

Why Are LEGOs So Expensive?

By [Eamon Murphy](#) Posted 2:30PM 08/24/11 [Mattel](#), [Time Warner](#), [Walt Disney](#), [Family Money](#), [Features](#)

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There's a question that echoes across the Internet, on blogs and message boards, and in the content of a specialty wiki called Brickipedia: "*Why are Legos so expensive?*"

The plaintive cries abound:

- "Sorry for the uninvited rant, but what is the deal with the price of Legos? They're little blocks of molded plastic. \$240 is a good deal for this?"
- "Any fans of Lego notice that, even if the price were cut in half, they'd still be expensive as hell?"
- "The price of Legos has always sucked, especially for a kid trying to convince his mom to buy the sets. The larger sets sell/sold for anywhere between \$60-\$120."
- "The price of Legos reminds me of gold stock prices."



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Perfectionist Beginnings

Lego bricks and minifigures (to use the official term for the tiny yellow mannequins that represent humanity in the world of Lego toys) are made by the LEGO Group, a privately held company headquartered in Billund, Denmark. Founded in 1932 by a carpenter named Ole Kirk Christiansen, the LEGO Group "has passed from father to son and is now owned by Kjeld Kirk Kristiansen, a grandchild of the founder," according to the company website. Despite being private and family-controlled, the LEGO Group is the third-largest toy manufacturer by sales, behind Mattel ([MAT](#)) and Hasbro ([HAS](#)) and ahead of Japanese giants Bandai-Namco and Takara Tomy.

According to the LEGO Group, Ole Kirk had a personal motto worthy of a luxury car brand -- "Der bedste er ikke for godt," or "only the best is good enough" -- which his son, Godtfred Kirk Christiansen, carved on a sign and hung on the wall of his father's workshop. LEGO has undergone drastic changes since Ole Kirk's days -- most notably, the switch to making plastic toys, which were introduced in 1947 in general skepticism (sort of like when Dylan went electric, from the sound of it) -- but the company insists on continuity, and a strong sense of purpose shines through even the standard corporate boilerplate in its promotional material: "Today, the words of the company's founder remain its driving force, and LEGO products continue to be passed down from one generation to the next, sparking the creativity and imaginations of millions of children and adults all over the world."

What's so remarkable is how this internal ethos of perfectionism has been transmuted into such a strong brand. The product is so ubiquitous -- like Kleenex, only non-generic -- it's easy to overlook that the LEGO Group does not in fact enjoy a total monopoly: Its main competitor, Montreal-based MEGA Brands -- another family-run business, which styles itself after LEGO and sells a line of knockoff toys called MEGA Bloks -- claims to be No. 1 in the preschool construction toy segment. (The LEGO Group, whose patents on its brick have expired, suffered repeated defeats when suing to stop the manufacture of MEGA Bloks.)

The Emotional Factor

But MEGA Brands, though it makes a similar product, can claim none of LEGO's prestige. The difference is both technical and aesthetic, according to several branding experts contacted by *DailyFinance*.

"If you ever looked at a MEGA Bloks set, and then you looked at a LEGO set, you would definitely spend the extra money," Manfred Abraham, head of brand strategy at Interbrand, assured me with quiet conviction. (Abraham has worked with the LEGO Group -- on what he would not say -- and seems to have been dazzled by the experience.) Anneliza Humlen, president and co-founder of the [Emotional Branding Alliance](#), points to "the Scandinavian aesthetic of design," which she says is part of a "very frank, honest, direct and practical sensibility that the culture has. Scandinavian design is about simplicity, stripping back, the notion of craftsmanship, working with the hands."

But the true foundation of LEGO's appeal is emotional. The company's longevity and the durability of its products have created intergenerational links that exert strong influence on purchasing behavior: People want to pass on to their children the most intensely pleasurable play experiences they remember from their own childhoods. In the words of Amy Shea, executive vice president at the research consultancy Brand Keys, "The ultimate question comes down to, how would I feel about giving my grandson fake Legos? I wouldn't do it. Even if I thought they wouldn't know the difference, I would know the difference. The knockoffs just don't have that emotional meaning."

