

Welcome to the 1st LEGO[®] Train Summit

February 3-4, 2001

Thanks for listening!

Thanks for Listening!

- ◆ We really appreciate TLG/LD inviting us to New York and taking the time to listen to the LEGO® train community.
- ◆ Our goal is to provide quality and accurate information based on our experience and understanding of the LEGO® train community for the mutual benefit of TLG/LD and LEGO® Train Clubs (LTCs) worldwide.

Agenda

- ◆ Round of introductions
 - brief background, experiences, affiliation...
- ◆ Feedback
 - what we've heard...
- ◆ Channels & Marketing ideas
- ◆ Directions to Expand 9v line
- ◆ Issues

Introductions

- ◆ John Neal – GMLTC
- ◆ Steve Barile – PNLTC
- ◆ Conan Collopy - GMLTC
- ◆ John Gerlach – GMLTC
- ◆ James Mathis - PNLTC
- ◆ Dan Parker – PNLTC
- ◆ Larry Pieniazek – poly-LTC
- ◆ Mike Poindexter - BAYLTC
- ◆ James Trobaugh - NGLTC



Feedback - What We've Heard

Feedback - What We've Heard and From Whom

- ◆ Hundreds of LEGO® train enthusiasts, who share their ideas and creations on the web via LUGNet.
- ◆ Thousands of visitors, who have come to the many displays sponsored by LEGO® train clubs all around the world.
- ◆ Some comments from national associations and from retail hobby shop owners.

Feedback

Train Display FAQ

Typical Q & As (& Response)

Q: I never knew LEGO made trains!

A: For ~30 years. R: Really! I've never seen them before!

■ Q: Where can I buy them?

A: The LEGO Shop-at-Home catalog. R: Ug!

■ Q: What gauge is this, G, O,...

A: "L" (pause) LEGO. R: (big smile)

■ Q: ...so are these all kits you can buy."

A: No, just that one, the others are built from scratch or not available any more. R: So what *is* available?

Feedback

From LTC Display Staff

- ◆ We could have sold 100 train sets a day! - NELUG
- ◆ To go through the catalog to purchase trains turns them off, people want to put their hands on the product when they buy. – NGLTC
- ◆ We handed out over 300 catalogs the first morning! - PNLTC

Feedback

National Associations (The NMRA)

- ◆ The NMRA needs new blood and local divisions (Atlanta, others) and the national leadership see LEGO® trains as a way to do this.
 - They're a huge draw at shows
 - They act as a gateway
 - They build on existing LEGO collections, enhancing and extending
- ◆ A lot of the NMRA members have said that they are going to bring their grand kids, neighbor kids, etc... and use LEGO® trains as a way to introduce them to the train hobby.
- ◆ ***Discussion...***

Feedback

Retail Hobby Shop Owners

Interview summery...

- ◆ ...can't get LEGO® trains from TLG to sell
- ◆ ...minimum LEGO® order too expensive for a small store
- ◆ ...can't compete against Toys'R'Us pricing, need differentiator
- ◆ ...limited runs incent buyers to buy and buy now (collectibility)
- ◆ ...there are some universal road names but specific road names sell based on shop geographical location



Channels and Marketing 9v Trains

Channels and Marketing 9v Trains

◆ Continue 9v line

- status quo - same channel, same marketing
- new channel, new marketing

◆ Expand 9v line

- same channel, same marketing
- new channel, new marketing
- thru third party partners

◆ Miscellaneous thoughts

Continue 9v line

Status Quo

- ◆ Current 9v system - well engineered
 - powerful motors
 - low drag wheels
 - strong & consistent coupling
 - Stable & nearly derail-proof track
 - One flaw: Track geometry not suitable for serious layouts
- ◆ Current 9v system – lack of mind-share
 - no one knows it exists – even hard core LEGO® kids
 - no accessories available in retail channel
 - not available in toy boutiques & hobby shops
 - ◆ different spending expectations
 - large barrier to entry w.r.t. large minimum order amount
 - model railroaders perceive it as a toy

Good system, no TAM (total available market) or revenue growth!

