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CHAPTER I
INTRODUCTION

1.1. Background

The word toy always led our minds to the word "kids". Well-known dictionaries such as Cambridge English dictionary, dictionary.com, oxford languages, etc. always have the word "children" in their definition of toys. Meanwhile, adults are seen as someone whose job is to observe and supervise kids playing with their toys (Lauwaert, 2008a). These days, toy company starts taking into account the growing market of adult consumers and consider adults as the primary audience of certain toys (Heljakka, 2018). The toy industry has undergone rapid changes in recent years driven mainly by higher digitalization (Fonnesbaek & Melbye Andersen, 2005). One of the world's most successful toy companies once catch this phenomenon and achieved a great breakthrough by focusing on making adults their target market.

A billion-dollar company called LEGO is famous for its focus on maintaining high quality and having brilliant marketing strategies to lead the market in toys. The In Young and Rubicam survey of the most recognized brands in the world, LEGO company was placed side by side with the brand Disney and Coca-Cola (Robertson & Breen, 2013). In the year 2018, the toy industry crashed impacted by the collapse of giant toy company Toys R Us which led to a 2% drop in toy industry sales during that year (Whitten, 2019). However, LEGO maintained stable financial performance with modest top and bottom-line growth because the company has brought a large range of products for kids and adolescents ranging from LEGO bricks to toy sets and even web games. Their successes have made LEGO awarded the "Toy of the Century" twice.

Quality is the number one value proposition in LEGO company that can be seen in their unwavering motto "*only the best is good enough*" which was declared in 1936 and still used up to this day amidst all the hurdles standing in their way of success (LEGO.com, n.d.). Amid the pandemic, in 2020 LEGO company's revenue skyrocketed to $8.06 billion, a total increase of 27% from their $6.36 billion revenue the year before (Whitten, 2022). In the chart below we can see LEGO reaching it is all-time high revenue in 2021 since the year 2003.
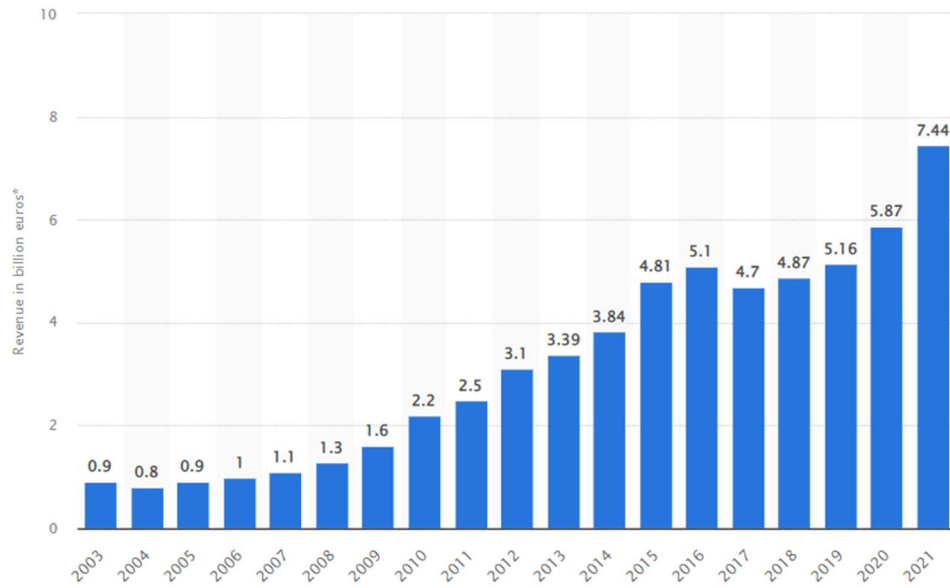
Source: Adapted from Statista (2022)

