



LEGO (A): The Crisis

What is the challenge of
LEGO in late 2004 ?



Strategic recommendations

- Invest in emerging markets (China, India, Mexico)
- Increase market share in Eastern Europe
- Expand 'direct to customer' activities
- Increase Product Placement in Movies
- Find more complementors & make exclusive agreements
- Expand LEGO Friends segment



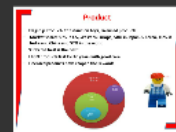
Thank You!

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- 1) Should the LEGO Group fall back to the plastic-brick product lines that defined its past, or should it continue into the new product lines that many considered its future?
- 2) Should the company continue to make most of its own products, or should it shift to a contract manufacturer?
- 3) Why was the Group running out of some products and awash in inventory of others?
- 3) Why had complexity and costs risen so dramatically and made so many products unprofitable?
- 4) Why was Knudstorp struggling to figure out which products were truly unprofitable and which made money?



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LEGO Fun Fact

LEGO bricks
produced in
2012

On average
every
person owns

Laid end to
end...

45.7 86
Billions

LEGO bricks



5.2
Millions/hour



x18

...the number
of LEGO bricks
sold in 2012
would reach
more than 18
times around
the world

87
Thousand/
min.



THE
BEATLES



Toy Industry Trend

- 1) Fad toys rising & product life cycles declining
- 2) More after-school activities and less unscheduled time to play than in the past
- 3) Demand had shifted toward technology (either in a toy itself or in forms of toys)



Market status

- Mattel, the world's leading toymaker by revenue (\$5.1 bil.USD 2004)
- Hasbro, the second largest player (\$3.0 bil.USD)
- The impact of new product introductions muted by rapid imitation and limited protection of intellectual property
- To boost brand presence among consumers, toymakers often licensed characters from media companies.
- Outsourcing for Manufacturing in Asia, New product development, sales and marketing in H.Q.

ECG

62 bpm

Building the LEGO Group (1916-1992)

- 1916, Ole Kirk Kristiansen, a carpenter in the rural Danish village of Billund
- 1932, Wooden Toys and Lego in the Danish "LEg, GOdt" ("Play well")
- 1947, Godtfred found the firm in Denmark to buy a plastic injection-molding machine.
- 1949, Portfolio had grown to 200 plastic and wooden toys.
- 1954, Lack of systematic organization
- 1958, "LEGO system of play"
- 1960, Discontinued wooden toy production
- 1963, Ten principles of "good play" LEGO product characteristics
- 1967, Lego bricks in 218 distinct shapes
- 1977, Godtfred joined in the company's management

LEGO Drives for Growth

- 1) A Strong Culture of Creativity
- 2) The steady introduction of new products and themes based on the brick system.
- 3) The high quality of bricks and the standardized spacing between studs, (resulting in enormous opportunities for creativity.)
- 4) Expanded with larger "DUPLO" bricks for children under 5 years old in 1968 and Technic line for teens in 1977.

By 1980, about 70% of Western European families with children under 14 owned LEGO bricks.

==> Steady organic growth and profitability. By 1992 it was a top global toy manufacturer, 80% of the construction toy market. (according to Advertising Age)

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