



The LEGO Case Study 2014

Dimensions of Strategy from
John Ashcroft and Company



experience worth sharing

The LEGO® Case Study



The LEGO Case Study - New for 2014

In 2003 and 2004 LEGO announced losses of over \$400 million dollars on annual sales of just over \$1 billion. The reorganisation plan announced in 2001 had begun to falter. The company was forced to take a hard look at every facet of the operation including costs, overheads, margins, sales, marketing and the product offer.

Non performing assets, including the company's LEGOLAND parks were sold off. A radical plan for recovery and growth was introduced.

Since then company revenues have increased from \$1 billion to \$4.5 billion [2013] and profits have soared to \$1.5 billion before tax. The company's share of the world toy market has doubled from 2% in 2004 to over 5% in 2012. LEGO has overtaken HASBRO as the second largest toy manufacturer in the world.

How did LEGO achieve this sensational turnaround? We apply our Corporate Strategy framework to help explain how and why. Comparisons with The Apple Case Study abound! It's revealing! Update by John Ashcroft, John Ashcroft and Company from the Dimensions of Strategy series.

About the Author

John Ashcroft is an economist and expert in Corporate Strategy. The LEGO case study was developed in 2014 following the success of the Apple Case study. An extract from the Apple case study was published in the ninth edition of Johnson, Whittington, Scholes - Exploring Strategy 2011, considered by many to be the "bible" of corporate strategy texts. The Apple Case Study was the second most highly rated case study in the Exploring Strategy text book.

Author of The Saturday Economist, John publishes weekly updates and insights into headline economics news. Other web sites include The Saturday Economist, Dimensions of Strategy, The Apple Case Study, Social Media Experts and the host site John Ashcroft and Company.

The textbook "Dimensions of Strategy" will be published in the Autumn of 2014. Check out the web site www.thelegocasestudy.com.