Graphic 1.1. LEGO Year-on-Year Revenue Growth

From the chart above, we can see the downfall of LEGO's company was in 2016 to 2017 which was caused by false innovations, a stagnant market, and the fall of the toy industry. Yet they bounced right back in the year 2018 and continue to grow even bigger amid the world pandemic and claim it as one of their greatest achievements happened in the year 2018 when they were recorded as *the world's most valuable toy* brand worth $7.57 billion.
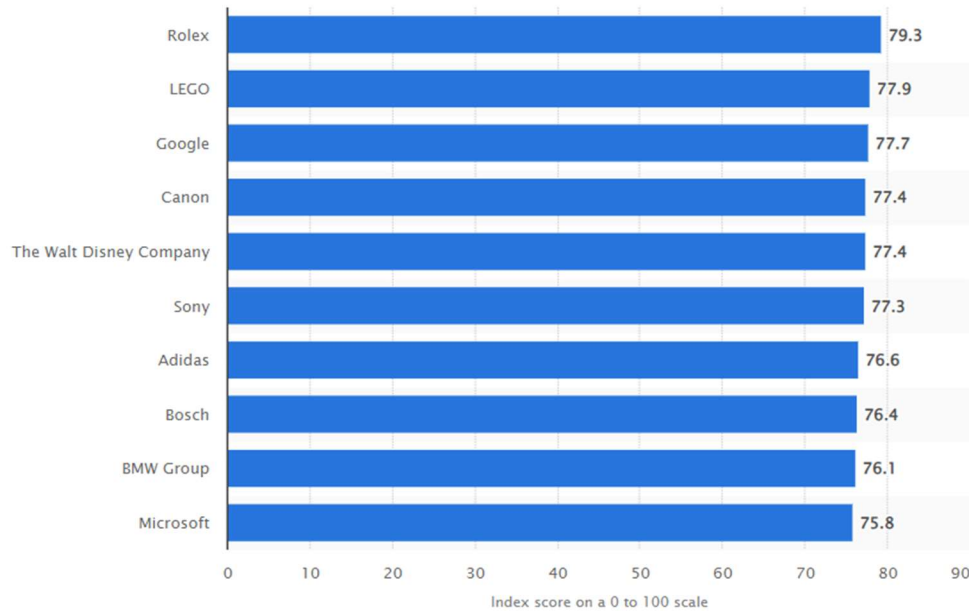
Table 1.1 2018 Toys Brand Net Worth

LEGO	Bandai Namco	Fisher-Price	Barbie	Nerf	Hasbro
$7.517 billion	$1.038 billion	$812 million	$414 million	$368 million	$272 million

Source: Adapted from Amadeo (2019); Burgelman et al., (2016); Lin, (2018); Silicon Valley The World Innovative Centre (2019)

The achievement of LEGO company does not stop there. Not only did they thrive over their competitor in the toy industry, but LEGO is also recorded as the top ten

most reputable companies ranking number two, winning against world-renown brands from various sectors in 2018.

Company	Index score
Rolex	79.3
LEGO	77.9
Google	77.7
Canon	77.4
The Walt Disney Company	77.4
Sony	77.3
Adidas	76.6
Bosch	76.4
BMW Group	76.1
Microsoft	75.8

Index score on a 0 to 100 scale

Source: Adapted from (*Most Reputable Companies Worldwide 2018 | Statista*, 2021)

Graphic 1.2. Top Ten most Reputable Companies

From the unfortunate Carpentry Shop that goes all the way to the number one toy brand in the world, LEGO had come along the way not only surviving the world economics state but also the changing era and growth of technology (Schwartz Nelson D., 2009). Even though the company is a family business that is led by descendants of Ole Kirk Kristiansen, the workers inside LEGO are inspired to follow the mission of the company which is to inspire, develop, and reach much more kids. That is why the company continues to grow rapidly and surpass all the difficulties coming towards them and building themselves even more solid team. The most interesting thing about this company is how a toy company that makes products for young children can have millions of adults in their community at the same time.

