

Strategic management and lego

Business



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The Problem How can Lego expand its current product lines, and what strategy should LEGO formulate to maintain market dominance and financial success in future? External Analysis Using SWOT analysis (Appendix A), there are a few factors that are LEGO's strengths. Its brand name, experience in the industry and ability to use innovative technology have allowed them to position themselves as one of the leading forces in the toy-building market, and this gives them a competitive advantage over their competitors (Hasbro, Mattel, MEGA Brands).

Being named the 'Toy of the Century (Pisani, 2006)', LEGO has developed itself as a global brand that is well known ubiquitously. However, with the expiry of their plastic brick design patent, sustained competitive advantage is short-lived and this has lowered the barriers of entry for competitors. Internal Analysis Using the Resource-Based View Analysis, one tangible resource would be the large number of newer and more elaborated products produced by LEGO.

Despite LEGO's cost-saving restructuring, there is still a huge selection of LEGO brick colours and shapes made available to consumers.

LEGO also has special machines that make only specific LEGO bricks that could help them reduce the amount of time and cost and increase their production capacity. Such raw materials and special equipment could help LEGO in providing and catering to the vast needs of consumers. Looking at intangible resources, the long history and brand name of LEGO has set LEGO apart from its competitors. Being the oldest company in this specific industry and being such an established corporation has helped LEGO in terms of having more consumers and a wider and more loyal customer base.

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This reputation would be hard to imitate and duplicate as LEGO has been in the toy-building industry for many years and as such, will allow them to sustain their competitive advantage over the others.

Looking at organizational capabilities, LEGO has good organizational capacity to make decisions. They have successfully introduced numerous changes on their production processes by effectively cost cutting unprofitable production and ensuring that cost of production is lowered. Despite that, they are still able to provide excellent and high-quality products.

This has enabled LEGO to increase profits and allow the company to make good progress in the industry. Current Strategy LEGO's current strategy (Appendix B: Value Chain Analysis) is to expand product lines and continue maintaining their market dominance in the toy-building market.

In my opinion, this is a good strategy because by increasing production lines, more products are created to meet the increasing needs of consumers and this increases revenue. Moreover, it will open up more markets by reaching out to a larger customer base.

In addition, this would also enable LEGO to enjoy economies of scale (EOS) because the existing machinery and equipments are already being invested. With regards to having partnerships and licensed rights to diversify LEGO products, it has been proven a successful business model. Having acquired the licensed rights to famous movies and children themes, they are able to pull along more consumers who are fans of these movies.

An example would be the LEGO Star Wars theme that was a huge success and it developed into one of LEGO's most profitable product lines.

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Thus, with a proven model, it is simpler for LEGO to replicate its success if they do acquire more licensed rights and partnership for new product lines. However, their current strategy may be limited to a certain extent in the long run. As the market gets more saturated, it is highly unlikely that LEGO will always be able to find new untapped licensed themes. Furthermore, it does not necessarily mean that LEGO will always be ahead of its competitors in attaining the acquisition of licensing these untapped themes. Taking Disney as an example, LEGO is facing huge competition from Mattel and Hasbro to produce toys.