Business Plan

Written by DENNIS BECKER

IMAGE: brickartist.com

SCULPTURE: Courage Within by Nathan Sawaya
Contents

2 Contents
3 Executive Summary
4 Company Profile
9 Products
10 Industry Analysis
14 Market Segmentation
17 Competitor Analysis
18 Marketing Plan
19 Operations Plan
22 Risk Management
24 Financial Plan
26 Appendices
40 References
EXECUTIVE SUMMARY

The Problem
When hearing the name LEGO®, most people think of construction toys for children. What most people do not know is that there is a global community of adult hobby builders and collectors, calling themselves Adult Fans of LEGO (AFOLs). While the collectors among them are interested in obtaining official LEGO sets, the builders often require large quantities of distinct LEGO bricks for their building projects. Their main problem is the discontinuation of LEGO sets and parts going out of production, as the LEGO Group replaces their own product lines. Out of 53,000 LEGO parts ever produced, only 3,000 are currently still in production and only 1,500 can be purchased in LEGO’s own Pick A Brick Shop. LEGO fans interested in parts and sets that are not obtainable over the distribution network of the LEGO Group thus have to rely on other supply sources.

The Business
44 Bricks addresses this problem by providing LEGO fans around the world with high-quality used and new LEGO sets and parts at best conditions via online stores [...]. The underlying business model is to capitalize on arbitrage opportunities caused by price differences between [...] for LEGO products on different online marketplaces. The core idea is to purchase undervalued LEGO products, [...] and to resell these products to LEGO hobbyists and collectors at current collectors value. 44 Bricks is a German limited liability company that was initially started from one box of used LEGO. The two-man company is owned and managed by Richard Müller and Dennis Becker, two young and authentic AFOLpreneurs with backgrounds in economics and business administration and previous e-commerce experience. [...]
**Mission Statement**

We provide LEGO fans around the world with high-quality used and new LEGO sets and parts at best conditions via our online stores. It is our aim to establish trust-based long-term relationships with our customers through very high quality standards for our products, a fast shipping and fulfilment policy and exceptional customer service. 44 Bricks combines the professionalism of a trustworthy and reliable company with the “Love for the Brick” of two young and authentic AFOLpreneurs.

**Vision Statement**

The vision of 44 Bricks is to become the largest supplier of LEGO products in the vintage and second-hand market. We will be the largest online supply sources for LEGO products that are not available via the distribution network of the LEGO Group. Our internal core values are quality awareness, thoroughness and customer orientation. We believe in a fun and open working environment where everyone shares a common vision for the company and a passion for the product.

**Business Idea**

The underlying business model is to capitalize on arbitrage opportunities caused by price differences for LEGO products on different online marketplaces. The core idea is to purchase undervalued LEGO products, [...] and to resell these products to LEGO hobbyists and collectors at current collectors value.

The company’s revenue model consists of three major revenue streams:

1. [...]  
2. [...]  
3. [...]  

Additionally, [...] are used to rapidly generate liquidity in case of cash flow shortages.
Most of our offers are fixed price offers. [...] and all orders are paid in advance. We accept payments in EUR and USD, via PayPal, bank transfer/IBAN or Skrill (Moneybookers).

See Appendix A for a complete Business Model Canvas of 44 Bricks.

History
In 2010, co-founder and CEO Richard Müller started to develop the business from a box of his old LEGO. Looking for ways to sell it, he discovered arbitrage opportunities for LEGO products on different online marketplaces. After testing different products and strategies, the business model developed into [...]. By reinvesting the returns, his inventory quickly multiplied until a storeroom-based sole proprietorship had reached its limits.

44 Bricks was founded on February 16th 2011 as a German limited liability company with € 5,000 equity. The inventory of Richard Müller was transferred into the company at purchase price. In April 2011, 44 Bricks rented a separate front office and a production facility with [...] of production and storage space in Dresden, Germany. Sales were commenced on May 15th 2011, with online shops on [...].

Ownership
The private owners Dennis Becker and Richard Müller each hold 50% of the company’s shares and are appointed as CEOs with sole representation rights.

Selling the company or any other exit strategy is not intended in the near future.

