

Lego companys porters five forces marketing essay



**ASSIGN
BUSTER**

\n[[toc title="Table of Contents"](#)]\n

\n \t

1. [Competitive rivalry](#) \n \t
2. [Substitutes](#) \n \t
3. [Bargaining power of buyers](#) \n \t
4. [Bargaining power of Suppliers](#) \n

\n[/toc]\n \n

Lego Company has been in the market for some time thus the new entrants have not greatly affected the company. There is a weak influence of potential entrants to Lego. This implies that it will be difficult for new entrants to gain Lego's clients unless they offer innovative strategies that can foil the company's position. Also, Lego's services are peculiar in terms of their appearance. This suggests that new entrants need to have hefty investments in creating products and services with the same caliber as Lego's products in order to compete with Lego. In addition, the company has a very good brand identity. This implies that the new entrants will make use excellent strategies that will give them an instant brand identity to gain Lego's customers. Finally, there are extremely high entrants of new entrants in this toy industry. There are minimal barriers that keep several firms from entering the toy industry. This is because that all that is required for them to enter into the industry is new ideas and new technology. The video games industry has shown a rapid growth rate in US (Back to Lego, 2011). In addition, Lego has heavily invested in research and development costs. This will act as a barrier to entry and restrict the number of new entrants.

Competitive rivalry

Rivalry is Lego's strongest force in the five forces of Porter. Lego has low concerns on its major competitors. This is because there are limited competitors in their industry. Therefore, the company's competitors can't create numerous problems to Lego since it has already acquired an excellent percentage of the buying public. In addition, there are low switching costs in the toy industry. As a result, consumers find it easy to with construction toys than playing with model vehicles. This indicates that there are several rivals that compete for the consumers' attention to buy their products hence the competitive force amongst rivals are sturdy (Back to Lego, 2011).

The toy industry is oligopolistic in nature with very few companies in China. However, Lego Company has been in existence for at least 75 years. This suggests that the company has been able to attain a very strong customer loyalty via retention of clients. Finally, the level of rivalry is relatively intense for the Lego Company. The company has occupied a brawny position in the toy industry for construction of toys with few rivals. This is why Lego has the opportunity to compete in border market basically for children's entertainment. In 2004, the company started including large incumbents from electronic sectors like Nintendo and Sega. Finally, Lego's degree of rivalry has helped the company to determine the creation of its values via head to head competition. This indicates that internal rivalry is high in Lego Company (Wittur, 2010).

Substitutes

Substitutes have given a high influence to Lego Company. This is because substitutes can easily make an organization to lose its clients. Lego has tried <https://assignbuster.com/lego-companys-porters-five-forces-marketing-essay/>

to ensure that substitutes have given them much problem. For instance, they have proved that they use standard technology to produce quality and attractive services than the substitutes. Substitutes to games and toys include hobbies, sports, school and extracurricular activities. For instance, many students are encouraged to achieve highest levels of academics. Also, they should excel in extra-curricular activities that include sports, art and music. This is very burly porter's force in the competitive environment. This is because most parents would prefer their children to learn than playing with games and toys. In addition, the children's daily activities increase the negative force's magnitude. As a result, this becomes a threat in the games and toys industry in China. It is essential to note that China's current economic crisis has greatly reduced this threat due to the customers' purchasing power. Finally, the threats of substitutes pose Lego Company's profitability depending on its relative price to performance ratios of various services and products. This is why this force has been influenced by switching costs (Thompson 2001).

Bargaining power of buyers

The bargaining power of buyers has highly influenced Lego and other relevant educational toy companies. This suggests how toy industry has tried its best to create first-rate relationship with its esteemed customers. Lego has tried to maintain reasonable prices for their services. This has definitely expanded the company's customer base. Also, Lego has several promotions that make their customers to have second thoughts to purchase products from other companies. For instance, when the market dictates in lowering prices in toy industry, Lego tries to know whether the market's decision is

reasonable for their clients (Spencer, 2008). The company argues that the large part of making decisions in regard to the prices of their products relies on the suggestions of the clients. This is why Lego's bargaining power of its buyers is gradually increasing. In addition, Lego's bargaining power of buyers also affects the company's profits in the industry. However, cutting down of prices will improve the company's quality services and products. This implies that the clients of Lego Company will play a major role in the pricing of the products. Therefore, Lego creates adequate opportunities for their esteemed clients in the right prices for their products. As a result, Lego ends up creating a broad customer base in toy industry in China (Wittur 2010).

Bargaining power of Suppliers

The bargaining power of sellers has highly influenced Lego Company. Lego has made sure that their suppliers have very high bargaining power. It has achieved this via assisting the suppliers to demonstrate their significance in the toy industry. In addition, Lego has ensured that the prices suppliers ask for materials portray the same value as the similar materials' quality. This helps Lego to ensure that it does not waste its budgets. Lego has also made sure that it's aware of its partnership with their services partners (Kornberger 2011). For example, it has ensured that it has followed part of the agreement with their partners. This is because any adverse violation in the partnership agreement that takes place incurs potential risks to Lego and any other educational toy companies in China and across the globe. Finally, bargaining power of suppliers is average in the company. The company has based its products upon the standardized inputs like chemicals and plastics. Lego's move to non-traditional areas associated with games increase the

power of suppliers due to the licenses in the form of intellectual property. Also, Lego Company has sustained its ability to charge their clients with different prices. This is always in line with various values in the value that the company creates for each of their buyers. In addition, the Lego Company has tried to retain the bargaining power of suppliers through its high power of brands (Spencer, 2008).