

## Tegu's magnetic blocks help build a business



Photos by Liz Hafalia / The Chronicle

Charlotte Edwards, an 18-month-old from San Francisco, gets help from her mother as she builds with magnetic wooden blocks at the Tegu installation in the Children's Creativity Museum in San Francisco.

### Chip off the old block

**Tegu building business – helped by tiny consumers**

By Ellen Lee

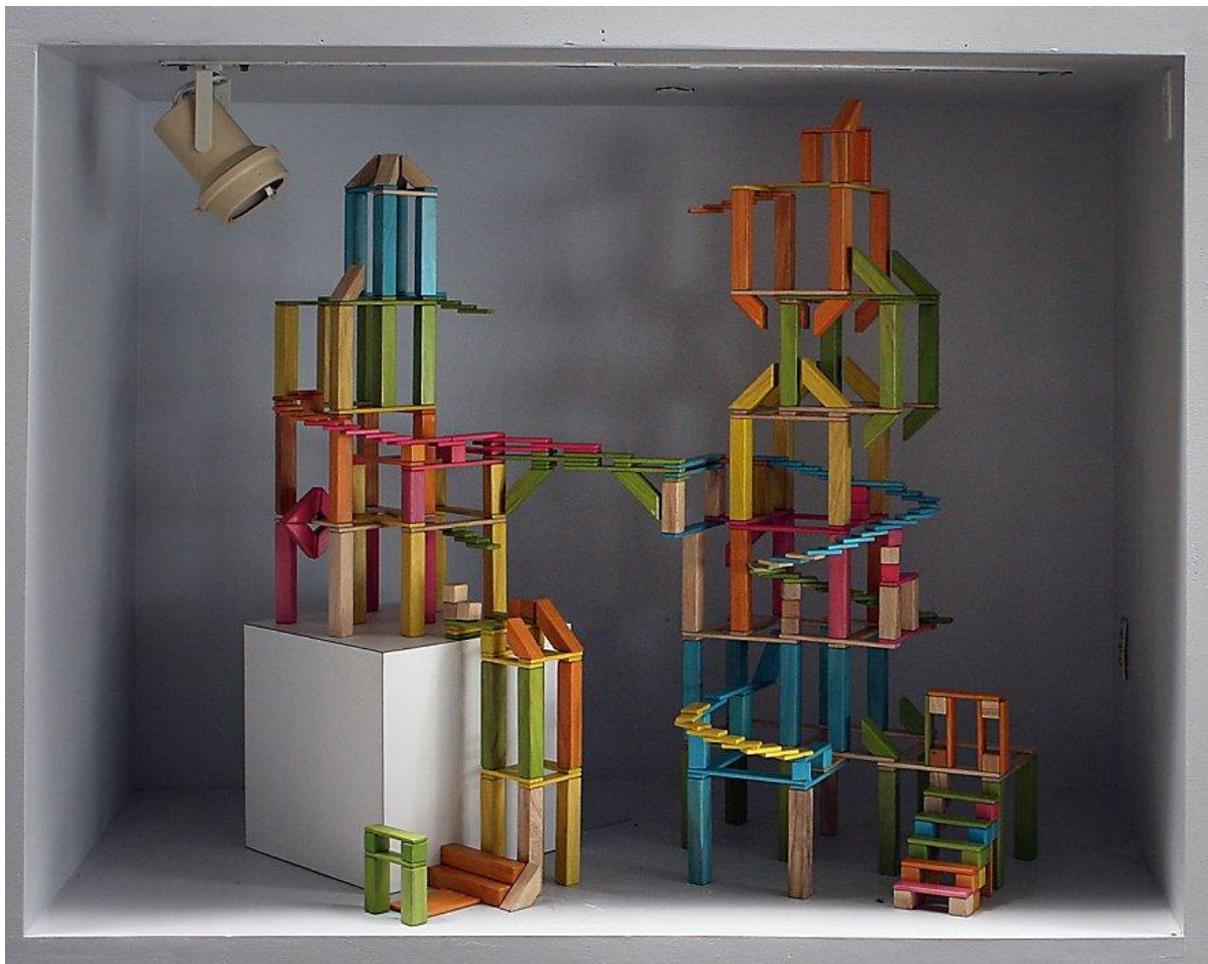
On a large rug in a kindergarten classroom, Chris Haughey watched a group of children play.