### 44 Bricks Ownership as of 12/2011

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Number of Shares</th>
<th>Percentage of Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dennis Becker</td>
<td>CEO</td>
<td>2,500</td>
<td>50%</td>
</tr>
<tr>
<td>Richard Müller</td>
<td>CEO</td>
<td>2,500</td>
<td>50%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>5,000</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
Current Status

44 Bricks is a two-man start-up company and the management team still performs all processes along the value chain apart from bookkeeping, payroll accounting and the preparation of financial statements.

In 2011, we successfully entered the AFOL market with our store on [...]. Holding a market share of approximately [...], 44 Bricks is now permanently established among the [...] stores in terms of monthly sales. Most importantly, we were able to develop long-term customer relationships with a fast growing loyal customer base:

- My Favourite Store listings: [...]
- Customer Retention Rate: [...]
- Feedback Score: [...]

With our store on [...] we gained valuable experience within the parents segment, especially during the Christmas season 2011. Based on the gathered information on consumer behaviour and consumption patterns, we developed a detailed supply plan in preparation for the Christmas season 2012.

Due to initial seller limits, sales on [...] were comparably low during 2011. Now that these limits are lifted, the importance of the 44 Bricks [...] Shop as a revenue stream will increase rapidly. The year 2012 will be used to experiment and gain more experience in this marketplace.

See Appendix B for a SWOT analysis of our current internal and external situation.
Growth Strategy

[...]

Goals & Objectives

Short-Term

[...]

Long-Term

[...]

Ambitions

[...]

7 44 Bricks – Business Plan
Critical Success Factors
There are three critical success factors determined by key resources and competences, the combination of which gives 44 Bricks a sustainable competitive advantage over the competition:

[...]
PRODUCTS

44 Bricks offers a vast range of over 5,000 different LEGO parts and more than 100 LEGO sets in new and used condition.

LEGO Parts
All parts are 100% original LEGO products. New parts are extracted from the original box and then sorted directly into the inventory system. Used parts are washed and undergo a thorough quality check before being added to the inventory.

LEGO Sets
We offer sets in all different conditions. We differentiate between new sets (parts are still sealed in original plastic bags), and used sets (all other sets). Since the condition of the box is a price-determining factor, we also distinguish between MISB sets (new in sealed box), and new sets in opened original box.

See Appendix C for an overview of our 2011 bestsellers by market segment.

Uniqueness
Due to the standardization of LEGO products, we do not offer unique products. However, we address the marketplace needs of two different segments. […]

Quality Standards
Compared to other […] shops, our quality standards for used parts are very high. Unless stated otherwise in the product description, we claim that all used items are “as good as new”. All items that do not live up to these standards are either disclosed as such, […].

See Appendix D for a detailed description of our production process.

Pricing
[...]

After-Sales
As most of our products are second-hand products and LEGO is very sturdy, we have no warranty on our products. However, as a second-hand seller, we apply a generous refund policy. We offer a high level of after-sales services, starting with fast, safe and cheap worldwide shipping. Intending to build up long-term customer relationships, we devote a lot of time and effort towards best possible customer support and follow-up communication via e-mail in five languages.
INDUSTRY ANALYSIS

The Global Toy Market

Market Size
The global toy market generated sales of USD 83.3 billion in 2010, which was an increase of almost 5% compared to 2009.¹

Leading Markets & Growth Markets
Approximately 50% of global toy sales are generated in the Top 5 toy-consuming countries: USA, Japan, China, UK and France. The high growth in 2010 was primarily spawned in the emerging markets (Brasil, Russia, India and China) with average growth rates of 13%. The entire Asian market was able to increase sales by 9.2% compared to 2009.²

Future Outlook
The NPD Group forecasts further, but less rapid growth in Asia and the emerging markets, continuous growth in the US and a slight decrease in sales on the European market. Regardless of the on-going financial crisis, overall prospects for the global toy market are promising with further growth expected.³

Market Segments
The toy industry comprises two markets, the traditional toys market and the fast growing interactive games market, which were estimated to be equally large in terms of sales in 2008. Further growth is expected in both markets.\(^1\)

Market Drivers
Primary drivers for toy sales are a large population of children (end-users) and consistent economic growth as an indicator for the purchasing power of their parents (customers).\(^2\)

National Differences
Based on a study of the NPD Group, there are nearly no correlations between the best-selling toys, trends and fads in the world’s leading markets, which indicates heterogeneity of consumer preferences between national markets.\(^3\)

Regulations
Especially in Europe, the toy industry is heavily regulated by national toy safety regulations and international directives, which mainly address design and safety testing requirements for toys. Since July 2011, European retailers and importers are obliged to check that their products are marked according to the EU Toy Safety Directive. Furthermore, the requirements for providing age-related warning notices were elevated.

