

# CHAPTER 1

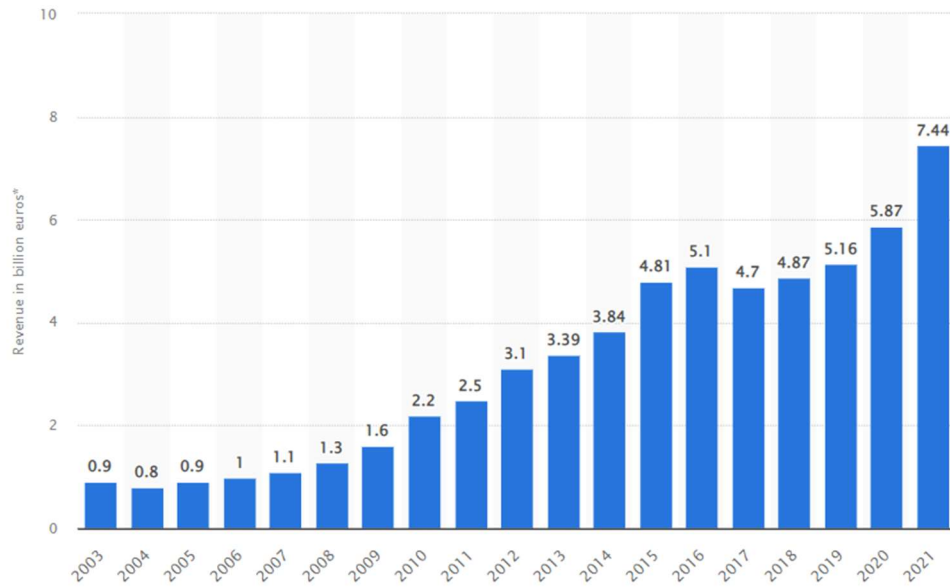
## INTRODUCTION

### 1.1. Background

The word toy always led our minds to the word “kids”. Well-known dictionaries such as Cambridge English dictionary, dictionary.com, oxford languages, etc. always have the word “children” in their definition of toys. Meanwhile, adults are seen as someone whose job is to observe and supervise kids playing with their toys (Lauwaert, 2008a). These days, toy company starts taking into account the growing market of adult consumers and consider adults as the primary audience of certain toys (Heljakka, 2018). The toy industry has undergone rapid changes in recent years driven mainly by higher digitalization (Fonnesbaek & Melbye Andersen, 2005). One of the world’s most successful toy companies once catch this phenomenon and achieved a great breakthrough by focusing on making adults their target market.

A billion-dollar company called LEGO is famous for its focus on maintaining high quality and having brilliant marketing strategies to lead the market in toys. The In Young and Rubicam survey of the most recognized brands in the world, LEGO company was placed side by side with the brand Disney and Coca-Cola (Robertson & Breen, 2013). In the year 2018, the toy industry crashed impacted by the collapse of giant toy company Toys R Us which led to a 2% drop in toy industry sales during that year (Whitten, 2019). However, LEGO maintained stable financial performance with modest top and bottom-line growth because the company has brought a large range of products for kids and adolescents ranging from LEGO bricks to toy sets and even web games. Their successes have made LEGO awarded the “Toy of the Century” twice.

Quality is the number one value proposition in LEGO company that can be seen in their unwavering motto “*only the best is good enough*” which was declared in 1936 and still used up to this day amidst all the hurdles standing in their way of success (LEGO.com, n.d.). Amid the pandemic, in 2020 LEGO company’s revenue skyrocketed to \$8.06 billion, a total increase of 27% from their \$6.36 billion revenue the year before (Whitten, 2022). In the chart below we can see LEGO reaching it is all-time high revenue in 2021 since the year 2003.



Source: Adapted from Statista (2022)

### Graphic 1.1. LEGO Year-on-Year Revenue Growth

From the chart above, we can see the downfall of LEGO’s company was in 2016 to 2017 which was caused by false innovations, a stagnant market, and the fall of the toy industry. Yet they bounced right back in the year 2018 and continue to grow even bigger amid the world pandemic and claim it as one of their greatest achievements happened in the year 2018 when they were recorded as *the world’s most valuable toy* brand worth \$7.57 billion.