There were about a dozen of them, and they were busy building – houses, trains, airplanes, boats. Some were making up stories and narrating as they went along. Most of the time, Haughey quietly observed, but here and there, he would ask the youngsters about the toys they were playing with. What did the children like about them?

Not having kids of their own, Haughey and his brother, Will, then 27 and 26, had come to this classroom to get to know their potential audience better. Chris Haughey, a Stanford mechanical engineering graduate, tapped his connections with the university's design school and was introduced to a kindergarten class at the Nueva School in Hillsborough. Though the 5- and 6-year-olds taking part most likely didn't realize it at the time, they helped shape a new toy company, Tegu, a maker of magnetic wooden blocks.

Now, several years later, Tegu has become one of the latest companies to challenge Lego and the other giants of the \$16.5 billion U.S. toy industry. In an age of plastic, character-branded toys, not to mention video and mobile games and other electronic toys, Tegu has carved out a niche with a set of simple, magnetic wooden blocks that can be stacked and stuck together to build any sort of imaginative plaything.

"We are going up against big budgets and big companies that have been around," said Tegu co-founder Will Haughey. "Our view is that we're building something to last. Wooden toys are not going away. There's always going to be room for them. There's always going to be a place for building something."



## **Quitting their jobs**

Chris and Will Haughey hadn't intended to dive into the toy business. Chris Haughey was a consultant for the Boston Consulting Group and Will Haughey was an investment analyst at Goldman Sachs when they decided to quit their jobs to become entrepreneurs.

"We were accidental toy makers," Will Haughey said.

Inspired by a missionary trip to Honduras, the brothers wanted to start a company that could help the local economy and take advantage of one of the country's resources, its timber. They considered making furniture, but during a trip to Europe, where toys are less often mass-produced, they were inspired to develop a line of wooden toys.

With the help of friends from Stanford, they came up with several ideas, which they field tested with the Nueva School's kindergarten class.

The wooden magnetic blocks were a clear hit. They saw that the children could tinker with the blocks however they liked, using what they built as part of their fantasy worlds and games.

With funding from family and friends, the brothers established a 15,000-square-foot manufacturing facility near the Honduran capital of Tegucigalpa, from which the company gets its name. It employs about 90 people there, including Chris Haughey, and has been ramping up as the magnetic blocks draw more interest. It uses a portion of its revenues to replant trees, replacing the ones they've used.

The timing has been right. There's been a shift toward retro and classic toys, according to the Toy Industry Association's look at the latest trends in February. Citing NPD, a market research firm, it also said that sales of construction and building toys increased nearly 20 percent last year and predicted that they would be even hotter this year.

Sold online and at specialty toy stores, Tegu's blocks are for parents and educators who are looking to steer children to classic toys that inspire them to be creative – and who are willing to pay a bit more to do so. A small set of six blocks retails for \$30 and larger collections of about 50 blocks cost upward of \$150.

