

Pestel analysis of lego group

Life



The female market presents opportunities for the LOGO group as their products usually attracts more boys. D. Technological The growth in electronic toys and the emergence of digital and new media age could hinder the market share of the LOGO group. As seen in the case that they have not been successful in these area with the LOGO Universe and companies such as Banzai-Monaco and Tommy-Taker raking combined sales of \$6. Billion. E. Ecological The LOGO group has been CEO-friendly by being a leadership knowledge and production of plastics that produces non-poisonous plastics which is safe of children. F. Legal The expiration of patents would give rise to competitors coming into the market and limited knowledge with the laws of certain market will hinder their growth in these new areas. Based on the PESTLE analysis, we can see that there lies a significant amount of active factors that makes the environment is generally unfavorable for the LOGO group.

We possible threats coming from the economic, technological and legal aspects that overweight the opportunities from social and ecological factors.

2. Porter's Five Forces Threat of new entrants High Low Economies of scales High capital x Product Differentiation Quality and innovations products Access to distribution channels Easy access to retailers and customers Expected retaliation LOGO will most likely maintain their pricing Government policies Patent expiring soon Power of buyer Concentration of buyers relative to suppliers

Customers can buy from competitors Switching costs Other cheaper imitation Threat of backward integration by buyers Unlike buyer makes that

own toys Power of suppliers Concentration of suppliers relative to buyers is Different companies offering same raw materials Lower costs Threat of forward integration by the supplier is Unlikely that suppliers would produce toys Intensity of Rivalry Competitor Balance Number 3 in the market Industry Growth Rate Increasing sales Fixed costs are Large quantity Product Differentiation is High quality products Exit barriers are High investments Threat of Substitute Products

Extra-Industry effects Substitute such as digital toys Rate to improvement in price-performance relationship to substitute produce Digitalis game can last longer than traditional toys a. Threat of new entrants Company like LOGO group or Matter will generally enjoy the economics of scales with their large market share. The differentiation in invocation and quality products will also render new entrants difficult to enter the market. Although the access to distribution channel is low and the expected retaliation in terms of price wars will low due to the being established companies, the threat of new entrants is assess to e moderately. . Power of buyer Buyer can have other alternatives buying from LOGO such as switching to Mega Blocks and the switching cost for them is low. Therefore the bargaining power of buyer is considered high. C. Power of suppliers We would consider the bargaining power of supplier to be low as the switching cost is low and materials used for making plastics and generally available and not scarce. D. Intensity of Rivalry LOGO group is ranked number three in the market and the fixed cost of the toy industry is high. The exit barrier for toy industry is also high as there might be no rye since most things are going digital nowadays.

Therefore, intensity of rivalry is high. E. Threat of Substitute Products The threat of substitute products is high as we can see that there are many other toys available from electronic toys to playing in digital world. From using the Porter's Five Forces framework, we can say that the industry faces threat from buyers, competitors and substitute products. Attention should be place on competitors and substitute products as they posed significant threat to the LOGO Group. We can see that competitors have been forming partnership in an attempt to get back such as Matter and Mega Brands.

Substitute products like video games are also threatening the company.

Conclusion We draw conclusion that the external environment in which the LOGO group operates in present varies threats and opportunities. The PESTLE analysis showed that the general macro-environment was more unfavorable although it presents opportunities and the Porter's Five Forces highlight certain threats from substitute and competitors to take note to.

SQ(a) Identify and discuss the strategic capabilities of the LOGO Group.

Strategic capabilities of an organization are capabilities that contribute to its long-term arrival or competitive advantage.

Components of strategic capabilities are the resources and competences.

Resources are assets that the organization own and how these assets are used is called competences. We make distinction of strategic capabilities as threshold or distinctive whereby threshold are capabilities that allows the company to achieve parity with competitors and distinctive capabilities attain competitive advantage. Resources Competences Strategic Capabilities Threshold/Distinctive Physical (Plants, logistics, distribution) In-house production Maintaining quality and ability to respond change in demand

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Distinctive Technological (P, Patents) Using existing patent to improve knowledge Production technologies resulting in leadership in non-poisonous plastics Distinctive Financial (Performance, ratios, sources) Ability to finance its growth from own capacity, manage debt Divested LEGEND reducing debt burden Threshold Organizational (Structure) Effective leadership Changed management to Jorge HER (Recruitment, selection, training, development) Training and identifying key personnel Accumulated knowledge about plastics and appointment of Jorge Threshold Reputation (Brand, Image) Upholding the reputation

Won awards at Toy Fair Innovation (New products, process, business) Coming up new products, dedicated to development Products themes from new movies Management and Leadership Organizational culture The focus on quality and cost is one of the strategic capabilities of the LOGO group and distinctive to them as their products are produced in-house. These help to maintain quality control and enable them to respond fast to the market requirement. Their production technologies in better products and leadership in non-poisonous plastics is also a competitive advantage.

