

The future of LEGO Education amidst the greatest turnaround in history

MANAGEMENT DECISION

The authors prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. Although based on real events and despite occasional references to actual companies, this case is fictitious and any resemblance to actual persons or entities is coincidental.

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GROUP 1 - A

The future of LEGO Education

The management decision: The role of LEGO Education

Management decided to keep LEGO Education and not divest the business unit. Management and the owner-family considered it on-brand as it lived up LEGO's core brand values of fostering learning through play. Amid these strategic shifts, LEGO Education continued to evolve and became a pioneer in STEAM learning. Some consider LEGO to today be the biggest 'education company' in the world. From its launch in 1980, LEGO Education sought to take advantage of the natural synergy between LEGO bricks and hands-on learning in classrooms. The financial success of LEGO education enabled it LEGO and its foundation to invest substantial resources into pioneering educational initiatives that benefits schools across the world. This positions it as a powerful (yet understated) force influencing global education.¹

2004-2007: Immediate restructuring and focus on core values

Knudstorp's continued his strategy to focused on returning to the roots of LEGO and the core of its brand of providing unique design products that facilitate children's learning in systematic, creative problem-solving - something he considered an essential skill for the twenty-first century (thus creativity and learning through play). During the period from 2004 to 2007, LEGO went on a critical phase of restructuring. This phase was crucial in redirecting the company back to its core strengths and values. Knudstorp's vision was to revitalize LEGO's fundamental appeal anchored around the iconic LEGO brick. Knudstorp's strategy entailed redefining LEGO's product development approach. He recognized the value of engaging with the company's fan base, particularly by conducting large ethnographic studies of children². Moreover, he used the Adult Fans of LEGO (AFOLs) to innovate and develop products that resonated with adults. This strategy of incorporating customer feedback and ideas led to the creation of unique and successful product sets. LEGO's decision to focus on the brick as a central element of its product line

¹ LEGO is Probably the Biggest Education Company on Earth." Forbes

² The Guardian, 2007

also meant significant cost savings³. While the themes of LEGO sets could change, the basic components remained consistent which ensured long-term viability and sustainability of the product line.

By 2008, these strategic moves had paid off. Sales in 2006 and 2007 saw strong revenue increases (see **Exhibit 3**). LEGO's core products were not only profitable but had also helped in regaining the brand's position in the market. This period was important in setting the stage for LEGO's future success and in re-establishing its brand identity globally.

2007-2009: Thriving during the financial crisis

Remarkably, during the financial crisis of 2008-2010, LEGO's profits surged, outpacing even the growth of tech giant Apple. This success was attributed to Knudstorp's effective leadership and the company's new strategic direction of focusing on its core brand values. In fact, some have called LEGO the Apple of toys as it a profit-generating, design-driven miracle built around premium, intuitive hardware with a strong fanbase.⁴

2009-2023: Sustained growth and expansion

LEGO continued to grow, riding the wave of popularity from cultural phenomena like "The Lego Movie", which in 2014 grossed US\$500 million (delivering a similar dollar value in free publicity).⁵

By 2015, LEGO was recognized as the world's most powerful brand by Forbes, toppling Ferrari. The company's revenue and profits saw tremendous growth, and by 2023, LEGO stood as the largest and most profitable toy manufacturer globally. Revenue soared from 1,1B USD in 2005 to 10B USD in 2023 (see **Exhibit 1**). In the same period, profits soared from 65M USD in 2005 to 2,9B USD in 2023 (see **Exhibit 2**). This period also saw LEGO consistently outperforming its publicly traded competitors such as Mattel and Hasbro and expanding its market share by outgrowing the market by 10 percentage points every five years.⁶ In 2023, Mattel and Hasbro have both reported double-digit revenue declines, while LEGO has continued to grow.