Continue 9v line

New Channel & Marketing

- ◆ Current 9v system – increase mind-share
 - Market it as family entertainment
 - ◆ use pictures of parents / grand parents with kids
 - ◆ 'be a kid again'
 - ◆ take advantage of 2nd generation- 'when I was a kid...'
 - ◆ increases child's buying power
 - advertise – TV, print, promos, displays, new idea book...
 - make entire line available in toy boutiques & hobby shops
 - ◆ exclusivity for accessories, can't compete with TRU...
 - ◆ free "\$" shelf space
 - reduce minimum order amount

Good system, good TAM & revenue growth.

Expand 9v line

New Channel & Marketing

- ◆ New 9v additions – expand product line
 - limited runs - 2500 to 3500 / special editions
 - re-issue older sets w/ several years between
 - promo trains
 - ◆ 35th anniversary, holiday, co-branding 'Coke'
 - model railroaders perceive it as a bridge product
 - see "Directions to Expand 9v Line" to follow...
- ◆ New 9v additions – increase mind-share (again...)
 - market as family entertainment - parents & kids
 - advertise – TV, print, promos, displays...
 - make entire line available in toy boutiques & hobby shops
 - reduce minimum order amount to enable smaller shops

Great system, better TAM & revenue growth.

Expand 9v line

Third Party Partner

- ◆ Partner with and/or endorse a company dedicated to LEGO® trains
- ◆ Would cater primarily to the hobby market
 - brick & mortar, on-line disti's, & direct on-line sales
- ◆ Would design sets, packaging, and print materials
 - limited extent - Guild of Bricksmiths™
- ◆ TLG would provide
 - LEGO® logo use
 - pre-packaged bulk elements
- ◆ Similar to the Klutz book deal
 - LEGO® Crazy Action Contraptions: A LEGO® Inventions Book

Great system, better TAM & revenue growth.



Directions to Expand 9v line

Nuts & Bolts

Directions to Expand 9v line

Nuts & Bolts

- ◆ New sets
- ◆ Track accessories
- ◆ Running gear
- ◆ Onboard accessories
- ◆ Accessory sets, add-ons, or sensors
- ◆ Electronics - LEGO® Command & Control (LCC)
- ◆ Accessory packs / bulk

Directions to Expand 9v line

New Sets - 2 Tier Approach

◆ Jr-ized

- low piece count, EZ-build, cost sensitive (current line)
- 2 complete sets w/ track and controller
 - ◆ 1 passenger & 1 freight – figure '8' track...

◆ Model Team - like

- larger piece count, less cost sensitive, detailed
- 4 complete sets - no track, no controller
 - ◆ 2 passenger & 2 freight
 - ◆ w/ road names - pseudo or real, geo-specific

◆ Add-on car sets

- powered - steam, electric, diesel, trolley / street car
- coach, baggage, dining, observation...
- tanker, box, hopper, lumber...
- themed: "Coke" ...

Directions to Expand 9v line

Track Accessories

- ◆ Points (turnouts)
 - Current geometry perceived as biggest track flaw
 - 2 - straights + 1 - 40 stud radius curve
 - works in circle
- ◆ Straight track - shortened
 - sub 16 stud straight (4 or 8 stud)
- ◆ Curve track - larger
 - 56 stud radius curves
 - works in parallel off points
 - equal length to "S" curve
- ◆ Cross track (additional) - 60, 45 degrees...
- ◆ Flex track

Directions to Expand 9v line

Running Gear

- ◆ Driver wheels for engines – steam...
 - low friction - like 9v
 - large & small driver wheels w/pin hole for linkage
 - ◆ 4 to 5 studs above the track
 - ◆ piston and linkage rods
- ◆ Gray / dark gray wheel sets - current 9v
- ◆ Couplers
 - non-buffer couplers (US)
 - knuckles, decouple-able – Kaydee
 - de-coupler track / device
- ◆ Motor improvements (physical)
 - Separate bogie plate on motor
 - ◆ pin breaks easily
 - ◆ tough to build on top of motor

