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 LEGO Case Study

World Toy Market

$ Billions

Data Source
Toy Industry Association, Inc.
2013
World Toy Market
Revenues $ Billion

Lego takes 2nd slot

Hasbro 2013 data estimate based on Q3 YTD
LEG0 - The Golden Arch

Rate of Change of Revenues

% 

Actual Rate of Change

The Golden arch

The LEGO case study from Dimensions of Strategy: John Ashcroft and Company 2014
Sales Revenues 1995 - 2000

Danish Krona Billions data from 2000 Financial Report

- 1995: 6.8
- 1996: 7.5
- 1997: 7.6
- 1998: 7.7
- 1999: 9.8
- 2000: 9.5

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Profit before tax 1995 - 2000

Danish Krona Billions data from 2000 Financial Report
Sales Revenues 1993 - 2013

Danish Krona Billions data from Financial Reports

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Profit before tax 1993 - 2013

Danish Krona Billions data from Financial Reports

Losses include restructuring costs

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Return on Sales %

Data derived from Financial Reports

Loss ratios include restructuring costs
Cash Flow

Danish Krona Billions data from Financial Reports

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Gross Margin %

Data derived from Financial Reports
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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

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Working Capital Ratios: Stock

Stock Turn: Sales / Stock

Stock Days: Stock / Sales * 365

Data derived from Financial Reports

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Shareholders Funds

LEG total equity interest

Danish Krona Billions data from Financial Reports

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Return on Shareholders Funds

The LEGO case study from Dimensions of Strategy: John Ashcroft and Company 2014

Data derived from Financial Reports