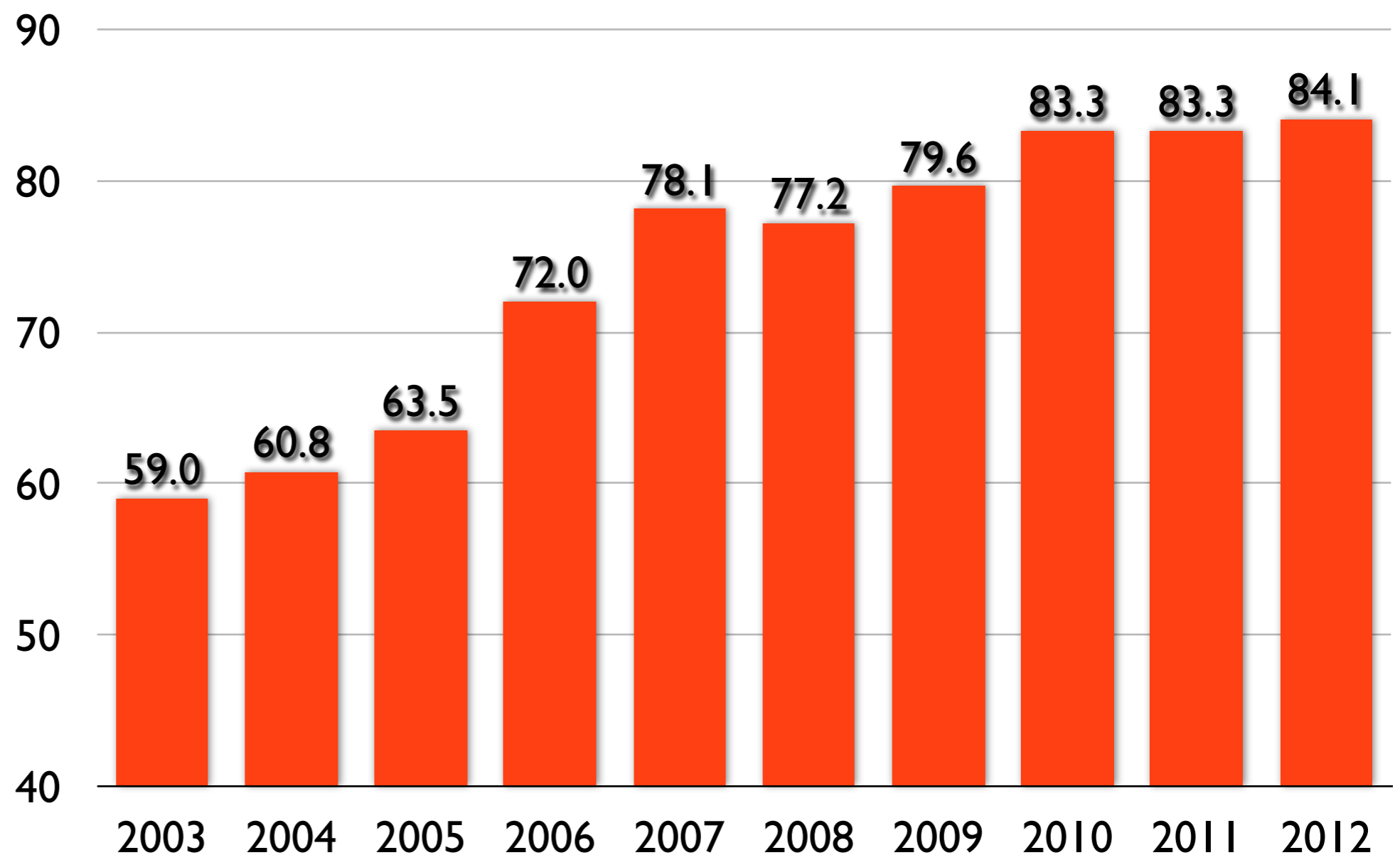


The **LEGO** Case Study



World Toy Market

\$ Billions



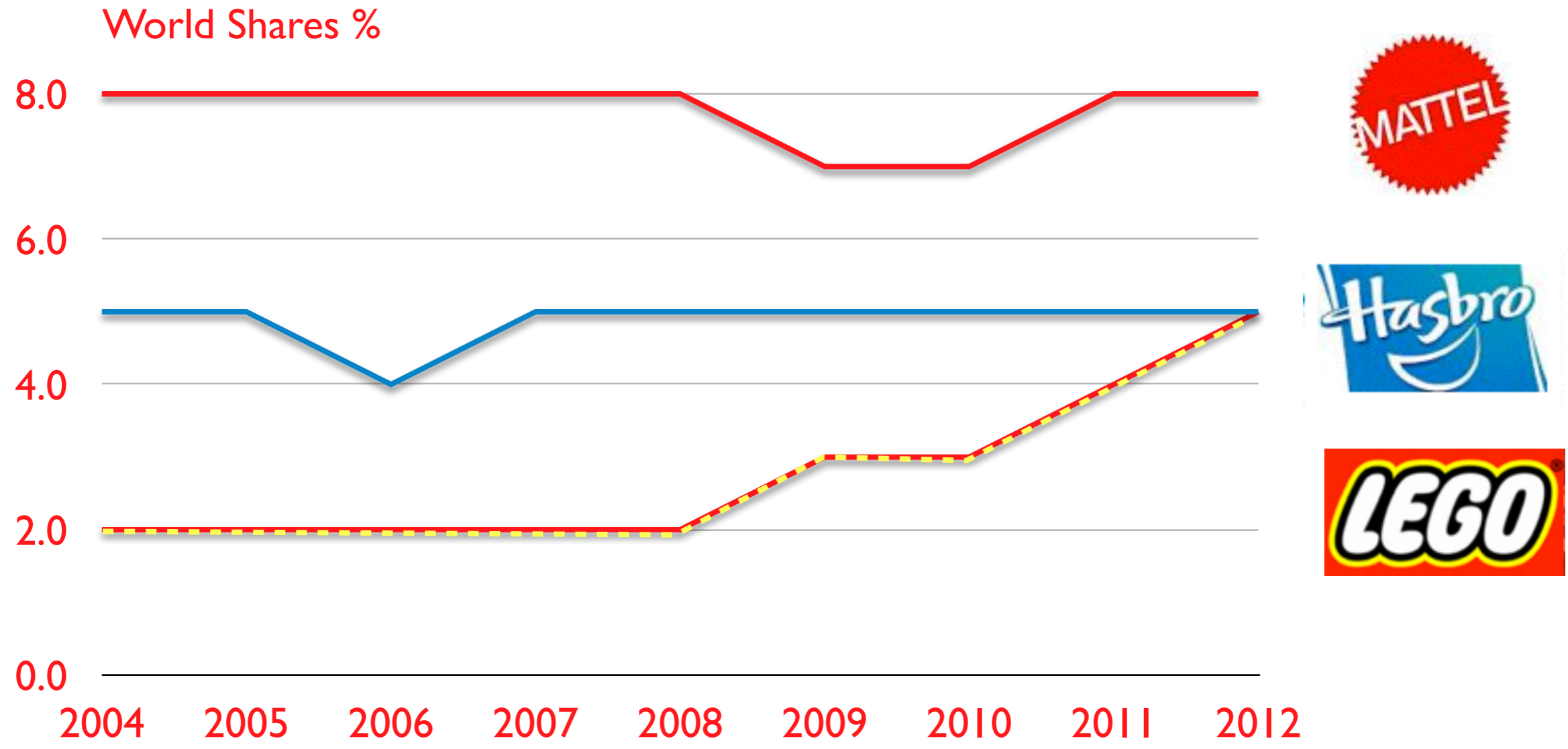
Data Source

Toy Industry Association, Inc.
2013

The
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 Case Study



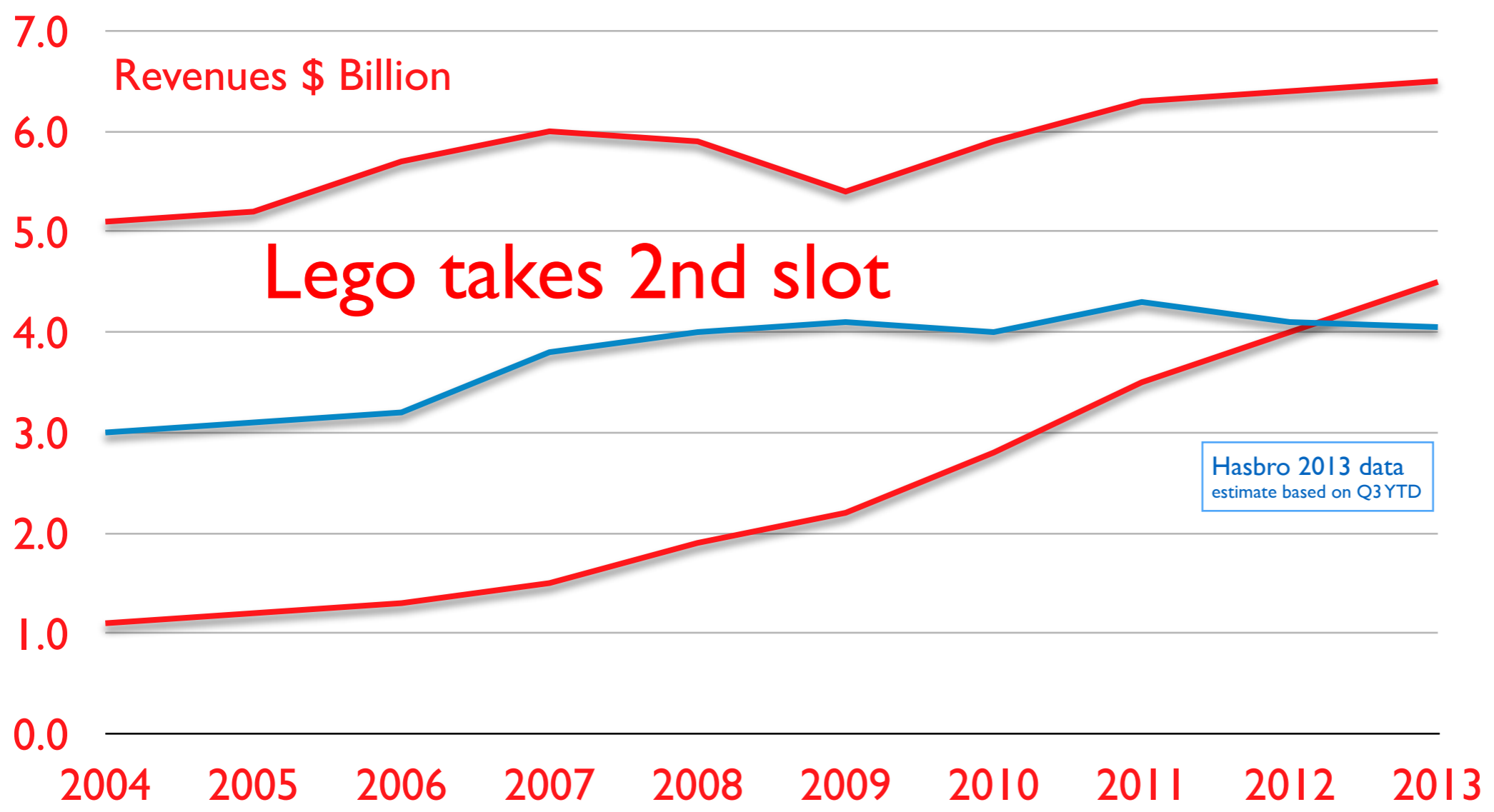
World Toy Market
 World shares of revenue