Directions to Expand 9v line

Onboard Accessories

- ◆ Smoke, sound, lights (fiber optics)
 - get power from rails
- ◆ Rounded nose elements
 - Increase number of colors items are available in
- ◆ Rubber vestibules/diaphragms

Directions to Expand 9v line

Accessory Sets, Add-ons, or Sensors

- ◆ Motorized points
 - convert existing manual points
- ◆ Motorized de-coupler
- ◆ Semaphores – train signals
- ◆ Automatic crossing gates
- ◆ Action Sets - animated train stops
 - ◆ logs, ore, milk cans, ice blocks...
 - ◆ rail station, rocket launcher...
- ◆ Linear actuator (solenoid)
 - used in model RR'ing everywhere
- ◆ Reed switch

Directions to Expand 9v line

Electronics - LEGO® Command & Control (LCC)

- ◆ DDC or LEGO® proprietary
- ◆ Remote Control (see Rokenbok®)
 - Addressable / controllable (Plug & Chug!)
 - ◆ trains – convert existing motors?
 - ◆ track elements – point motors, de-couplers...
 - ◆ action sets
 - Multiple controllers
 - ◆ wired / wireless
 - Signal thru track, IR, or RF
- ◆ New “old” controller
 - Pulsed power, momentum, and braking

Directions to Expand 9v line

Accessory Packs / Bulk

- ◆ Train Specific - multiple colors
 - windows – 1x4x2 and existing
 - railing, pantographs, base plates
 - bogie plate, wheels sets, couplers
 - roof elements – sloped, rounded 2x6...
- ◆ Train scenery
 - lamp posts, semaphores, bridge sections, BURPs
 - An element to ease Znap/technic interoperability
- ◆ Generic
 - Town elements for buildings (windows, doors, roof elements)
 - Wider assortment of plates and slopes

Train Plus Theme

- ◆ Generic train parts packs, such that when augmented by a particular themed set, a train car “of that theme” can be created
- ◆ Includes:
 - Three different theme instructions (instructions show details on construction using three specific sets)
 - Three alternate models, (same themes, different sets, or different themes)
 - Good standalone value as well
- ◆ Marketing ideas:
 - Sum of the parts are greater than the individual sets (plus pack)
 - Historical precedent: Blacktron through Throwbots
 - Creates secondary sales pull
 - Creates customers, not consumers

Mosaic Boxcar

- ◆ Create a customizable boxcar such that the customer creates a billboard image on the side of the car, also selects roof color, base color and trim color
 - 3 Roof colors
 - 6 to 10 base colors
 - 6 to 10 trim colors
- ◆ Leverage Mosaic process but use plates on side view rather than top view
 - Limit mosaic color palette (5?) to reduce the pick complexity

Customized Passenger trains

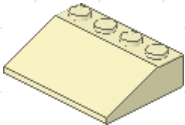
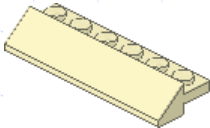
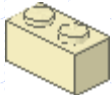
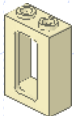

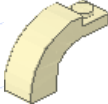


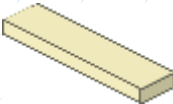


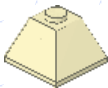
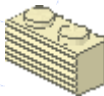
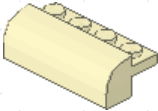

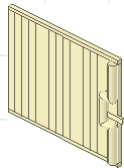
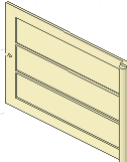
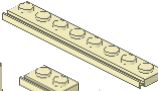
- ◆ Create a customizable passenger trains
- ◆ Enables customers to create custom liveries, yet is mindful of the pick process to create a set.
- ◆ Customer can select roof color base color, striping
 - 3 roof colors (lt gray, dark gray, black)
 - 10 base colors (Red Blue Yellow, Black, White, Grey, Dark Grey, Green, Tan, etc.)
 - Striping motifs (3 colors per motif) in 10 different 3 color assortments, or possibly allow picking all three colors separately