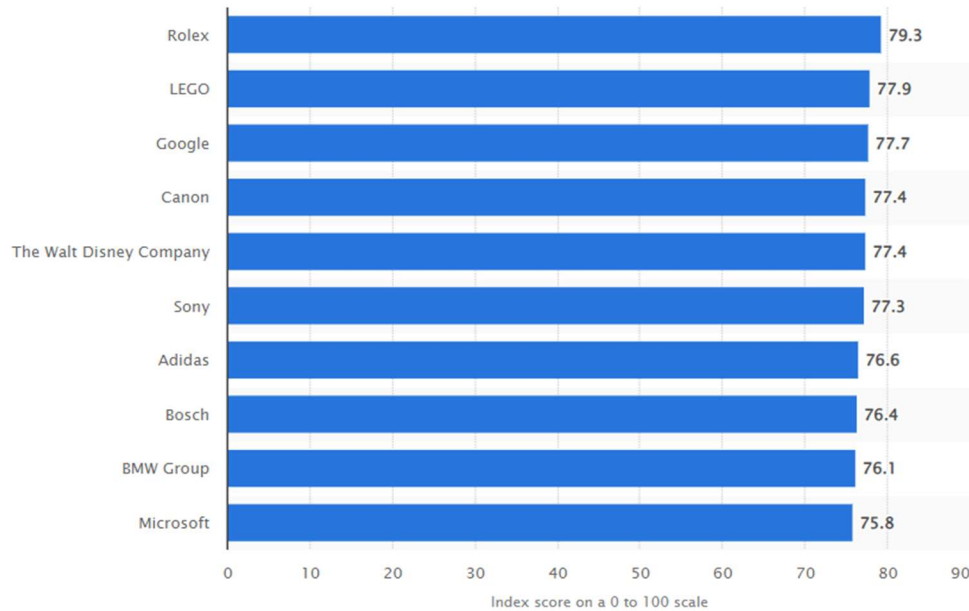
**Table 1.1 2018 Toys Brand Net Worth**

LEGO	Bandai Namco	Fisher- Price	Barbie	Nerf	Hasbro
\$7.517 billion	\$1.038 billion	\$812 million	\$414 million	\$368 million	\$272 million

Source: Adapted from Amadeo (2019); Burgelman et al., (2016); Lin, (2018); Silicon Valley The World Innovative Centre (2019)

The achievement of LEGO company does not stop there. Not only did they thrive over their competitor in the toy industry, but LEGO is also recorded as the top ten

most reputable companies ranking number two, winning against world-renown brands from various sectors in 2018.



Source: Adapted from (*Most Reputable Companies Worldwide 2018* | Statista, 2021)

### Graphic 1.2. Top Ten most Reputable Companies

From the unfortunate Carpentry Shop that goes all the way to the number one toy brand in the world, LEGO had come along the way not only surviving the world economics state but also the changing era and growth of technology (Schwartz Nelson D., 2009). Even though the company is a family business that is led by descendants of Ole Kirk Kristiansen, the workers inside LEGO are inspired to follow the mission of the company which is to inspire, develop, and reach much more kids. That is why the company continues to grow rapidly and surpass all the difficulties coming towards them and building themselves even more solid team. The most interesting thing about this company is how a toy company that makes products for young children can have millions of adults in their community at the same time.

## **1.2. Problem Identification**

LEGO toys are originally made for young kids to have a fun learning experience in their daily activities. In reality, as time goes by LEGO's company target market expanded rapidly reaching the adult segments. In the mid-1990s LEGO company discover the idea of using their bricks in business while exploring new ways to make strategic planning and develop their company (Kin et al., 2019). Since then, LEGO is used for wider professional purposes and attracting even bigger audiences from all around the world with their branches factories, and stores and increasing the wider adult market segment. The good thing about LEGO is they did not only thrive with their exclusive collectible products but also with their basic LEGO pieces in their adult segment. Today, LEGO is widely used for various purposes including school subjects, competitions, engineering, Google interview, research, and many others. This exceeds their head-to-head toy companies' competitors such as Mattel, Hasbro, Bandai, etc. Starting as a simple toy product that was made for kids to play LEGO later thrives in expanding its target market to the adult segment resulting in becoming the world's most famous toy company. This research aims to find out why the adult market is interested in LEGO-brand toys and their perceptions of the brand expansion strategy.

## **1.3. Research Questions**

Digging deeper into the LEGO company, this research aims to answer these questions,

- a. Why are adults attracted to LEGO-brand toys that are originally made for kids?
- b. How is the adult customer's perception of LEGO's marketing strategy in reaching the wider adult market?

### **1.3. Objectives of the Research**

This research is made to analyze the key strategies that enable LEGO to dominate the toy market. By discovering their strategies other companies can evaluate their brands and follow in their footsteps to outgrow their target market and product segments.

- a. Identify how LEGO is seen from an international environment community point of view.
- b. Identify adult consumers' perception of LEGO brand market expansion strategies.

### **1.4. Benefits of the Research**

- a. This research will uncover the factors that make LEGO-brand toys attractive to the adult segment
- b. The success key of LEGO company in becoming an all-age toy that can be studied by brands to enhance their market segments.
- c. This research will enhance brands' knowledge to expand their age segment market.