The LEGO Group
[...]

History
The Danish family-owned company started in 1932 with the production of wooden toys. LEGO System was launched in 1955, followed by release of the famous LEGO Brick in 1958, which marks the beginning of the LEGO coupling system that ensures the compatibility and timelessness of LEGO bricks until today. Starting in 1979, LEGO product lines were developed around different play themes, such as Castle, Town, Space, and Pirates. Since 1999, the LEGO Group entered several license agreements for movie-related play themes, such as Harry Potter\(^{™}\), Batman\(^{™}\), SpongeBob\(^{™}\), and the currently most collected play theme, LEGO Star Wars\(^{™}\).\(^4\)

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\(^4\) The LEGO Group Company Profile, LEGO Group, retrieved from http://aboutus.lego.com/de-de/news-room/media-assets-library/documents/ on March 5, 2012
Financial Performance
Between 1998 and 2004, LEGO almost went bankrupt with reported losses of DKK 1.1 billion (2003) and DKK 1.9 billion (2004). In the following years, the LEGO Group was completely restructured and recovered quickly with five consecutive years of increased sales and profit figures. The financial year 2010 was concluded with net revenues of DKK 16 billion (+37% compared to 2009) and a net profit of DKK 3.7 billion. According to own statements, the LEGO Group is currently the third largest toy manufacturer in the world with a market share of around 7%.\(^8\)

Market Leaders 2011
1. Mattel – 16%
2. Hasbro – 11%
3. LEGO Group – 7%
4. Bandai-Namco – 4%
5. TOMY Takara – 3%

Source: LEGO Group

Future Outlook & Growth Markets
The LEGO Group expects stagnation on the European traditional toys market and minor growth in the rest of the world. Sales are expected to increase further, however at lower rates compared to the previous years. The LEGO Group has identified the USA, GB, Russia and Eastern Europe as special growth markets.\(^9\)


Distribution
LEGO is distributed in over 130 countries. Most sales are generated through indirect distribution channels, via wholesalers, retailers and online retailers. Additionally, LEGO has direct distribution channels with LEGO stores in the USA (55), Germany (9), UK (7), Canada (3) and Denmark (1). Until 2004, LEGO followed a two-level distribution channel strategy, supplying retailers directly, regardless of order size and value. In the course of the strategic reorientation, supply conditions have been raised to EUR 400 minimum order value of whole packaging units only, with four months lead-time. The new three-level distribution channel strategy implies handing over local redistribution to large wholesalers, in order to cut distribution costs. In Germany these wholesalers are Vedes, Iden and Hoffmann.¹⁰

Competitive Advantages
The continuous high demand for LEGO products is a result of the LEGO Group’s product development and marketing strategy, targeted towards both children (end-users) and parents (customers). In contrast to most short-lifecycle toy trends, the life-long endurance of LEGO bricks and the compatibility since the 1950s makes LEGO timeless. Named “The Toy of the 20th Century” by Fortune Magazine in 1999, LEGO has shaped generations of kids, eventually becoming parents and returning the favour by generating sales. The mostly positive childhood associations paired with the educational and creativity-promoting value of the LEGO playing experience have created strong cross-generational brand value. Even though, not all play themes have been successes, the LEGO Group managed to adapt their product lines towards the evolving interests of different generations of kids (e.g. LEGO Star Wars).

Pricing
In contrast to most competitors, the LEGO Group does not offer product lines in different price classes and quality levels, but charges high premium prices on all its products. However, the growing demand shows that the perceived value of LEGO products is sufficient to justify these mark-ups.

AFOL Segment Strategy
The LEGO Group has notably realized the existence of the AFOL segment and the emergence of second-hand trading of their products about 10 years ago. Since then, the amount of products targeted to the AFOL segment has increased and the AFOL community is more and more considered and directly involved in product development processes. LEGO collaborates with over 70 national and local AFOL clubs and tries to serve the segment with special sales and limited collector’s editions.

The Parents Segment

The parents segment is defined as parents buying toys for their children. The majority of sales in the traditional toy market is generated in this segment.