Aiding their long-term survival is their abilities to reduce debt burden and reconstruct of the firm financial position. The LOGO group divested LEGEND and reduce their debt burden helps them to build better financial position. This can be seen in Table 1 of the case, whereby there was an increase in equity ratio from 5.9% in 2004 to 60.3% in 2012. Equity Ratio is the proportion of equity being used to fund the company assets and we can see that significant increase which means lesser debt is being used.

The organizational structure change to Jorge and identifying him has helped the long-term survival of the company. The company help through various changed in management from asses to mid asses when Jorge take over showed the capabilities it has to make changes to fend off the challenges faced by the company. Reputation and Innovation are competitive advantage of the firm. The award winning help to enforce the long history of the LOGO group and continuous innovation in producing new products keep the LOGO group fresh and including users in it help them.

SQ(b) Analyses the strategic capabilities to assess whether they provide sustainable competitive advantages for the LOGO Group. To analyses the strategic capabilities, we old use the VIREO framework which evaluates the how valuable, rare, is the capabilities difficult to initiate and whether the organization support the capabilities to determine if it is a sustainable competitive advantage. Strategic Capabilities BRIO criteria Competitive Advantage and performance implication Valuable Rare Inimitable?

Organizational Support YES NO Temporary competitive advantage
 Production technologies resulting in leadership in non-poisonous plastics Y
 Sustained competitive advantage Divested LEGEND reducing debt burden
 Competitive parity Accumulated knowledge about plastics and appointment of Jorge YES The technological, reputation and innovation are strategic capabilities that provide sustainable competitive advantage. The technological advancement and leadership in producing non-poisonous plastics keep the LOGO group at the frontline ahead of their competitors and imitators.

The reputation of the LOGO group by winning award and long history is also a sustainable competitive advantage for them. Innovation by producing products with themes from new movies and interacting with user of LOGO toys is sustainable competitive advantage and the good relationship with users and ability for them to add models based on their ideas are difficult to intimate. SQ Appraise the process of strategy development at the LOGO Group from the early years to the present, and assess I TTS distinctiveness. During this period, Keeled was at the helm of the group and was planning for the future by implementing decentralized management structure and establishing alliance with partners in related areas. It was not effective during this period as the decentralized management structure was not suitable for the LOGO group. The initial success of LOGO group was built on a combination of effective leadership together tit coming up with innovative products and international growth. Furthermore when long-serving managers left, new managers were hired to support the strategy which results in human resources losses.

The expansion plan idea was excellent but was moving too quickly which ultimately led to financial problems for the company. As such, we can see that in mid asses onwards, the LOGO group saw the opportunities present to go into new market but however loss ground on their financial by taking more debts and technical know-how when their senior management left. These resulted in more threats for the company and further educing their competitive advantage that they once had. Therefore the strategy was not that effective during this period. . Mid asses to present During the mid asses onwards, Jorge was appointed the CEO and took the company to improve

their financial standing by liquidating part of LEGEND parks. The company went on to focus on few areas such as sales and distribution, cost, quality and supply chain, innovation and also brand and brick quality. The LOGO group established good relationship in their distribution channel and also improve on the quality by producing in-house and improving their products through research and placement.

Innovation in the company was brought back and helped propel the company forward which was resulted in winning awards. It was effective strategy during this period as Jorge was building on the strength of the LOGO group. LOGO group was good at innovation and he focus on that and at the same time improving the financial health of the company. The focus on quality was also important as they continue to improve their products and maintain their high standard products which deter and differentiate themselves from others.

By conducting SOOT analysis, we will get the summary of Strengths and Weaknesses from the internal analysis of strategic capabilities and Opportunities and Threats from external analysis of the environment.

Strengths Weaknesses Strong Brand Name Education and play value product Strong management Quality product Low outsource opportunity Dependent on distributors and licensing rights High costs Easily imitate Opportunities Threats Emerging market New market segment Exploring new technologies Lack of legal protection Changing consumer habits Rising of digital gaming Competitor within the same industry combining efforts

Saturated market 1 . Strength The LOGO group commands a strong brand name as we can see that they have won awards at the Toy Fair 2013. The management team led by Jorge has overturn the company fortune since 2004 and we can see this from the financial reports with net profit margin of -28. 6% in 2004 to 24% in 2012. The LOGO group produces quality products and kept themselves in the education toys segment which has grown appreciably. . Weaknesses As quality is an important strength of the LOGO group, they find themselves with low outsource opportunity which result in them incurring high costs. The sales and striation of LOGO products are also highly dependent on the distribution partners and they also have to rely on licensing rights from movies themes for their new products. LOGO toys are also easily imitated which could hurt their brand. 3.

Opportunities There lie opportunities for the LOGO group to fight for new market segment such as producing products for girls. The emerging market that is growing also present themselves for LOGO to pursue higher growth and exploring new technologies such as digital could expand their market share. 4. Threats The rise of digital gaming together with changing consumer habits is a threat to the LOGO group as consumer may now turn to video games or electronic toys instead of traditional toys.

Competitors in the toy industry collaborate would be threatening as seen that Matter and Mega Brands forming partnership. As the LOGO group patents are expiring, they will therefore be lacking in legal protection and this would invite competition in this saturated market. The LOGO group are already having high market share in certain area and to increase the growth of these market could be difficult.