³ Geislinger: How LEGO rebuilt and became the top toymaker in the world. 2020

⁴ The Guardian, 2007

⁵ Rebuilding LEGO. The CEO Magazine

⁶ LEGO Earnings: Revenue Rises in First Half. CNBC

Conclusion

LEGO listened so much to its end-consumers that it ended up conducting the largest ethnographic study of children in the world.⁷ LEGO's journey from the brink of bankruptcy to global dominance underscores the importance of brand management and strategic focus. The company's ability to listen to its consumers, innovate within its core competencies and brand promise, and maintain a strong brand identity has been central to its success. The management's decision to retain and grow LEGO Education as part of this strategy highlights the significance of making sure business units are aligned with the overall brand vision and mission.

⁷ The Guardian, 2007

Exhibit 1 LEGO Group revenue from 2003 to 2022 (Statista)

Revenue of the LEGO Group from 2003 to 2022
(in billion Danish kroner)

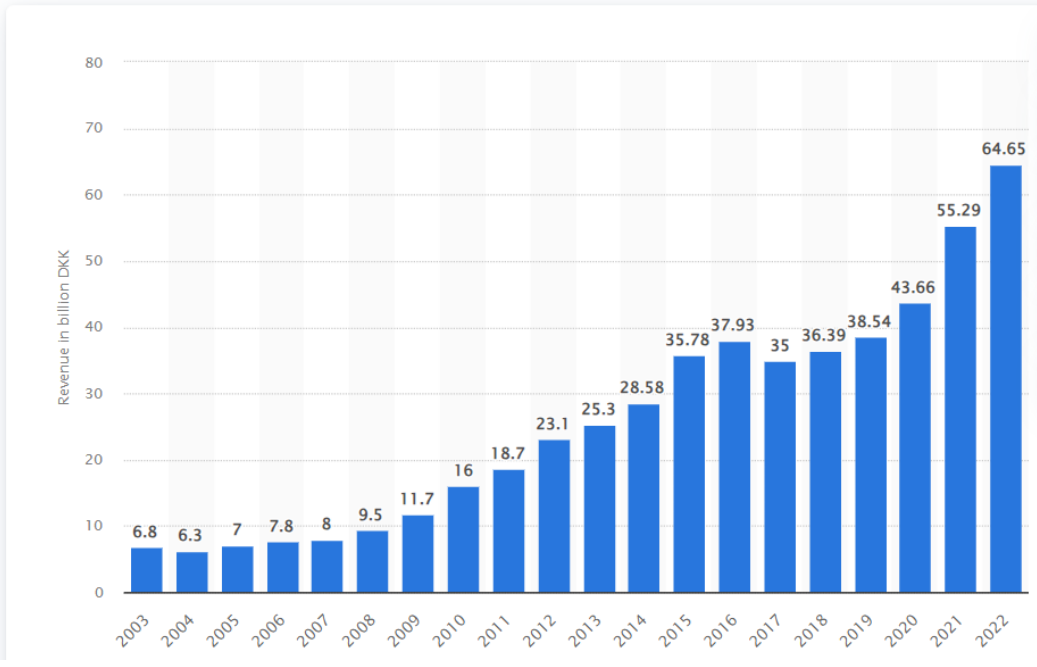


Exhibit 2 LEGO Group profits from 2003 to 2022 (Statista)

Net profit of the LEGO Group worldwide from 2009 to 2022
(in billion Danish kroner)