In a sense, with "parents and children united" on the question of LEGO's quality (as Shea put it), advertising becomes less important -- the purpose of advertising aimed at children being to induce incessant nagging. Of course, the LEGO Group works strenuously on marketing, through its stores, video games, theme parks, and traveling exhibitions, the last of which in particular can excite strong aspirational feelings in kids, according to Shea: "They look at that and go, 'Wow -- look at the amazing things they made with Legos.'" But at its best, LEGO marketing presents a hands-on experience that turns the child into an active participant, rather than a passive, covetous consumer.

"You can see it in the LEGO stores today," said Humlen. "The display is very reminiscent of when you buy candy in bulk: You walk in and see the blocks, presented according to color, which is very unusual. It's visually beautifully but most of all it's inspiring, when children walk in and see this wall of color, just open to them." Humlen mentioned also the popularity of the LEGO stores' miscellaneous block collections, which sell "odds and ends of pieces that belong in other kits." Shoppers "grab a kit and then they grab one of those random bags. It's kind of this open palette, this cornucopia, that gets somebody inspired to create."

In addition to such intangibles as nostalgia and presentation, the LEGO Group benefits from a commitment to innovation. "They have a higher turnaround in product than most other companies will have," Manfred Abraham said. "They're turning over as fast as fashion, because they believe you have to keep kids entertained and that takes changes all the time." And LEGO has devised a range of products that can track the user's development, from preschool to college, culminating in significant sophistication. Said Humlen, "They go from Duplo" -- a line of oversized pieces for very young children -- "to the Mindstorms robotics kits, which is amazing because, last I read, Mindstorms were being used in university engineering courses."

"Anything that builds your creativity -- how do you put a price on that?" Abraham asked. "It's like a piece of designer clothing that makes you feel good."

But What Does It Cost to Make LEGO Sets?

As a family-owned business with an intense corporate culture, the LEGO Group is tight-lipped about its inner workings, including questions of cost. A stateside company representative declined to speak with *DailyFinance* and instead sent a statement basically saying that their prices are both justified and none of our business anyhow: "Our double digit percent year-over-year sales growth for six consecutive years is a testament to the fact that parents and gift givers understand and appreciate quality with regards to purchasing toys for their children. As I'm sure you would imagine, we do not disclose details [about our pricing strategy] for competitive purposes."

In a [Q&A with Gawker techblog Gizmodo](#), LEGO Group representatives were evasive when asked how much money the company makes per piece: "Because we have so many specialized pieces, the average cost per piece is difficult to name. For example, a 2x4 Lego brick does not require the [same] complexity to produce as a Lego minifigure or a Lego fence piece." When asked outright why their product costs so much, the Lego reps replied, "To ensure the best and safest products, Lego bricks are made with the highest quality materials, which does factor into the cost. Using premium materials ensures that the product is not only safe, but that it is durable enough to hand down from generation to generation." Reporter Jesus Diaz added, "I was told in the factory that their tests show that no bricks have ever decomposed or released any chemical substances."

This non-degrading wonder material is a thermoplastic, acrylonitrile butadiene styrene, which is valued for strength, resilience, and a shiny, impervious surface. Since production of ABS requires petroleum as a raw material, the cost of the plastic closely tracks the price of oil. But the real expense of making Lego play materials is not the plastic that comprises them, but rather the molds into which that plastic is injected (at very high pressure, having been heated to 450 °F). In the Gizmodo interview, the LEGO representatives told Diaz, "The molds that we use to create Lego elements are very expensive to design and produce," but as far as specifics they would say only that most of the molds are made in Germany.