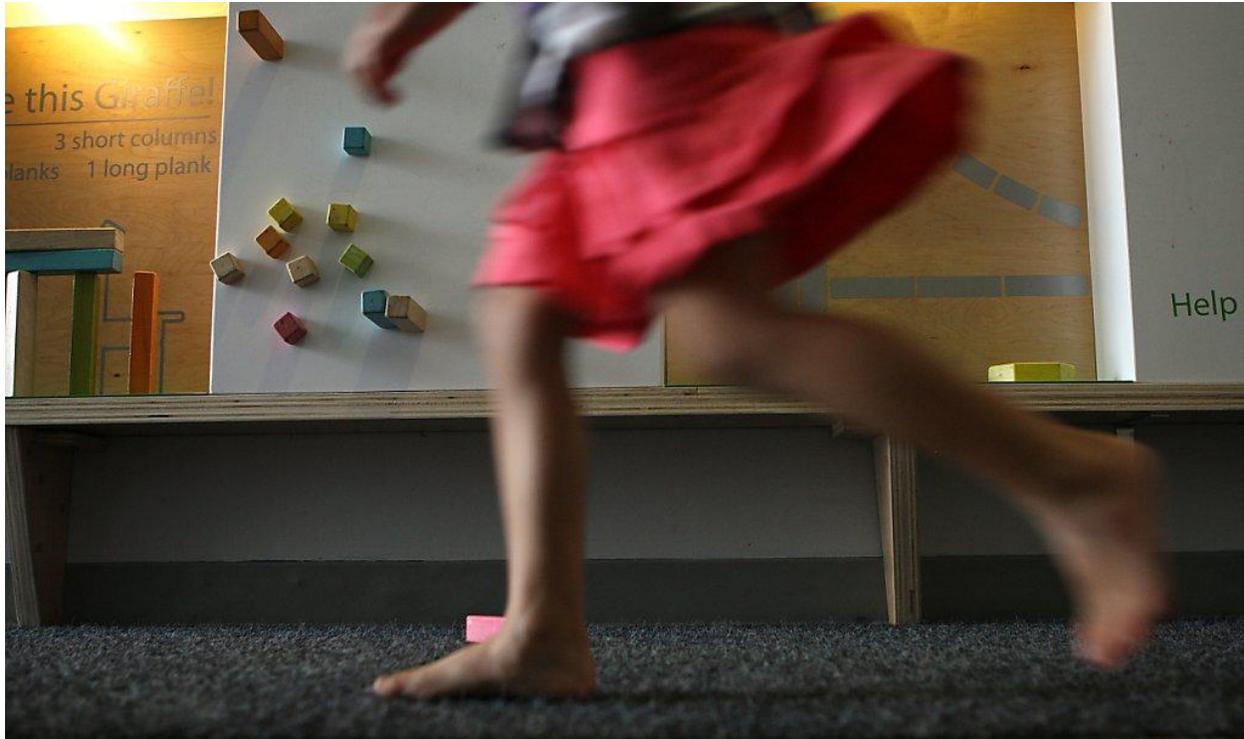
## **Competitive field**

Tegu has its share of competition. The Melissa & Doug brand is widely recognized for its classic toys, such as its wooden puzzles, blocks and trains. Haba, a German toy company, also has made inroads in the United States with its collection of classic European-inspired wooden and plush toys. There are also other magnetic building toys, such as Magna-Tiles, construction toys such as Lincoln Logs and, the biggest juggernaut of them all, Lego.

Still, Tegu's small size can be an advantage, said Stevanne Auerbach, an industry expert known as "Dr. Toy."

"You don't have to be a monster company" to succeed in the toy market, she said. "You have the opportunity to be more innovative as a small company."

That's certainly Tegu's aim, as it looks to expand to schools, other educational spaces, and additional toy stores in the United States and around the globe. And in their wildest dreams, the Haughey brothers imagine Tegu blocks finding a role in another edition of the "Toy Story" films.



### **At the Children's Creativity Museum**

Tegu recently invested \$4,000 in an installation at San Francisco's Creativity Museum. There, children can use about 200 magnetic blocks at a time to build bridges and other structures.

"Children as young as 3 and 5 are exploring the world around them, touching and feeling different materials," said Michael Nobleza, executive director at the Creativity Museum. "Tegu gives them the ability to explore the world through magnets and spatial design and building. It's about learning about the materials and about what they can do with the materials."

*Ellen Lee is a freelance writer. E-mail: [ellen.t.lee@gmail.com](mailto:ellen.t.lee@gmail.com), [business@sfchronicle.com](mailto:business@sfchronicle.com)*