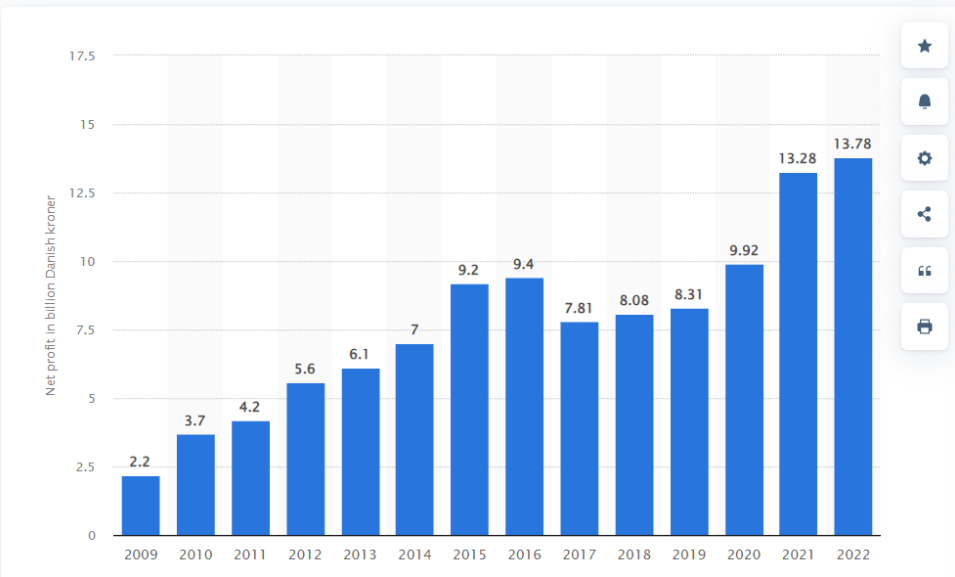


Exhibit 3 LEGO financial performance, 2003-2007. LEGO annual report, 2007

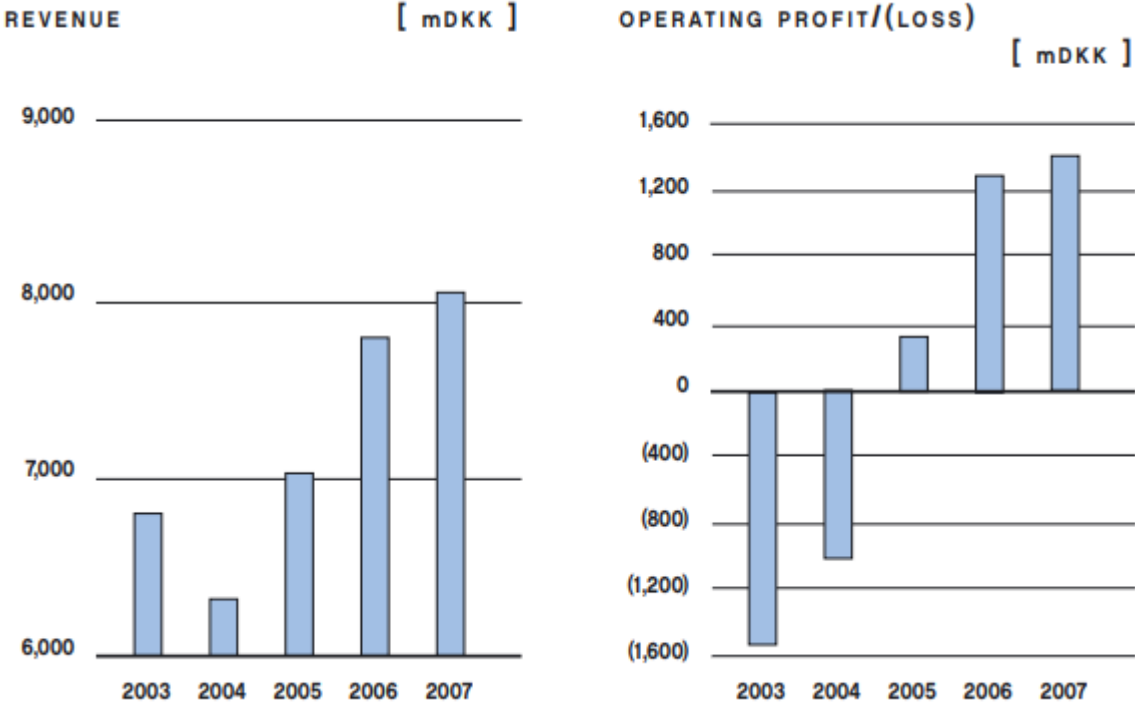


Exhibit 4 LEGO financial performance, 2018 - 2022