1.2. Problem Identification

LEGO toys are originally made for young kids to have a fun learning experience in their daily activities. In reality, as time goes by LEGO's company target market expanded rapidly reaching the adult segments. In the mid-1990s LEGO company discover the idea of using their bricks in business while exploring new ways to make strategic planning and develop their company (Kin et al., 2019). Since then, LEGO is used for wider professional purposes and attracting even bigger audiences from all around the world with their branches factories, and stores and increasing the wider adult market segment. The good thing about LEGO is they did not only thrive with their exclusive collectible products but also with their basic LEGO pieces in their adult segment. Today, LEGO is widely used for various purposes including school subjects, competitions, engineering, Google interview, research, and many others. This exceeds their head-to-head toy companies' competitors such as Mattel, Hasbro, Bandai, etc. Starting as a simple toy product that was made for kids to play LEGO later thrives in expanding its target market to the adult segment resulting in becoming the world's most famous toy company. This research aims to find out why the adult market is interested in LEGO-brand toys and their perceptions of the brand expansion strategy.

1.3. Research Questions

Digging deeper into the LEGO company, this research aims to answer these questions,

a. Why are adults attracted to LEGO-brand toys that are originally made for kids?

b. How is the adult customer's perception of LEGO's marketing strategy in reaching the wider adult market?

1.3. Objectives of the Research

This research is made to analyze the key strategies that enable LEGO to dominate the toy market. By discovering their strategies other companies can evaluate their brands and follow in their footsteps to outgrow their target market and product segments.

a. Identify how LEGO is seen from an international environment community point of view.
b. Identify adult consumers' perception of LEGO brand market expansion strategies.

1.4. Benefits of the Research

a. This research will uncover the factors that make LEGO-brand toys attractive to the adult segment
b. The success key of LEGO company in becoming an all-age toy that can be studied by brands to enhance their market segments.
c. This research will enhance brands' knowledge to expand their age segment market.

CHAPTER 2

LITERATURE REVIEW

To obtain a reliable result for this research, there are studies and literature reviews around the topic that are being discussed.

2.1. Previous research on the topic

The table encloses various research about the impact of consumer emotions in making purchase decisions. The previous research indicates the important factors that affect consumer emotion and behavior.

Table 2.1 Former Research

No	Title	Author/s	Method	Conclusion and findings	Research Comparison
1	Consumers' perceptions of the dimensions of brand personality	Natalia Maehlei, Cele Otnes, Magne Supphellen	Qualitative method using aaker's scale	Identify the kinds of brands consumers perceive as typical for each personality dimension, discover their common characteristics, and explain the reasons why some brands are strongly associated with a particular dimension.	This research discovers consumer perceptions towards LEGO company
2	Using the brand experience	Lia Zarantonello,	Quantitative method	There are five types of consumers: hedonistic, action-	This research aims to find interesting points

	scale to profile consumers and predict consumer behavior	Bernd H. Schmitt	using questionnaire	oriented, holistic, inner-directed, and utilitarian consumers.	that attract consumers to the LEGO company
3	Brand Experience: What Is It? How Is It Measured? Does It Affect Loyalty?	Joško Brakus, Bernd H. Schmitt, & Lia Zarantonello	The quantitative method uses a brand experience scale that includes four dimensions: sensory, affective, intellectual, and behavioral	Brand experience affects consumer satisfaction and loyalty directly and indirectly through brand personality associations.	This research uses the brand experience scale as an interview tool to dig into the sensory, affective, intellectual, and behavioral points of view of the interviewee.
4	The effect of product appearances on consumer emotions and behaviors: A perspective of involvement	Tyan-Yu Wu, Yen Hsu & G.A. Lee	A pilot study and main experiment	Consumers' purchase decisions are influenced by their involvement and emotions. It is proven that product aspects like the shape, decorations, etc. have a high impact on consumer perceptions	This research studies customers' perceptions of a specific brand called LEGO.