The View from Denmark

Although LEGO reps in the U.S. were not forthcoming, *DailyFinance* did speak to Charlotte Simonsen, head of corporate communications at LEGO HQ in Billund, about the question of cost. Unsurprisingly, she at first said that the company "certainly" doesn't find its products expensive, though she later admitted to having heard this complaint before. Nevertheless, she insisted, "We feel that our products are very much value for money. What you get is of course much more than the bricks. You get very good building instructions, you get a lot of online material, you get very, very high quality."

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Simonsen explained why the level of LEGO production quality has to be so high, mentioning in particular what the company calls "clutch power," i.e., the ability of its bricks to snap together tightly while also being easy to separate, thereby readily allowing for de- and reconstruction. Speaking of the machines that make the bricks, Simonsen said, "It takes a very low tolerance for all our bricks to have that clutch power." This precision has apparently paid off: "All the bricks that have been produced since 1958 can be put together still."

Since the LEGO Group views its products as activators of a child's curiosity and creativity, Simonsen said a great deal of thought has to go into the physical design of the sets, "so they are not too easy, because they need to be challenging for the right age grade; but they also need to be easy enough so that you don't lose faith in yourself." She also elaborated on why a LEGO set is significantly more than the sum of its thermoplastic parts. "We develop whole themes, whole stories around the themes. A lot of material talking about what's the story going on here." This material has to be written, in conjunction with the modeling of the pieces. "For a lot of the storytelling we have, you could call them scriptwriters," Simonsen told us. "They work together with the designers to build a whole theme or storyline around the product. So it could for instance be a mission that some underwater scientist needs to go on to find Atlantis, or some aliens come and want to take over the Earth and how do we then fight them."

A Long Time Ago, in a Childhood Far, Far Away...

From sets representing such classic (not so say generic) themes, developed in-house, the LEGO Group has expanded into licensed product lines based on established properties, such as Harry Potter, *Star Wars*, and Indiana Jones. Of course, when LEGO sells a Hogwarts set, the product carries an additional mark-up, since J.K. Rowling and Scholastic have to take their cuts. On this subject, Simonsen was mum -- "I can't go into the agreements" -- but when asked whether she thought there was any conflict between the LEGO Group's emphasis on creativity and imagination on the one hand and its embrace of corporate synergy and movie tie-ins on the other, she said no. "We don't think the two go against each other, and I don't think there's a big difference between a space theme we make ourselves and a *Star Wars* theme. We make models that kids then reproduce. What is so interesting is that children then take them apart and build something else. So they build on what they've experienced in the movie."

In July, the LEGO Group announced multi-year "strategic relationships" with DC Comics ([TWX](#)) and Marvel Entertainment ([DIS](#)), agreements that will allow the company to produce minifigures and construction sets based on comic book characters. (LEGO Batman has already been a success, in both minifigure and video game forms, and MEGA Brands made a line of toys based on the *Spider-Man* films.) What's in it for the comic book companies is obvious: As an executive vice president at Marvel Entertainment put it, "The partnership with LEGO Group furthers Marvel's strategy to align our brand with the best in class leaders across various industries who have the global marketing expertise and distribution clout to stand out in the retail environment." And LEGO gains access to lucrative new markets: "We're thrilled to partner with Marvel to create creative, constructive play sets for builders, fans and collectors alike." Which goes to show that, notwithstanding its earnest assertions of devotion to an "ultimate purpose" -- "to inspire and develop the builders of tomorrow by engaging children across the world in positive play and hands-on, minds-on creativity" -- the LEGO Group is not above cultivating an ardent following of adult collectors.

In his memoir *LEGO: A Love Story*, one such enthusiast, Jonathan Bender, explores the enduring involvement with LEGO of many adults who were introduced to the toys as children, and now have disposable incomes of their own. "People have build their entire careers, relationships, and lives around this toy. They have developed a language and commerce, all in celebration of pursuing a childhood passion together." A few pages later, describing his thirtieth birthday, Bender recounts receiving a LEGO *Star Wars* set "with a retail price of \$99.99."

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