The LEGO Case Study



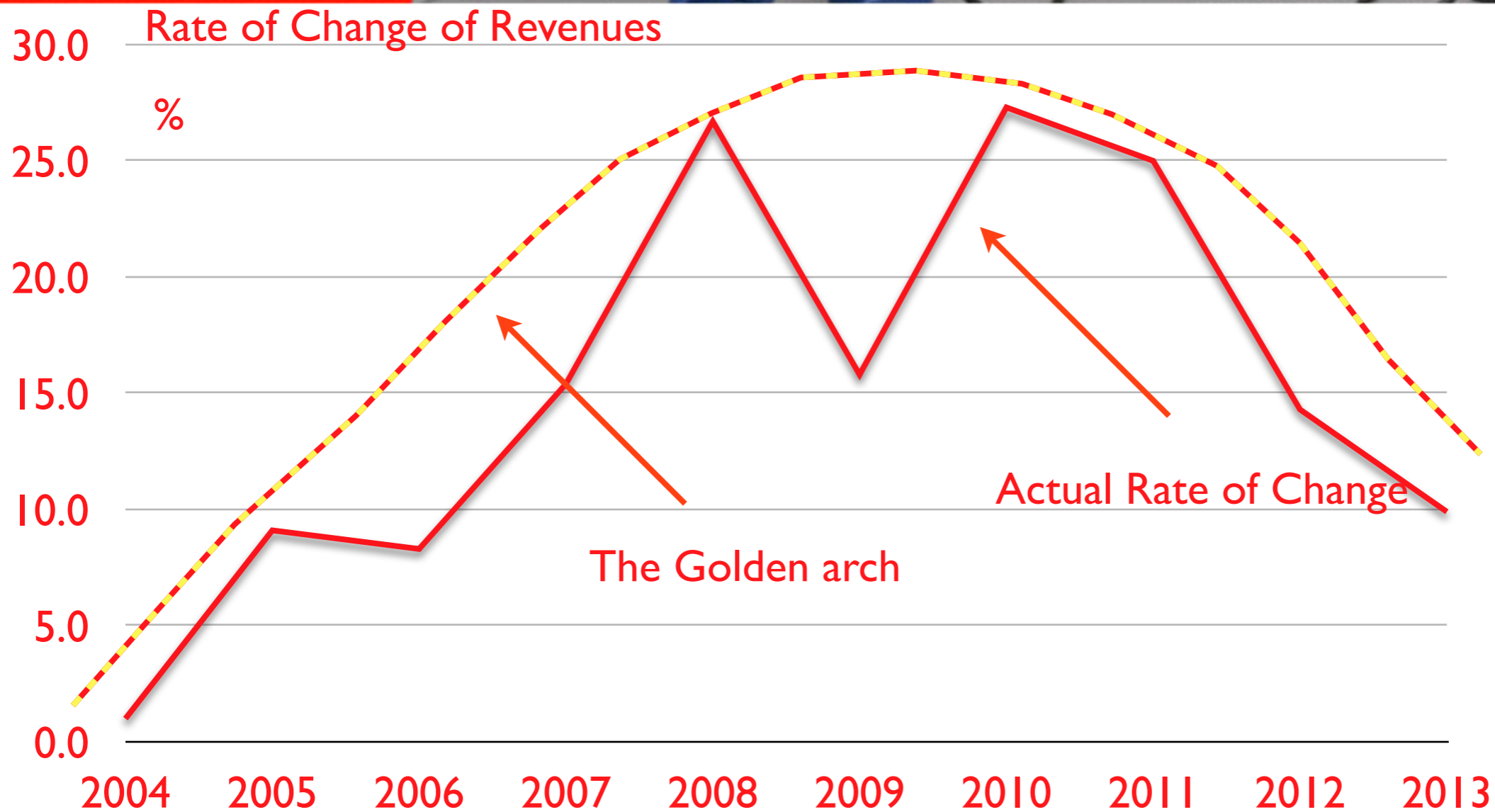
World Toy Market Revenues \$ Billion



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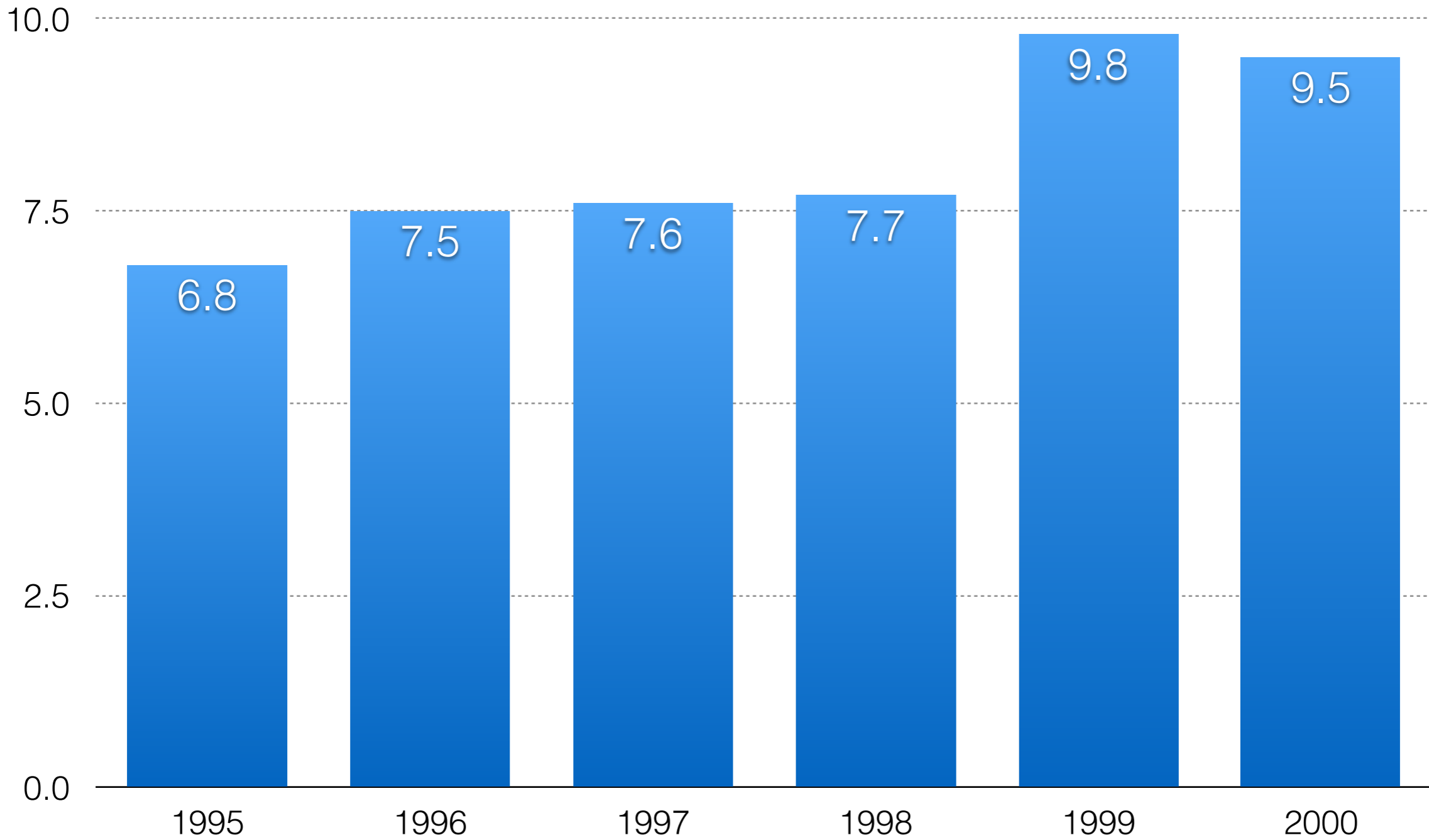