Demographics

The parent segment consists of the household lifecycle groups full nesters and single parent. The specific demand is mostly dependent on age and gender of the children, who, from a certain age on, have a large impact on their parent’s purchasing decisions by signalizing their preferences. Almost 70% of the sales are generated with children under 8 years. The emergence of new media and the game industry causes children to “grow up faster”, leading to a downward shift of the age boundaries of traditional toys. However, a large reason for the recent success of LEGO is that play themes like LEGO Star Wars and LEGO Technic are able to defy this age shift and attract older audiences.

Seasonality

With approximately 50% of all toy sales being realized in the fourth quarter of the year, the toy industry is highly seasonal and very reliant on the economic situation and consumer purchasing behaviour of the parent segment during the Christmas season. [...]
The AFOL Segment

AFOLS - Adult Fans of LEGO are adults purchasing LEGO products for themselves and not for their kids. [...] 

Demographics
From our experience and the data collected on over [...] processed orders in 2011, we know that AFOLS are predominantly 30 to 65 years old male adults [...]. Most are free-time hobby builders and collectors, working in different industries, often with an educated technical background and salaries allowing for larger hobby budgets. According to online surveys, the average AFOL budget for LEGO ranges between [...]. [...] 

Geographics
Our customers in the AFOL segment come from all over the world. However, more than [...] of our customers are from Europe. Even though it is an online marketplace with low national boundaries, AFOLs tend to satisfy their demand in local shops before looking abroad, where they possibly face higher postage, fees, customs and additional shipping time. 

44 Bricks AFOL Customers by Region
Content removed due to sensitive information.
Purchasing Behaviour
There are a vast variety of LEGO-related hobbies. Many AFOLs base their collection around a play theme from their own childhood.

See Appendix E for an overview of popular LEGO hobbies and themes among AFOLs, also depicting the different sub-segments.

The AFOL Community
There is a strong community feeling among AFOLs, connected through their shared hobbies and their “Love for the Bricks”. Using the Internet, many AFOLs are now organized in local clubs, they arrange large exhibitions together, exchange their experiences in countless forums, and share their creations on Flickr or on their own blogs, vlogs and websites. Performing a Google search for the search term “AFOL” yields 850,000 results [04/2012]. The AFOL community has even developed its own language of LEGO related terms and abbreviations.

Global AFOL Segment Sales 2011
Content removed due to sensitive information.

Segment Size
[...]

Segment Growth Rate
[...]
COMPETITOR ANALYSIS

Direct Competition

As our major revenue streams are stores on online marketplaces, we consider all other stores selling LEGO products on these platforms [...] to be direct competitors. As these marketplaces are fundamentally different in terms of the present customer segments, most competitors are only active in one or two of these marketplaces. We therefore investigate the level of competition separately for both segments.

See Appendices F and H for an analysis of the competitive rivalry within both target segments using Porter’s 5 Forces model.

[...] We do however not invest many resources in competitor analysis, since the competitive rivalry within the AFOL segment is low, while our limitations for growth are currently of internal nature.

Indirect Competition

[...], the LEGO Group and all wholesalers and retailers within their distribution network are considered to be indirect competitors. There are strong indicators that the LEGO Group’s strategic focus is not to capture the surplus in the second-hand trading of their products, but to apply cyclical creative destruction of their old products with new product lines. In the course of the company’s restructuring after 2004, the LEGO Group narrowed down their production range from over 6,000 to around 3,000 parts. It is known among AFOLs that LEGO only keeps a single MINT copy of each set ever produced in stock, which are all stored in the famous LEGO vault. Furthermore, the lifecycle span of a play theme has decreased noticeably, as the LEGO Group tries to keep up with the fast pace in the toy industry. This strategy is highly favourable for second-hand trading as it fosters the AFOL phenomenon, while increasing the pace and magnitude of price increases for vintage LEGO products. However, LEGO’s current products are naturally the closest substitutes to our products.

Budget Competition

We regard all companies selling toys other than LEGO as budget competition. However, this only holds in the parents segment, as there is no substitute for LEGO in the AFOL segment.
MARKETING PLAN

AFOL Segment Strategy

[...]

See Appendices F and G for detailed graphical illustrations of the marketing strategy for the AFOL segment.

Product

[...]

Price

[...]

Promotion

[...]

Distribution

[...]

Parents Segment Strategy

[...]

See Appendices H and I for detailed graphical illustrations of the marketing strategy for the parents segment.

Product

[...]

Price

[...]

Promotion

[...]

Distribution

[...]