| 5 | The Rediscovery of Brand Experience Dimension with Big Data Analysis: Building for a Sustainable Brand | Joo Seok Oh, Timothy Paul Connerton, and Hyun Jung Kim | A new methodology for combining topic modeling and conjoint analysis is tested with big data-based multi-level compositions | The authors explore the new possible dimensions of brand experience ("External") of brand experience which includes sensory, affective, intellectual, behavioral, and social aspects | This research explores factors that attract adult LEGO collectors |

2.2. Toys

A thing or an object that is made for children to play with is how dictionaries such as (Merriam Webster, n.d.) and (Dictionary, n.d.) describe the word "toy". Just like adults go to work with the help of pen and paper as their tools, children play and use toys as their tools. Throughout the changing of eras and development of civilizations, toys grow mirroring the culture and environment surrounding them (Cross Gary, 2001). In the early 3.000-4.000 B.C. on Egypt, starts the history of playing with toys. It all began with picking up natural objects such as sticks fallen off a tree that are used to imitate weapons used by adults to hunt and stones in the ground that gradually imitate rolling objects sparking curiosity and initiating play in children's minds. It was concluded with stones with marble shapes that are found in child's graves, relics of primitive dolls, and papyrus stuffed with hay or cloth in a round shape used as a ball in sports games found by historians (Ingram, 2020). As time goes by, toys keep on evolving from the famous traditional toys made from basic materials to the advanced technology toys like PlayStation, Virtual Reality, and many others.

2.3. LEGO

Back in 1932, a man called Ole Kirk Kristiansen made a company named LEGO taken from the Danish phrase "*leg godt*" meaning "play well". The company was originally a Woodworking and Carpentry Shop that went bankrupt due to the Wall Street stock market crash in New York which was led by a crisis in many neighboring countries in 1929. However, starting from its humble beginning in the early 1930s, the company has come a long way to become a global business with strong brand recognition. There are times that the billion-dollar company almost went bankrupt but thrived their comeback with trials and error.

2.4. Brand Experience

Brand experience can be conceptualized as emotions, sensations, awareness, and behavioral reactions caused by brand-related stimuli such as their design, identity, packaging, environment, and even how they communicate their brand (Jo ˇ Sko Brakus et al., 2009). How do consumers experience a brand? How is brand experience measured? Those are frequently asked questions to discover consumers' perspectives towards a brand.

Therefore, research was conducted by doing reviews of marketing research and consumer on how experiences affect their perspective, judgments, and attitudes towards the brand. Through the information found by the researchers, a tool called brand experience was developed to measure the brand experience felt by consumers (Jo ˇ Sko Brakus et al., 2009). Through six studies, it is proven that the brand experience scale consisting of sensory, affective, behavior, and intellectual is reliable and valid.

2.5. Consumer Behaviour

Consumer behavior covers peoples' thoughts, perceptions, and actions when they are in the process of consumption including external influences such as packaging, price tag, user review, promotions, and many others (Peter & Olson, 2010). Understanding consumer behavior is critical for businesses to do to analyze and

influence consumers to generate purchases. Peter & Olson (2010) write in his book titled Consumer Behaviour and Marketing Strategy a useful tool called the Wheel of Consumer Analysis that consists of important elements that are keys to understanding the market, consumers, industries, and even societies that are used by marketing consultants and practicians to this day.

The Wheel of Consumer Analysis consists of four segments: consumer environment, consumer affect and cognition, consumer behavior, and marketing strategy. Below are the shape and locations of each segment in the wheel.

Source: (Peter & Olson, 2010)

Figure 2.1. The Wheel of Consumer Analysis

The wheel shape indicates a rotation and changes in consumers and marketing strategy and the two-headed arrow shows that each one of the three elements can be used as the starting point for consumer analysis. The marketing strategy can be seen in the center of the wheel because we need to analyze consumers using the three elements to make marketing strategies (Peter & Olson, 2010). Now that we have understands the concept of consumer behavior, we need to grasp the meaning and connection of the other two elements.

a. Consumer Affect and Cognition

As a noun, "affect" is interpreted as an emotion or desire as influences behavior (Stevenson, 2010). Whereas in the business concept the word