LEGO - The Golden Arch





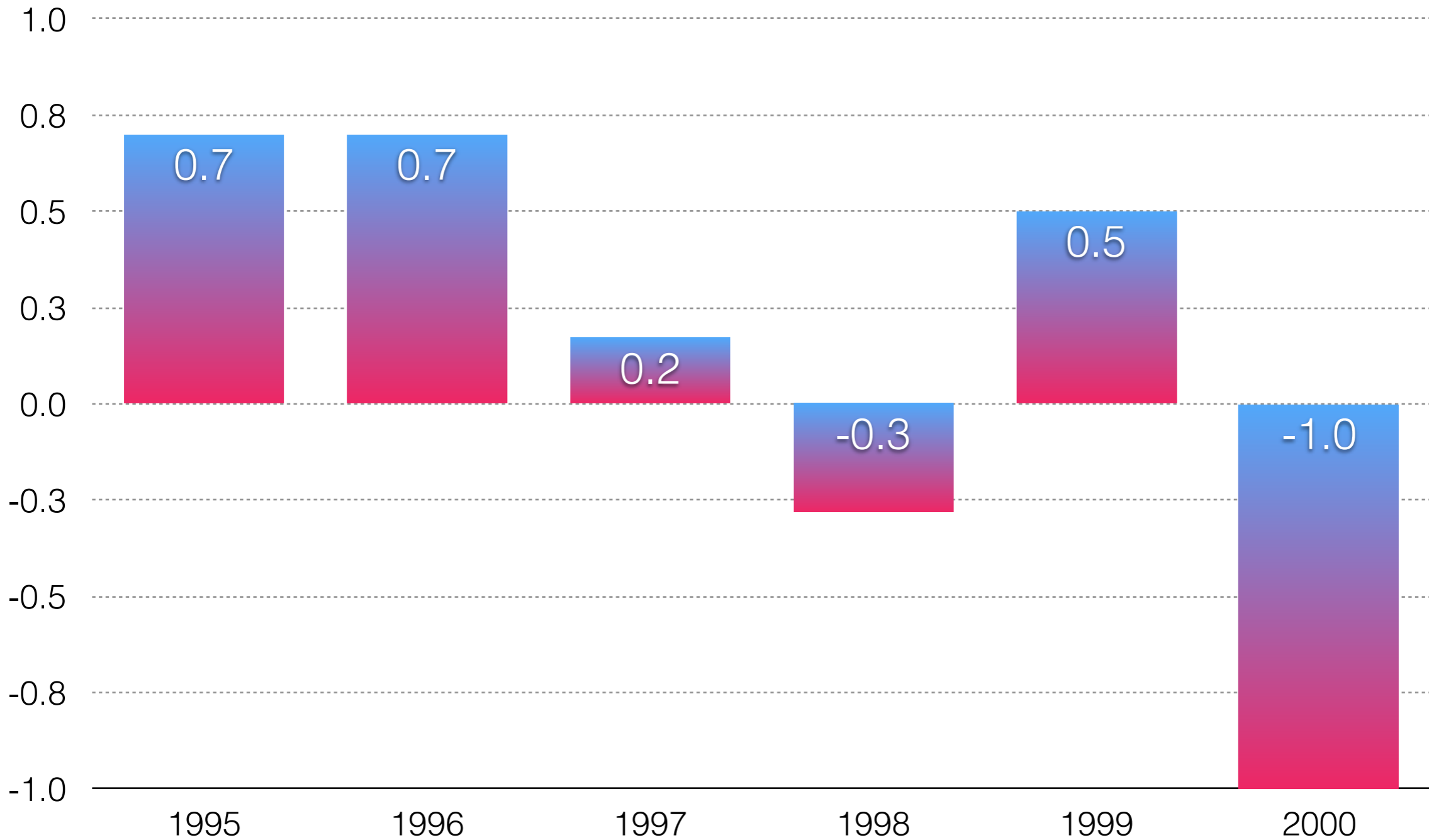
Sales Revenues 1995 - 2000



Danish Krona Billions data from 2000 Financial Report



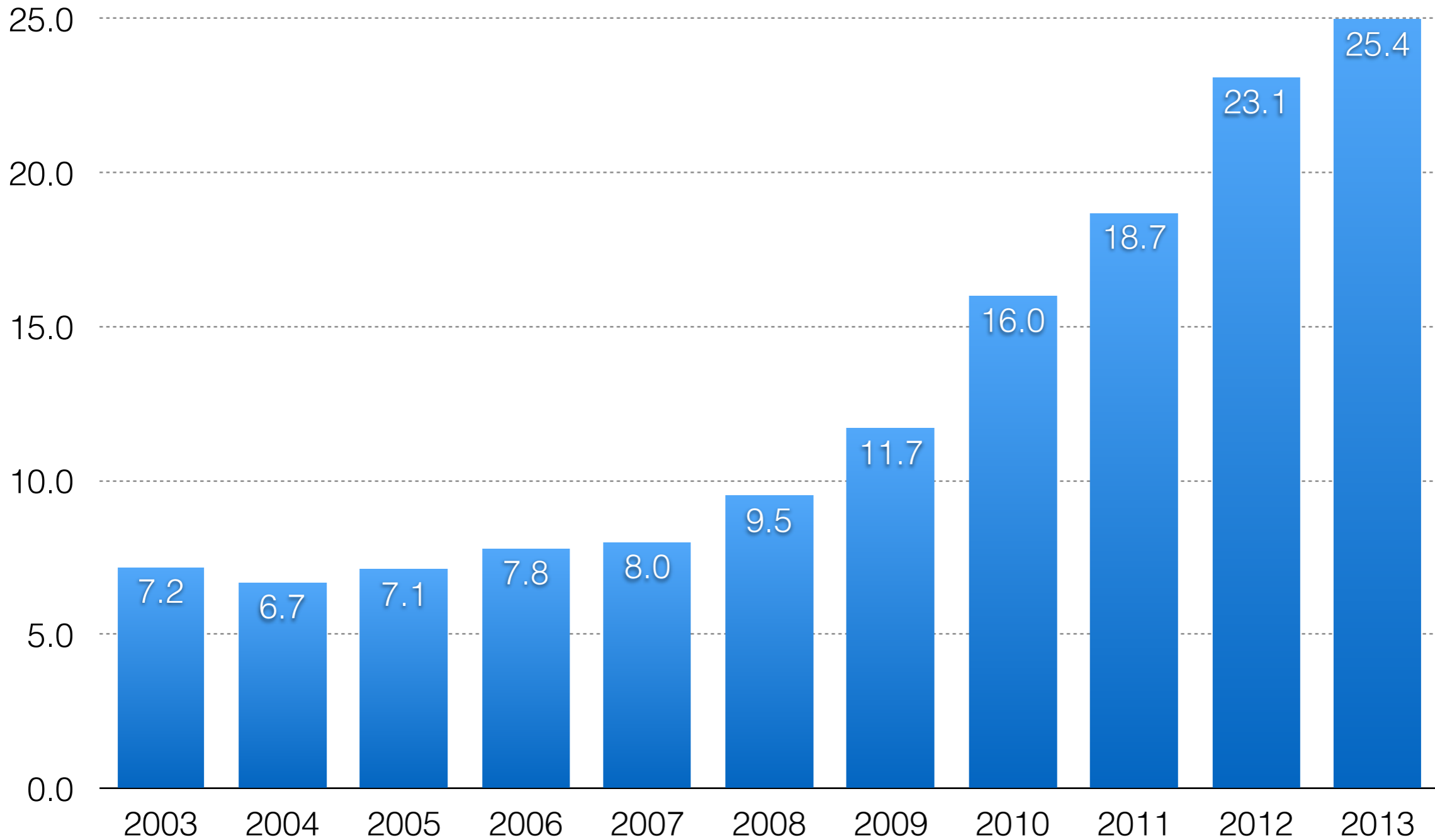
Profit before tax 1995 - 2000



Danish Krona Billions data from 2000 Financial Report