44 Bricks – Business Plan
OPERATIONS PLAN

Personnel Plan

Management Team

Once graduated from university, both entrepreneurs will be full-time employees with a workload of 60 hours per week and the contractual right for 30 days of vacation per year. Salaries will be gradually increased [...], depending on the development of the business.

[...]

[...]

[...]

[...]

44 Bricks Management Team Profiles

Name: Richard Müller
Age: 24
Title: Head of Procurement & Inbound Logistics
Academic Background: Economics & Business
Entrepreneurial Type: Merchant/Entrepreneur
Key Skills: Entrepreneurial instinct for opportunity recognition and trade, market knowledge, workaholic, shark

Name: Dennis Becker
Age: 25
Title: Head of Marketing & Outbound Logistics
Academic Background: Economics and Business / Entrepreneurship
Entrepreneurial Type: Analyst/Administrator
Key Skills: Economic analysis, financial planning, e-commerce, Online Marketing/SEO, Jack of all trades
See Appendix J for the division of tasks along the entire value chain and Appendix D for the division of tasks along the production process.

We are aware of the legal requirements for mandatory employee benefits, facilities and workplace safety. All contracts will include non-competition clauses. Intentional harm or theft will be prosecuted legally. All employees get a 10% discount on most items for sale.

**External Partners**

**Tikol Steuerberatungsgesellschaft mbH**
Dresden-based accounting and consultancy firm, to which we outsourced bookkeeping, payroll accounting and the preparation and auditing of financial statements. They also provide us with tax advice and general management consultancy services.

**Dresdner Volksbank Raiffeisenbank eG**
Local bank providing us with various financial services. [...]

**DHL/Deutsche Post**
Global logistic carriers, used for worldwide shipping of incoming orders. [...]

**PayPal/Skrill (Moneybookers)**
Our providers of online payment solutions.

**Personal Network**
The personal network of the CEOs is one of the company’s largest assets as it includes free advice and services within the fields of legal advice, IT and information systems, [web-] design, and skilled trades.
Location & Facilities

[...] The reasons for choosing this location were cheap rental price […], central location with good access to public transport […], good lighting conditions for color sorting, and beneficial spatial sectioning. The office is located on the first floor in a commercially rented recently renovated backyard building with separate parking lots. […] We expect these facilities to remain adequate for our operations at least until 2015 […].

See Appendix K for a blueprint of our new office and production facilities and the intended operational room division.

LEAN Management

[...] In order to facilitate an effective workflow, we will apply parts of the 5S of LEAN Management method in our new offices. […]

See Appendix L for an example of a LEAN workstation with an on-site workflow sheet.
Risk Management

In order to assess the identified risk factors for 44 Bricks, we apply qualitative and quantitative risk analysis. Based on our assessment of probability and impact on numeric scales, we assessed the need for preventive and risk reducing measures according to the following matrix:

| Probability | Impact \n|---|---|---|---|---|---|
| Very Low | 1 | 2 | 4 | 8 | 16 |
| Low | 5 | 10 | 16 | 32 | 64 |
| Medium | 40 | 80 | |

*Green* – Acceptable risk

*Orange* – Medium risk

*Red* – Unacceptable risk

All risks assessed as unacceptable or medium are addressed by preventive measures and thereby reduced to an acceptable level.

**Legal Risks**

**LEGO Trademarks**

As LEGO has no patent on the LEGO Brick itself, the LEGO Group is even more enforcing their trademarks, brands and logos. Legal costs for a trademark infringement lawsuit are likely to cause an SME like 44 Bricks to fold.

Impact: 16

Probability: 2

Risk factor: 32 (unacceptable)

We address this risk by including the following disclaimer to our product offerings in all our stores:

“LEGO® and the LEGO Icons are protected trademarks of the LEGO Group which does not authorize or support this seller. The usage of all protected trademarks serves to clearly identify the offered items only and is not intended to violate property rights.”

This disclaimer eliminates the grounds for a lawsuit and thereby reduces its probability.

Impact: 4

Probability: 1

Risk factor: 4 (acceptable)

**EU Regulations for Toy Retailers**

Especially since the new EU directives for toys entered into force in 2011, the number of warning notices for non-conformance with the legal requirements for online retailers has increased significantly. There are entire law firms specialized on suing online stores that have not adapted to the risen requirements, for amounts up to € 2,000 for single violations.

