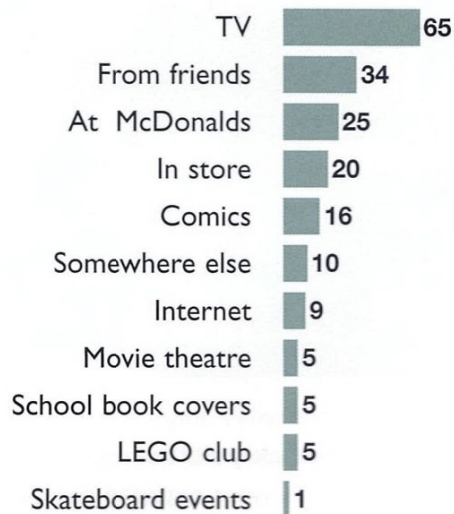
Bionicle has raised the bar in terms of marketing innovation by successfully using a wide range of media new to LEGO Company. Grassroots mechanics such as the implementation of the "Mask of Power" mobile tour created a considerable buzz effect in the target group. The use of alternative media such as the Internet, comics, promotional and box-inserted CD-ROMs, and locker posters has worked alongside traditional mass media to create a marketing success.



US Mask of Power mobile tour



Awareness of Bionicle in various media



Source: Millward Brown

STORYTELLING – CREATING A MEDIA MOSAIC

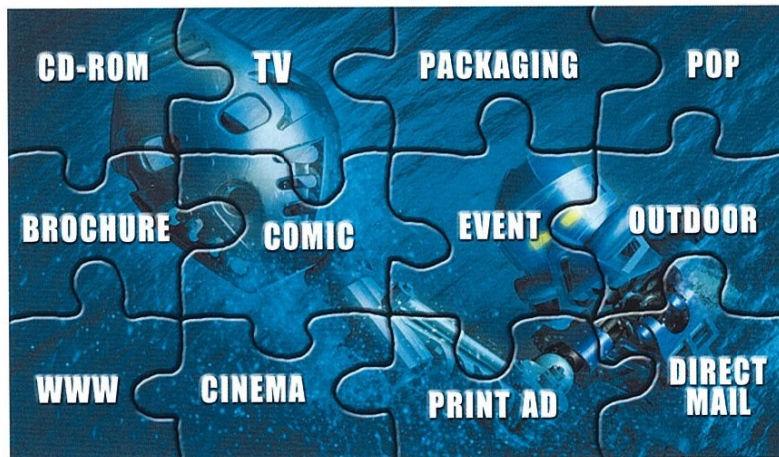
Bionicle is an unknown, mysterious universe comprising legends, heroes, powerful masks and a mission against evil. It is a universe with a profound story that cannot be translated into a 30-second commercial supported by in-store materials. With neither a movie, a television series or books available, the only way the story could be communicated was via traditional and alternative marketing channels.

Bringing the story to market demanded a new communication and media strategy:

1. Expose the target group to a wide media mix, which gives them more story bricks and makes the children active participants in the story.
2. Make every part of the story and every medium visually attractive to children.
3. Drip-feed new parts of stories over time to maintain their interest

The communication strategy focused on using a wide media mix to capture the attention of the children in different ways. All media would carry an element of the story. But each medium should carry different parts of the story depending on timing and the medium's ability to carry a story.





A story mosaic was created to achieve multiple points of exposure. Since it was not possible to control the order in which children were exposed to the story, each brick had to be able to stand alone and be valued in itself by the target group. This you could call “constructible storytelling” or storytelling the LEGO way.

Another important part of the communication strategy was to stimulate children to become active story "carriers", thus assisting awareness as well as understanding of the story. Attractive story pieces were produced, which children could use as points of departure in creating their own stories. This stimulated children to exchange their own stories with one another, as well as pieces of stories they found in different media.

"The media used have contributed significantly to depth of branding, rather than just its overall reach."

"Bionicle has received the benefit of media synergy. Over a third of our sample have seen 2 or more of the main pieces of copy - more if we include the McDonalds promotion. When seen, the copy works well and multiple exposure enhances take out and the persuasive nature of advertising."

Source: Millward Brown



BREAKING NEW GROUND AND MAKING MISTAKES TEND TO GO HAND-IN-HAND

In many ways, Bionicle has taken LEGO Company in new directions when it comes to concept development, global teamwork, marketing, partnering, distribution and so on. While overall a big success, Bionicle has also mercilessly revealed that LEGO Company still has a lot to learn when it comes to building and managing story-driven properties. Learning from the mistakes you make is, of course, crucial and the Bionicle team learned the following lessons the hard way:

- Building a portfolio of high-quality media, marketing and licensing partnerships is incredibly resource-heavy and time-consuming. Inevitably, the output of such partnerships matches the quality of the input. Where deals have been put together too quickly and without sufficient attention to the substance and execution of the consumer proposition, we have essentially failed to produce any value. One such example is the first joint product brought to market together with Universal Music.
- Forecasting the sales of a hot property like Bionicle is a major challenge where you constantly walk a thin line between huge inventory and investment risks on one hand, and lost sales with frustrated accounts and consumers on the other. Of course, early reads on consumer sales, supply chain flexibility and very tight collaboration across the business system are prerequisites for success. But even with these measures in place, LEGO Company suffered significant stock-outs on Bionicle during the fall of 2001.



THE STORY CONTINUES...

The Bionicle tale continues to evolve. Sales for 2002 are already looking very promising, building further upon the successes of 2001. 2003 will see the largest Bionicle product range ever, with two fabulous new items - a direct-to-video film and a state-of-the-art PS2/PC/Nintendo Game Cube game. One of the most exciting new developments is already beginning to take shape, with several leading movie producers now approaching LEGO Company to make a fully animated feature movie that will reach cinemas around the world during 2004-05. Even at this early stage, negotiations are looking good.

Adding to Bionicle's impressive momentum, a number of highly attractive new global partners have contacted LEGO Company to join our success. Through these partners and through our own initiatives, LEGO Company will add even more fuel to the Bionicle fire, branching out into other media such as books, music, name-brand sportswear and more. Current plans call for new, collectible items in exciting designs and constantly changing combinations, launched in a powerful marketing context.

Through all of our efforts, our successes and hard lessons learned along the way, LEGO Company has built Bionicle into a strong, profitable intellectual property – one that we expect will continue to yield strong sales, build the LEGO Brand and drive further organizational learning.