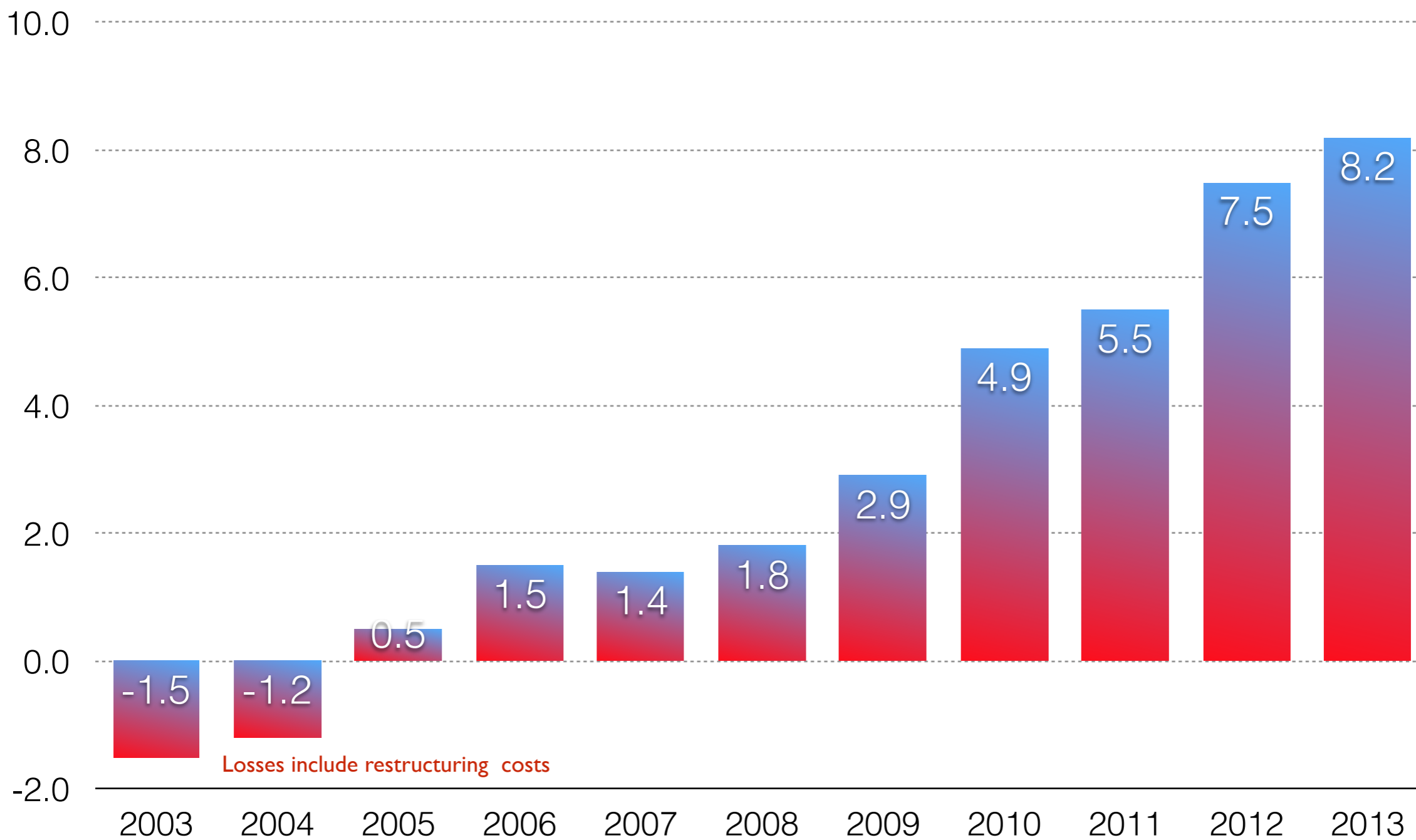
Sales Revenues 1993 - 2013



Danish Krona Billions data from Financial Reports



Profit before tax 1993 - 2013

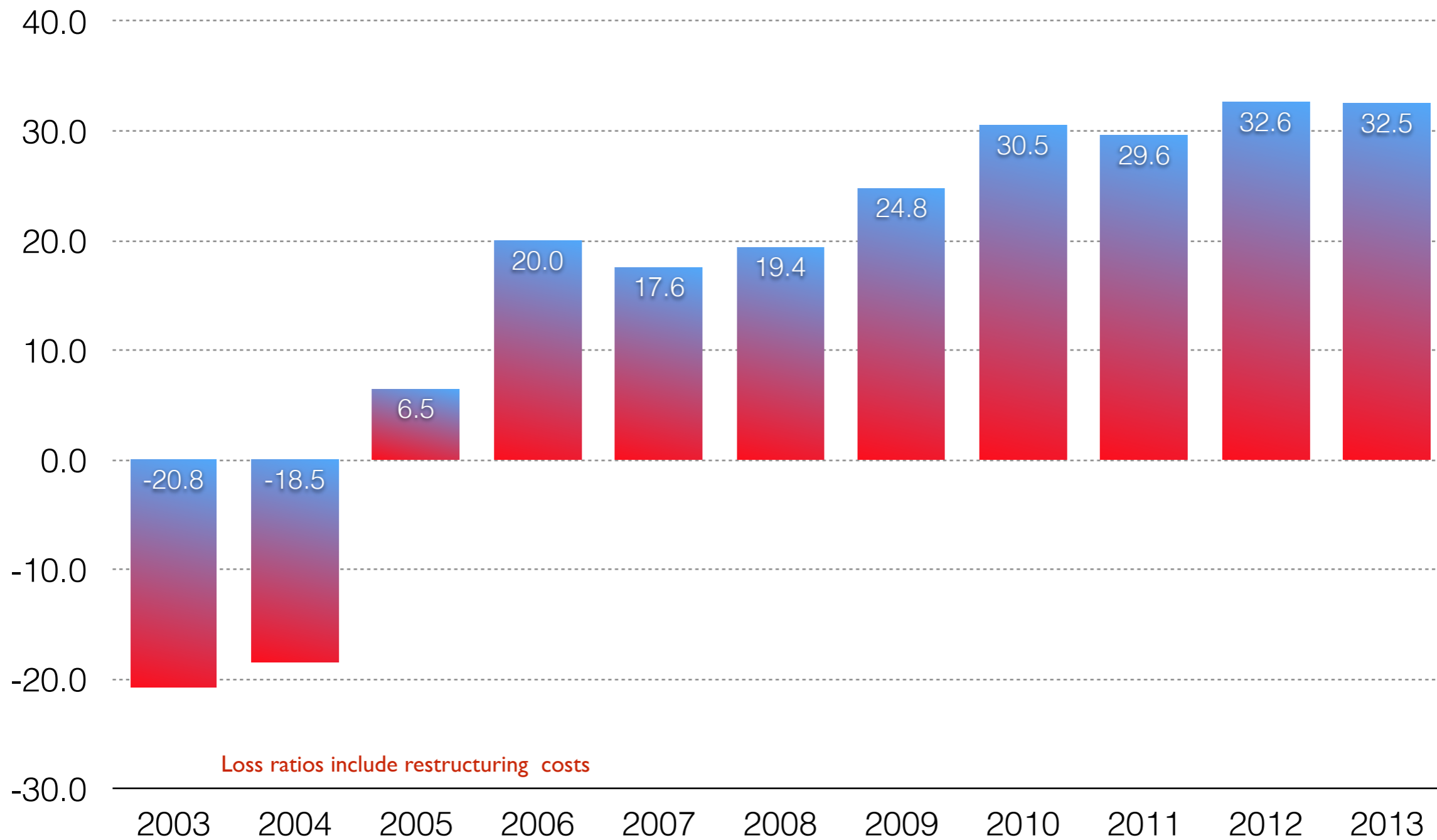


Losses include restructuring costs

Danish Krona Billions data from Financial Reports