Impact: 4

Probability: 5

Risk factor: 20 (unacceptable)

To address this risk, we closely monitor the developments of applicable requirements,
as Amazon and eBay usually warn their sellers for upcoming changes. We are also in contact with an e-commerce lawyer, warning us through newsletters when legal changes require us to take action. Up-to-date conformance with the requirements reduces both the impact and the probability of being sued.

Impact: 2
Probability: 2
Risk factor: 4 (acceptable)

**Liability Issues**

By choosing a limited liability legal form, we have reduced personal liability for the owners. However, due to limited financial resources, most commercial liability cases arising from the company’s operations (e.g. personal or material damage, accidents, fire, etc.) could cause the company to go bankrupt immediately.

Impact: 16
Probability: 2
Risk factor: 32 (unacceptable)

We will address this with a commercial liability insurance package covering all cases of personal and material damage resulting from the company's operations. The impact is significantly reduced, as fixed excess per liability case is limited to € 2,000.

Impact: 2
Probability: 2
Risk factor: 4 (acceptable)

**Supply Risks**

[...]

**Distribution Risks**

[...]

**Management Risks**

[...]
FINANCIAL PLAN

Financial History & Analysis

Start-Up Finance

[...]

Financial Analysis for 2011

[...]

See Appendix M for the income statement for the financial year ended 2011.

Current Financial Position

Liquidity

[...]

Solvency

[...]

Profitability

[...]

Efficiency

[...]

44 Bricks Performance Ratios 2011

Solvency
Debt/Equity Ratio: [...] 
Debt/Assets Ratio: [...] 

Profitability
Purchased Goods: [...] 
COGS: [...] 
Gross Margin: [...] 
ROI: [...] 

Liquidity
Quick Ratio: [...] 
Current Ratio: [...] 

Efficiency
Inventory Turnover: [...] 
Inventory Days: [...] 

44 Bricks AFOL Segment Sales 2011
Content removed due to sensitive information.

44 Bricks Parents Segment Sales 2011
Content removed due to sensitive information.
Operating Forecasts

[...] →

Pro Forma Income Statements
See Appendix M for the pro forma income statements from 2012 to 2015. These statements were prepared according to the principal of prudence, based on scenario analysis for realistic worst, expected and best cases extrapolated from the financial statements of 2011.

Cash Flow Forecast
See Appendix N for the cash flow forecast for the financial year 2012.
# Appendix A: 44 Bricks - Business Model Canvas

<table>
<thead>
<tr>
<th>Key Partners</th>
<th>Key Activities</th>
<th>Value Proposition</th>
<th>Customer Relationship</th>
<th>Customer Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>[...]</td>
<td>[...]</td>
<td>[...]</td>
<td>[...]</td>
<td>[...]</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key Resources</th>
<th>Channels</th>
<th>Revenue Streams</th>
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<tbody>
<tr>
<td>[...]</td>
<td>[...]</td>
<td>[...]</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost Structure</th>
<th>[...]</th>
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<tbody>
<tr>
<td>[...]</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix B: 44 Bricks – SWOT Analysis

Strengths
[...]

Weaknesses
[...]

Opportunities
[...]

Threats
[...]
Appendix C: 44 Bricks - Bestsellers 2011 by Market Segment

Content removed due to sensitive information.
Appendix D: 44 Bricks – Production Process

Content removed due to sensitive information.
## Appendix E: Popular AFOL Hobbies & LEGO Play Themes

Depending on the extent and play theme of a specific AFOL collection, different LEGO hobbies vary in the resources needed to pursue them.

### Popular AFOL Hobbies

<table>
<thead>
<tr>
<th>Hobbies</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Builders</td>
<td>Builders are most interested in buying supplies for their current building projects. There are many kinds of builders with different needs: set-builders (build existing sets), rebuilders (re-build existing sets in other colours or proportions) and MOC-designers (design their own new creations).</td>
</tr>
<tr>
<td>Collectors</td>
<td>Collectors usually have collections of one specific play theme either in form of new and sealed boxes or in form of assembled models on display.</td>
</tr>
<tr>
<td>Investors</td>
<td>Hoarders are collectors that acquire larger quantities of new and sealed sets as an investment, speculating on the value increase of these sets over time, in order to resell them in perfect condition several years after they are not produced anymore.</td>
</tr>
<tr>
<td>Filmers &amp; Artists</td>
<td>There is a large community of LEGO moviemakers creating motion pictures by bringing LEGO to live with sequences of up to several thousand pictures per movie. Furthermore, there are also artists that chose LEGO as their material for building sculptures and large displays.</td>
</tr>
<tr>
<td>Customizers</td>
<td>There is a large culture of companies that customize or even produce entirely new compatible parts themselves. The biggest customizers are chromers (colouring existing items in inexistent often metallic colours) and army customizers (producing LEGO compatible army equipment and weapons for minifigures).</td>
</tr>
</tbody>
</table>