Customized Passenger Trains (cont'd)

- ◆ So, the package contains
 - 1 roof parts SKU
 - 1 base color parts (Windows/wall, interior) SKU
 - 1 striping SKU (with three colors) or 3 different striping SKUs
 - 1 wheel/coupling/mechanicals SKU
 - Yields ~24 SKUs to be picked from, but resulting in practically infinite liveries. Instructions can be generic
- ◆ Additional accessory packs for conversion of base set
 - Baggage (if the base set doesn't include parts)
 - Engine (An 'E' or 'F' cowl/full width body unit)
 - Club Car/Diner
 - Last car (observation)/Control Car
 - Interior kit (power pickup, lighting, etc.)

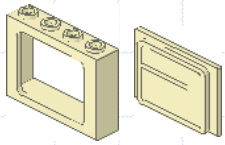

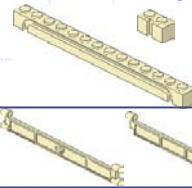
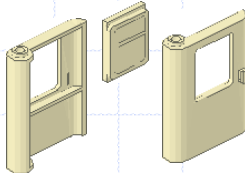
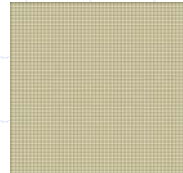
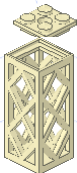
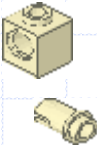
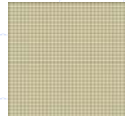
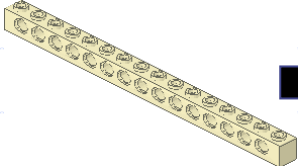
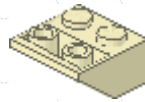

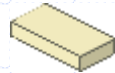
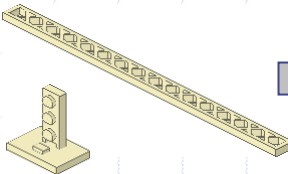
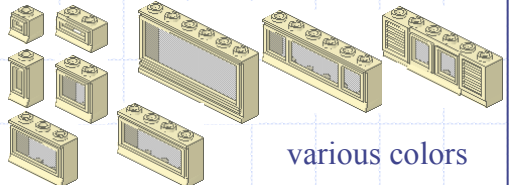
Bulk Parts for Train System

"Top 5" Lists

	Steve Barile	James Mathis	James Trobaugh
①	 ■ light gray	 ■ light gray	 ■ trans-clear
②	 □ white  ■ trans-clear	 ■ light gray	 ■ light gray
③	 ■ trans-clear	 ■ light gray	 ■ light gray
④	 ■ red	 ■ light gray	 ■ light gray
⑤	 ■ light gray	 ■ light gray	   ■ light gray

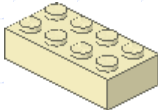
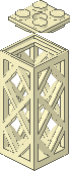

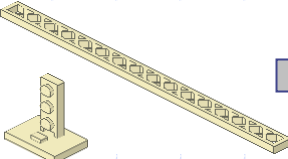
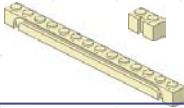

Bulk Parts for Train System

"Top 5" Lists

	Additional Choices	John Gerlach	Larry Pieniazek
1	 <ul style="list-style-type: none"> green trans-clear 	 <p>9-volt straight train track</p>	 <ul style="list-style-type: none"> white white trans-clear
2	 <ul style="list-style-type: none"> green trans-clear 	 <p>Baseplate 15 inch 48x48 light gray</p>	 <ul style="list-style-type: none"> red black
3	 <ul style="list-style-type: none"> light gray 	 <p>Baseplate 10 inch 32x32 green</p>	 <ul style="list-style-type: none"> black
4	 <ul style="list-style-type: none"> black 	 <ul style="list-style-type: none"> black 	 <p>same color(s) as 2x2 tiles</p>
5		 <ul style="list-style-type: none"> light gray 	 <p>various colors</p>