Return on Sales %

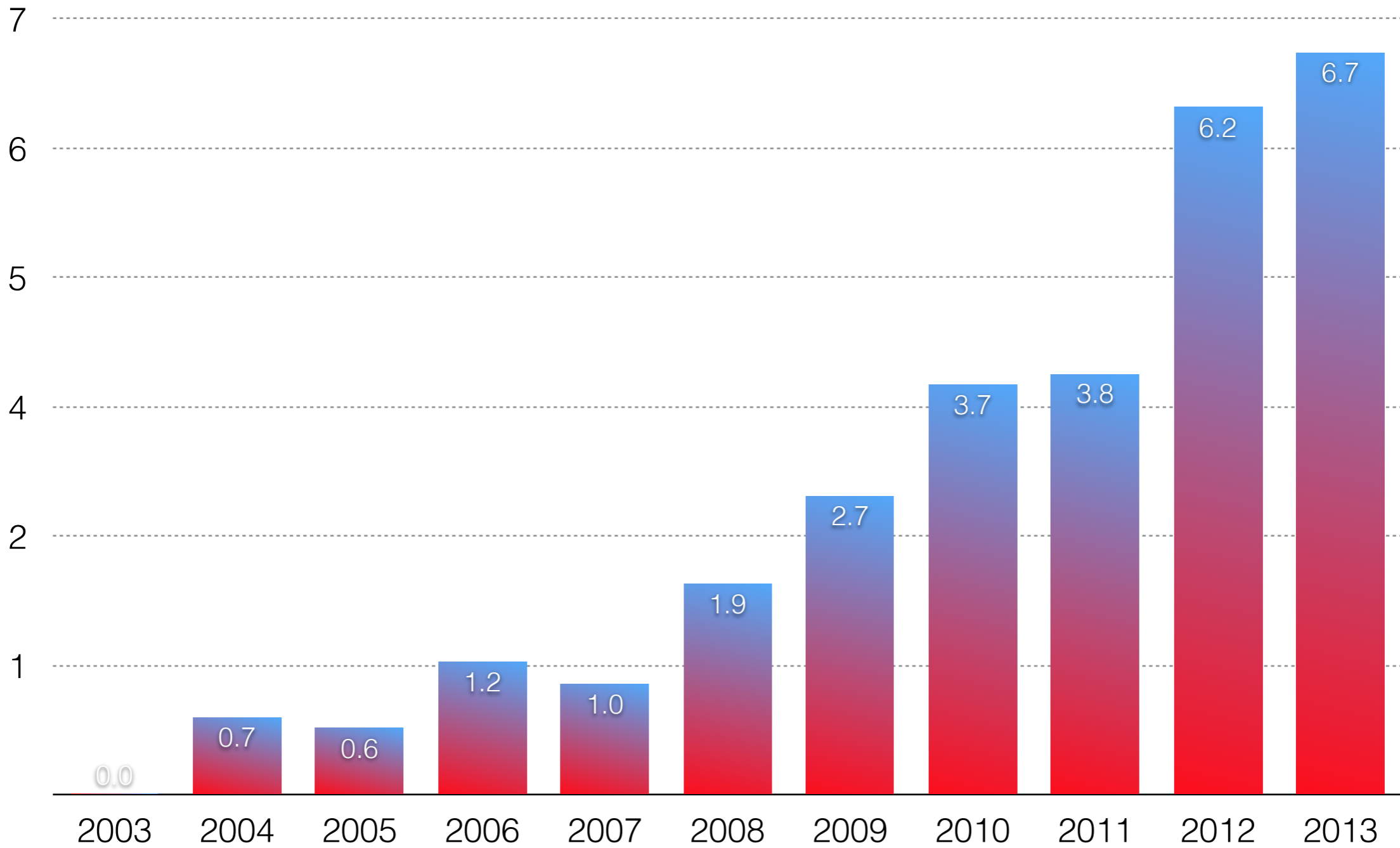


Loss ratios include restructuring costs

Data derived from Financial Reports



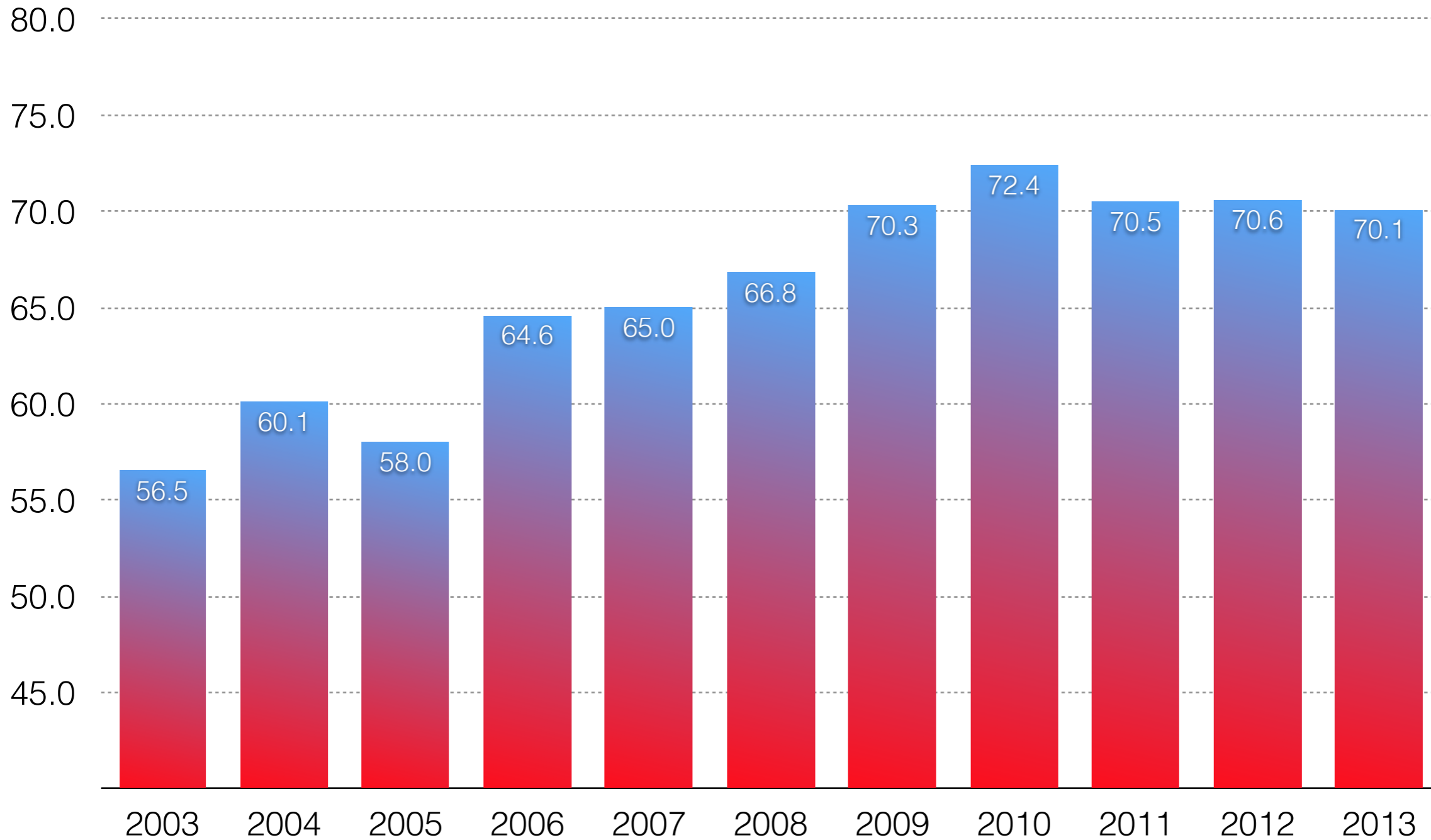
Cash Flow



Danish Krona Billions data from Financial Reports



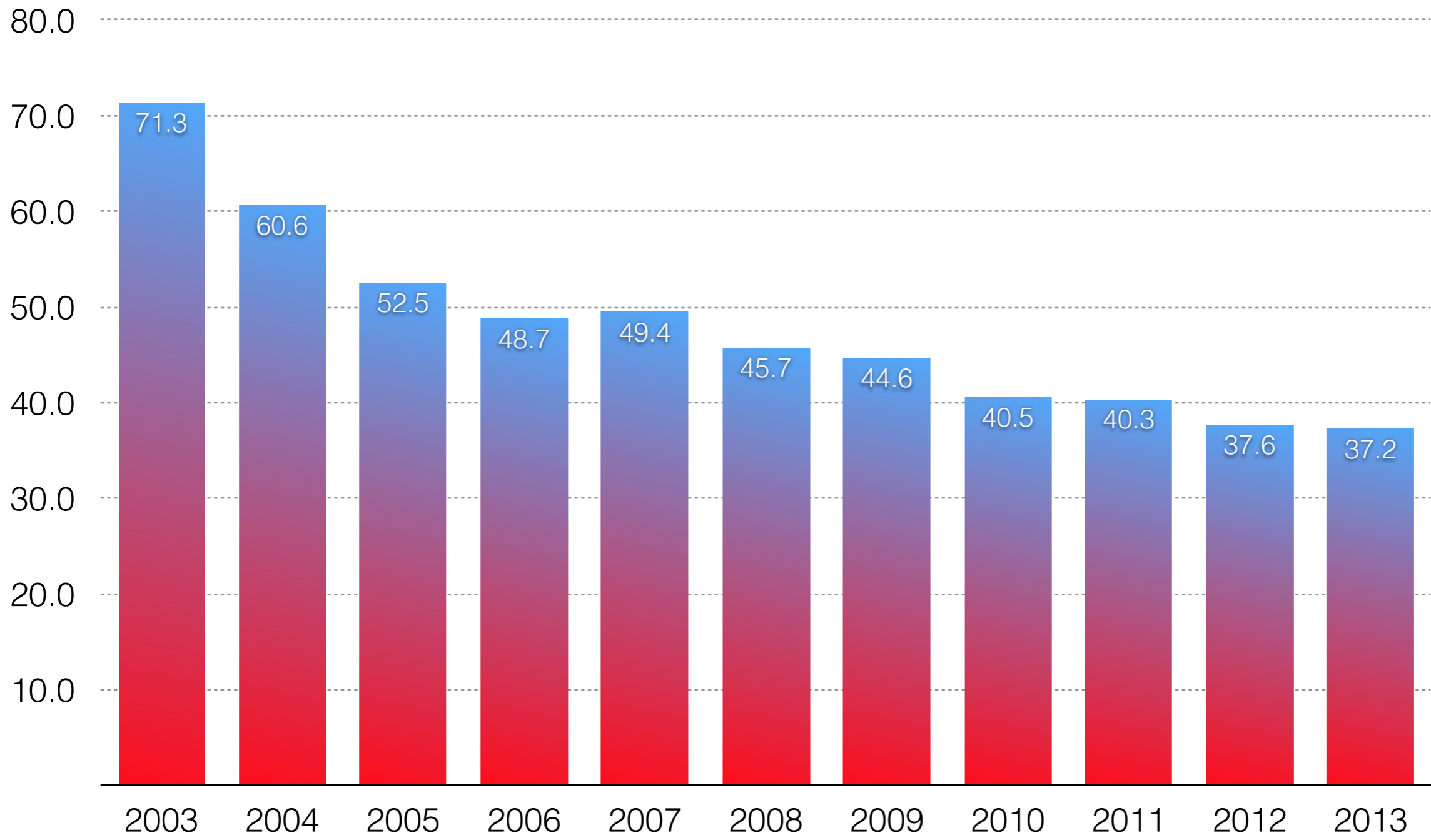
