

## LEGO – The Issues in the early 2000

In 2014, LEGO showed record results of over 30 Billion Danish Krona. With an impressive operating margin of around 30% before tax, the company is all set of rise high in the coming years. This was clearly not the scene that was appearing in the early 2000s when the firm was almost in the verge of bankruptcy. What happened there? How did the firm manage to turnaround a huge loss of 2.5 Billion Danish krona from 2003 to this stage? Expressing the views below:

- The Leadership was termed “Unsatisfactory” by many. There was little or no growth back in 2001. This could also be attributed to the tough period the toy industry faced. Many innovative ideas such as the “Wrist watches” and other things was scraped
- Attempts to refocus and revitalize the core brand values failed. Those include the “Smart Brick” initiative, the “Beta Mindstorm” techniques and the “Lego Studios” amongst the others.
- The firm, positively looked at a hint of recovery in 2002 with a small profit increase of 822 DKK with a relatively smaller increase of 0.5% in sales. Many promises were made for the brand to rise up again but only until 2003 came.
- 2003 is considered a black year for LEGO. Sales fell by around 30%. Poor marketing & promotion coupled with a shattered supply chain almost set a hell’s ending to the brand. Competitors caught up with the LEGO trends and choked the firm into huge losses. There was also a huge stagnation in the traditional toy market and steep decline in the US toy industry ( in which LEGO was primarily composed of)

## LEGO – Rebranding & Revitalization

The way the brand managed to firmly revitalize itself from 2003 to 2010 is still a huge miracle of success that other firms look upto. There were many reasons as to how the revitalization happened and the following were the main ones:

- The most important part of the change was the change in Leadership. “Jordan Knudstorp” took charge of the firm and he was from McKinsey & Co. Once he joined the firm, he gave 2 important principles that should take control of the situation. They are “Fact finding is the first step to problem solving” & “a good CEO must, see things as they are, not as you wish them to be”
- Innovation & Trend changing launch of new products such as the “Harry Potter”, “The builder, Life on Mars and LEGO Bionicle” series that attracted many customers from different parts. These were launched under the umbrella of “LEGO ‘Light’ project” that allows the firm to respond quickly to the changing market.
- The above mentioned products were promoted clever and seasonally that they become one of the Top 10 most wanted gifts for Christmas 2004. The product line picked up great momentum after media traction.
- The Billund LEGOLAND theme park was a great Brand promoter by itself with high amounts of visibility. The rebranding strategy for the LEGOLAND was placed emotionally coupling with very affordable prices that attracted many customers.



The image on the left shows the rebranding strategy as mentioned in the previous point and the one in the right shows the introduction of the “LEGO BRAND STORES” that contributed to the exclusivity and the increase in the sales. From this point, LEGO was never looked upon as a brand that just sold toys but rather as a brand that was emotionally connecting, innovative and one that helped many kids learn and still have fun using creativity. This helped the brand position itself on a layer of “**Purpose**” over the self-expression. LEGO, later used a diversification strategy where it ventured more into software, learning concepts, Lifestyle products, Books, Magazines and many others to add on.