Bulk Parts for Train System

"Top 5" Lists

	John Neal	Mike Poindexter	Conan Collopy
①		 trans-clear	
②		 black	
③		 trans-clear No centered internal "bar"	
④		 light gray	
⑤		 black  light gray trans-light blue	

Directions to Expand 9v line

Miscellaneous Thoughts

- ◆ Duplo line is great!
- ◆ G-gauge 14 wide
 - move line completely to G
 - uses third party track, motors, and controllers – e.g. Playmobile
- ◆ L-gauge 8 wide
 - Split 6 wide symmetric elements to allow various width use

LEGO® Monorail

- ◆ WHAT's up with Monorail?
- ◆ We all love it (well most of us)!
- ◆ We would love to have it back!
Or at least some parts...
 - motors w/ covers
 - carriage plates w/ wheels
 - track

Special Thanks...

- ◆ Todd & Suzanne – for LUGNET (.TRAINS)
- ◆ Matt Bates - for his track design work
- ◆ Steve Bliss - for PartsRef
- ◆ Kevin M. Loch - for BrickShelf
- ◆ Reviewers –
 - Several LTCs and others that have reviewed this doc



Back-up Slides

14 World Wide LEGO® Train Clubs (LTC)

s.a.k.a. LEGO® User Groups (LUG)

United States:

- ◆ BayLTC
 - San Francisco, CA & surrounding areas
 - www.baylug.org/
- ◆ GFLTC – Greater Florida LTC
 - Florida
 - members.nbc.com/gfltc
- ◆ GMLTC – Greater Midwest LTC
 - Minnesota & Wisconsin
 - www.skypoint.com/~jkelly69/gmltc
- ◆ NCLUG – North Carolina LTC
 - North Carolina & surrounding areas
 - www.nclug.net
- ◆ NELUG – New England LUG
 - Boston & surrounding areas
 - www.nelug.org
- ◆ NGLTC – North Georgia LTC
 - Atlanta, GA & surrounding areas
 - www.ngltc.org
- ◆ NOLTC – New Orleans LTC
 - Louisiana
 - cmasi.chem.tulane.edu/~lego/index.html
- ◆ PNLTC – Pacific Northwest LTC
 - Seattle, WA, Portland, OR & surrounding areas
 - www.PNLTC.org
- ◆ WamaLTC – Washington, DC Metro Area LTC
 - Washington, DC & surrounding areas
 - www.wamaltc.org

ROTW:

- ◆ EJLTC – East Japan LTC
 - East Japan
 - www.geocities.co.jp/Playtown-Toys/4562
- ◆ FGLTC – First German LTC
 - Germany
 - www-public.tu-bs.de:8080/~rbeneke/lego/fgltc/fqltc.html
- ◆ ITLTC – Italian LTC
 - Italy
 - www.itltc.org
- ◆ UKLUG – United Kingdom LUG
 - England
 - www.uklug.org.uk
- ◆ VLC – Vancouver LC
 - Vancouver, BC Canada
 - www.akasa.bc.ca/vlc/

Interview Questions

retail hobby shop owners

1. What legitimizes a new train line?
2. Are young folks a target market of yours?
3. The NMRA is concerned about no new blood, does this concern you?
4. Would these younger targeted train lines help this?
5. Do parents bring their kids to the shop?
6. What do the kids do while they're there?
7. Do you sell toy trains or trains for younger folks, durable, something a parent would feel that the kid couldn't destroy. And if they did could rebuild...
8. If not, would they consider selling PlayMobile, LEGO, Brio, Thomas... trains
9. If yes, why do they sell them, parental draw???
10. What would you require to carry a line of new trains?
11. What are the typical min order dollar amounts?
12. What are you willing to spend to "try" a new line?
13. What kind of corporate advertising would you expect, rag ads, TV spots...
14. Do you order direct or go thru distributors?

Some Issues

- ◆ The current wheels are not “true” round
 - they shake the train car while rolling
- ◆ Bogie pins break on motor unit
- ◆ Clips break on motor unit
- ◆ Magnet fork-shaped holders break