Gross Margin %



Data derived from Financial Reports



Overhead Ratio %

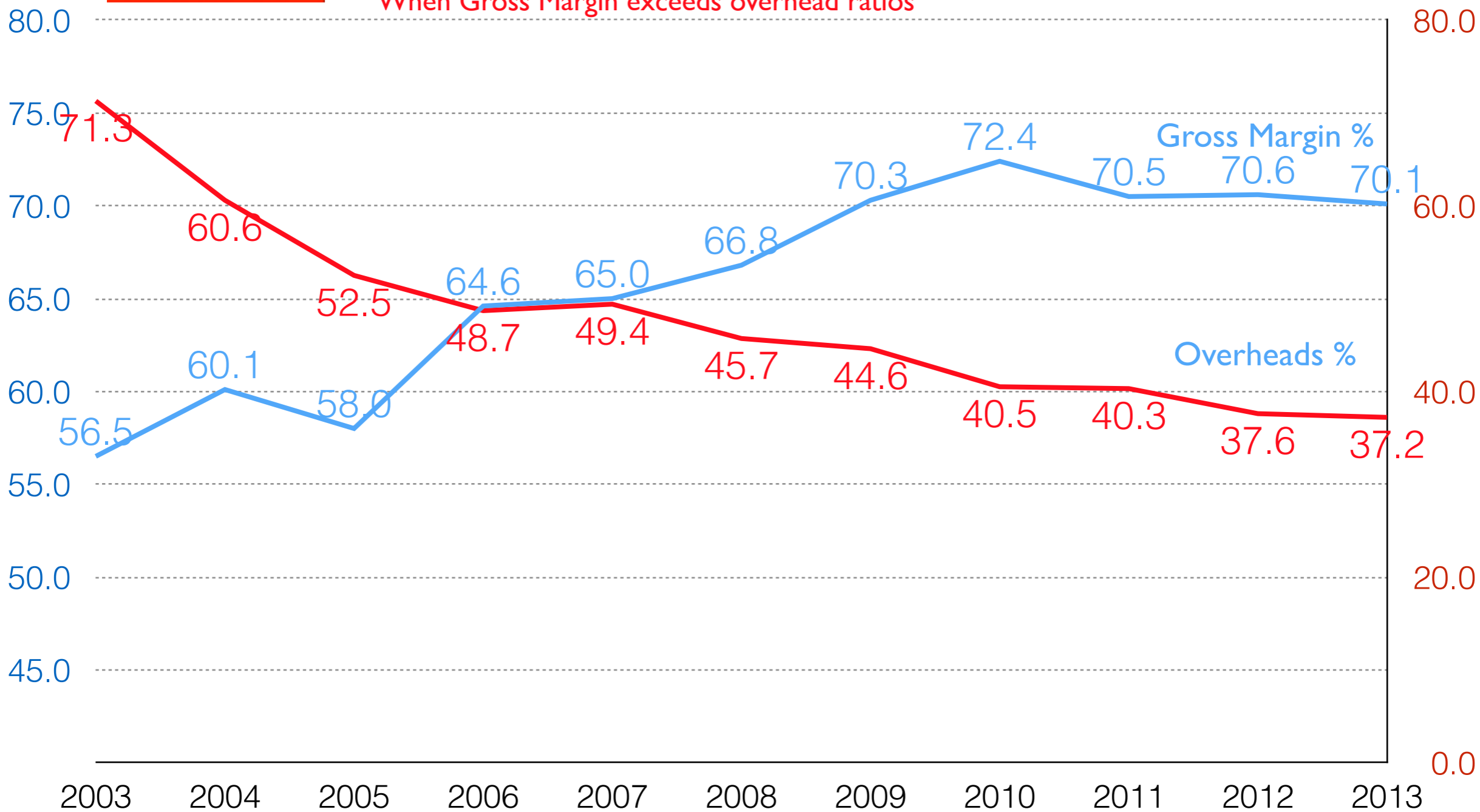


Data derived from Financial Reports



The Golden Cross

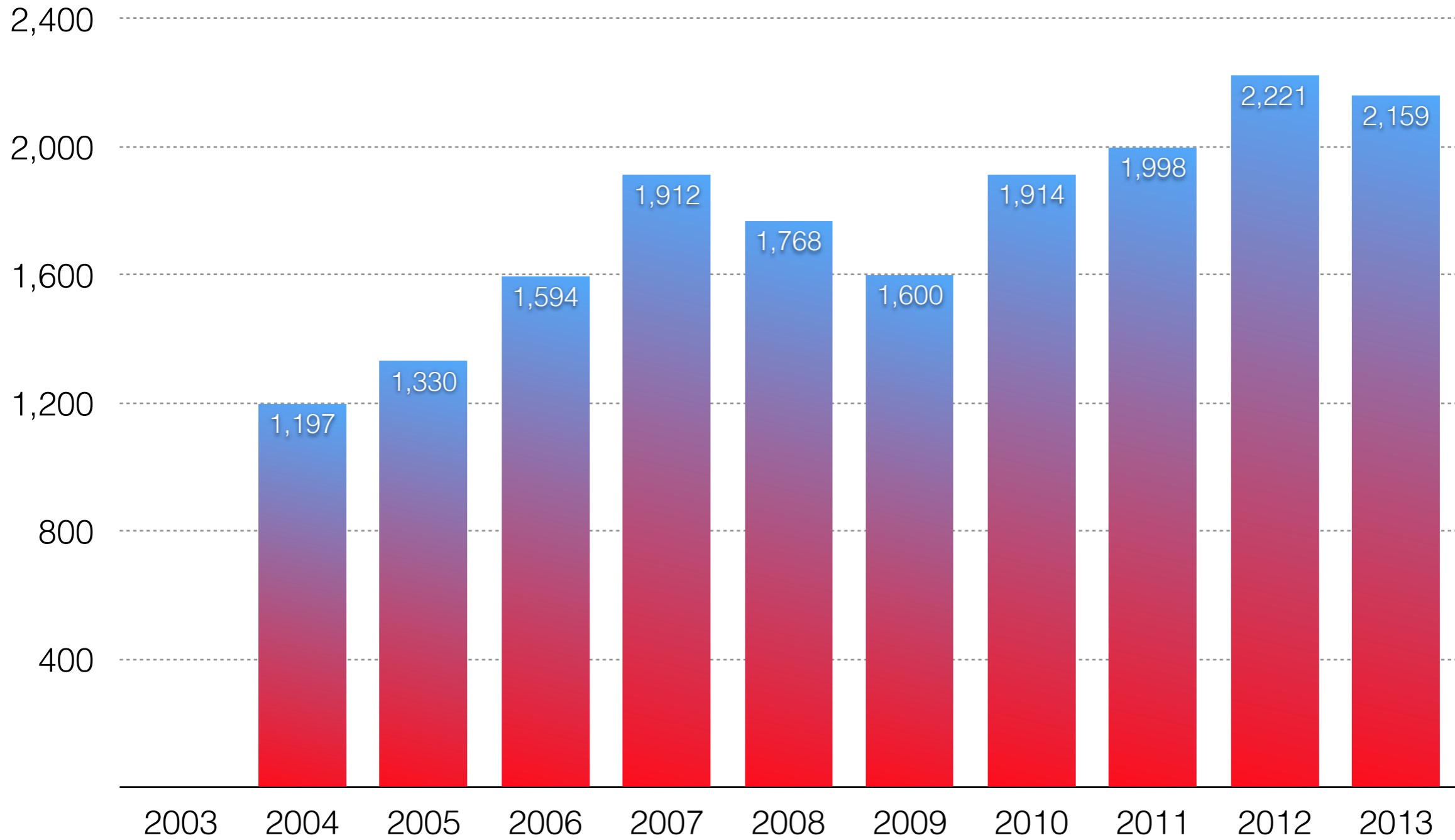
“When Gross Margin exceeds overhead ratios”