### Popular LEGO Play Themes

<table>
<thead>
<tr>
<th>Themes</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Star Wars</td>
<td>The Star Wars theme is by far the most extensive, successful and expensive LEGO product line, with a large community re-building entire battlefields of droids and Jedi knights from the movies.</td>
</tr>
<tr>
<td>Train</td>
<td>There is a large LEGO train community with endless basement landscapes primarily built with LEGO System and Trains.</td>
</tr>
<tr>
<td>Technic &amp; Racers</td>
<td>The LEGO Technic community can be divided into several sub-segments, which all require large amounts of Technic part supplies for their projects. The models can be highly complex engineering works, especially when powered with Power Functions, engines, pneumatic systems, programmable computers and remote controls.</td>
</tr>
<tr>
<td>Historic</td>
<td>The Historic segment builds landscapes with battlefields and fortifications based on the different historic themes, such as Castle, Pirates and Western.</td>
</tr>
<tr>
<td>Harry Potter</td>
<td>The Harry Potter theme is one of the younger themes, which is however very popular, also due to the new part colours introduced by the LEGO Group.</td>
</tr>
</tbody>
</table>
APPENDIX F: 44 Bricks - AFOL Segment Marketing Strategy Map

Porters 5 Forces

- Threat of Substitutes
- Threat of New Entrants
- Competitive Rivalry
- Bargaining Power of Suppliers
- Bargaining Power of Customers

Generic Strategy

[Generic Strategy elements]

Marketing Mix

- Product
- Price
- Distribution
- Promotion

AFOL SEGMENT

[Marketing Mix elements]
Appendix G: 44 Bricks - AFOL Segment Online Customer Experience Pyramid
Appendix H: 44 Bricks - Parents Segment Marketing Strategy Map

Porters 5 Forces

Threat of Substitutes
[...]

Competitive Rivalry
[...]

Threat of New Entrants
[...]

Bargaining Power of Suppliers
[...]

Bargaining Power of Customers
[...]

Generic Strategy

[...]

Marketing Mix

Product
[...]

Price
[...]

Distribution
[...]

Promotion
[...]

PARENTS SEGMENT
Appendix I: 44 Bricks - Parents Segment Online Customer Experience Pyramid

- Promised Experience
  - Emotional Values
    - Rational Values
      - Ease of Use
      - Relevance
      - Performance
  - Reassurance
  - Interactivity
  - Service
  - Product
Appendix J: 44 Bricks – Value Chain

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Appendix K: 44 Bricks – Production Facilities Blueprint

Content removed due to sensitive information.
Appendix L: 44 Bricks - LEAN Workstation [Example Packing Station]

Content removed due to sensitive information.

### All figures in €

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### Gross Profit

- Personnel Expenses
- Rental Expenses
- Insurances
- Vehicle Expenses
- Travel Expenses
- Distribution Expenses
- Depreciation & Amortization
- Maintenance Expenses
- Others

| Total Operating Expenses |            |            |                |           |            |                |           |            |                |           |

### Operating Income or Loss

- EBIT
- Interest Expenses

| Change in Non-Inventory Assets |            |            |                |           |            |                |           |            |                |           |
| Inventory Assets (Year Start) |    |            |                |           |            |                |           |            |                |           |
| Inventory Assets (Year End)   |    |            |                |           |            |                |           |            |                |           |

| Change in Inventory Assets |            |            |                |           |            |                |           |            |                |           |
| EBIT                        |    |            |                |           |            |                |           |            |                |           |
| Income Tax Expenses (30%)   |    |            |                |           |            |                |           |            |                |           |

### Net Income (EAT)

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Appendix N: 44 Bricks – Cash Flow Forecast 2012

All Figures in €

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REFERENCES

Used Models

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- Value Chain (Appendix J) – Porter, Michael E., 1985

Used Data