Data derived from Financial Reports



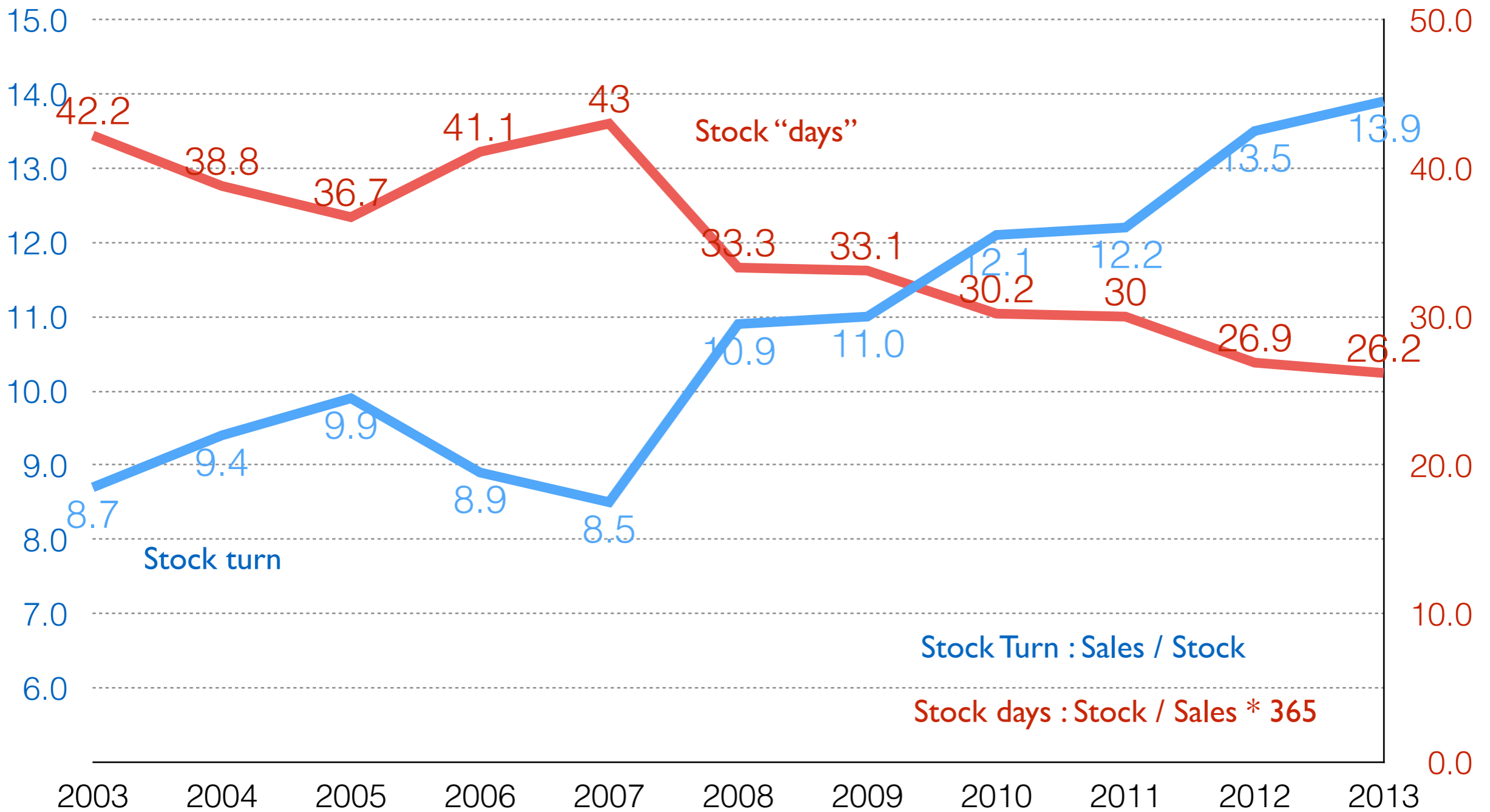
Sales per employee



Danish Krona Millions data from Financial Reports



Working Capital Ratios : Stock

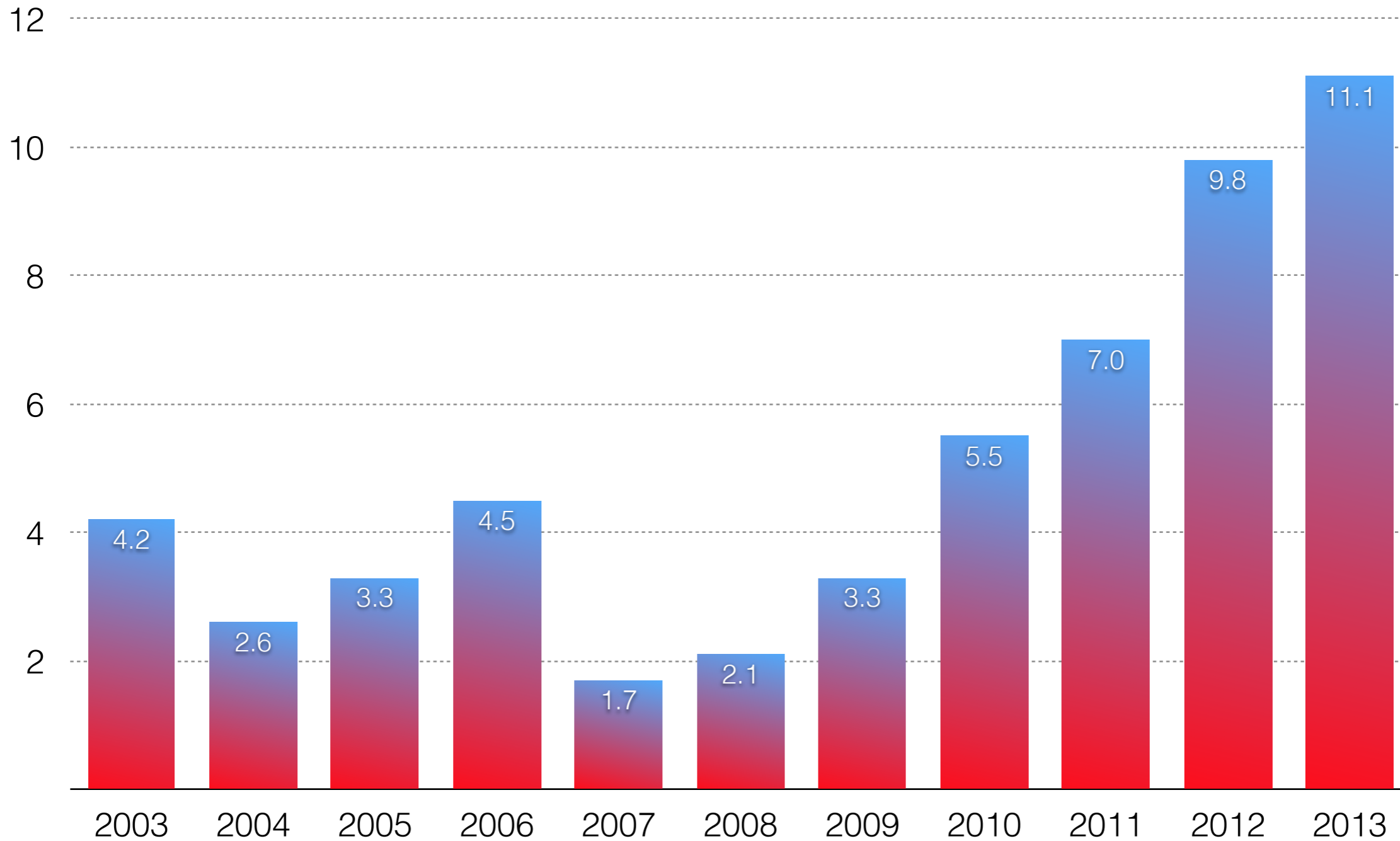


Data derived from Financial Reports



Shareholders Funds

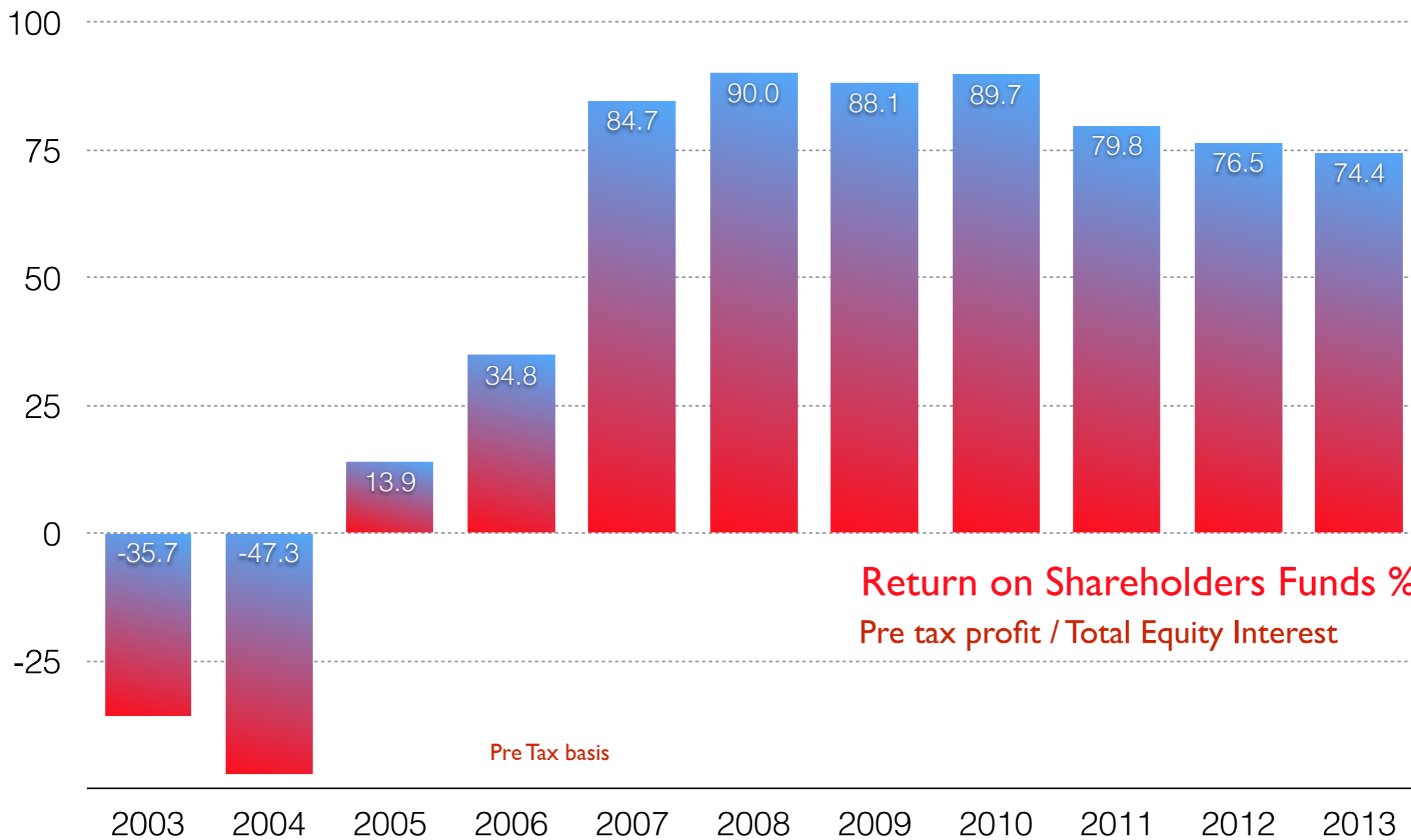
LEG total equity interest



Danish Krona Billions data from Financial Reports



Return on Shareholders Funds



Return on Shareholders Funds %
Pre tax profit / Total Equity Interest

Pre Tax basis

Data derived from Financial Reports



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