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REBRANDING LEGO.

AN ANALYSIS OF CAUSES AND SOLUTIONS IMPLEMENTED.

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Abstract

This paper describes the seven-year rebranding process undergone by the LEGO Group in between 2004 and 2010. In the first part of the paper there is a focus on describing the relevant literature concerning the branding and rebranding concepts while the second part of the paper deals with the LEGO case study. The rebranding process (called "Strategic Vision" by the LEGO Group) is described from start to finish and is broken down in its three phases. The four cycle model of corporate branding is presented as well as the VCI Alignment model. The paper concludes that the rebranding process was a lengthy and demanding endeavor that consisted of implementing various successful solutions to several brand problems.

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Introduction

Motivation

Throughout my education, I have always been interested in marketing topics. While studying at the Aarhus School of Business I have come to be even more interested in learning about the branding and rebranding parts of marketing.

When deciding on writing about rebranding and looking for a good company to choose for a case study, I came across a lot of articles and resources that dealt with problems that Lego has had in the early 2000s due to issues with its core brand identity. I decided it would be a great opportunity to learn more about the case and possibly trace the effects of these issues. I will try to analyze how exactly the company realized they had any problems, how they traced the issues at hand, found solutions and finally solved the problems through rebranding.

As David Aaker says in his book, *Brand equity & advertising: advertising's role in building strong brands* (1993), "strong brands must constantly renew themselves, making themselves relevant for each new generation of customers". This is what Lego has done in the 2000s and this is what I would like to examine in detail in the pages that follow.

Problem statement

Changing child development and play patterns, the variety of computer games, multimedia technologies, the internet and the appearance of interactive cell phones created great competition for the Lego brand. As a result, in the beginning of the 2000s, it started having problems with its business model as well as its brand.

The most important *trend in child development* in the 1990s was KGOY "kids getting older younger" which meant that children spent less time on play as well as thinking of traditional games as boring and being more interested in computer games (Hatch and Schultz, 2008).

In addition to this, the 90s brought *pressures of cost and efficiency as well as competition*. For example, Mega Blocks, a Canadian toy producer, imitated the Lego blocks at a much lower price (Franzen and Moriarty, 2008).

Another problem was that the brand has always had to adapt to the market place and management went wrong with this in the late 1990s. The push for growth underestimated the market and overestimated the capacity of the company. In the end, Lego went into a hyper-adaptation stage and created too many brand extensions that *fragmented its core brand* such as children's clothing, accessories, software games, theme parks, television shows, etc., (Hatch and Schultz, 2008). As well as this, in the past "consumers have been confused by the different sub-brands, such as Lego Technic, Duplo and Primo, and not realized that they were all part of the Lego group" (Furness, 2002).

Also as a result of this hyper-adaptation stage, *company culture* suffered as well. Employees were divided into subcultures, working on various products and customers became confused about the core brand identity (Hatch and Schultz, 2008).

These were real problems for the company and this paper will present them in an analytical and comprehensive way. However, the aim of this paper focuses on the solutions the company found for these problems and analyzing how the solutions were implemented.

Research questions:

How did Lego deal with its branding and rebranding issues (in the late 1990s and early 2000s) and strategic problems that arose from them?

What type of solutions did the company find and how were they implemented?

What was the impact of these solutions and did they solve the branding problems in the long term?

Methodology

The paper will be based on reviewing relevant literature on the topic of branding and rebranding and all that it implies. The theoretical background needed for the backbone of this paper is structured into 3 parts. The first one deals with basic theoretical concepts about brands, core identities and brand equity. It explores definitions, concepts and classifications most used in literature today. The second part offers detailed insight into problems that might occur in branding and focuses on solutions brought on by the rebranding process while the third part brings input on the toy industry in general. This part is focused on presenting the toy industry in the late 90s and early 2000s with its general trends and branding practices and is used as a lee-way towards the next part of the paper, the practical one.

The case-study part of the paper deals with Lego – the company and its rebranding process. It is divided into three parts. First, there is a general presentation of the company and the Lego brand with its history and how it came to be considered a global brand. In the second part, different case studies and articles are analyzed concerning the problems Lego started having with its brand identity and its brand as a whole in the late 1990s and early 2000s. Lastly, in the third part, the paper focuses on the renewal process that Lego has undergone, its start and the solutions that were put into place by Lego management.

All the work is done by analyzing different literature works, books, academic articles and journals and drawing conclusions from the facts at hand.

Finally, there is a Conclusions chapter of the paper that sums up the findings of the paper.

Delimitations

This paper is limited to the analysis of case studies, articles, books, magazines and journals written on the topic of the rebranding of LEGO. The researcher has only done theoretical research in order to write this paper, no actual field research was done. The findings of this paper are the conclusions of the researcher after carefully analyzing all the information found on the topic.

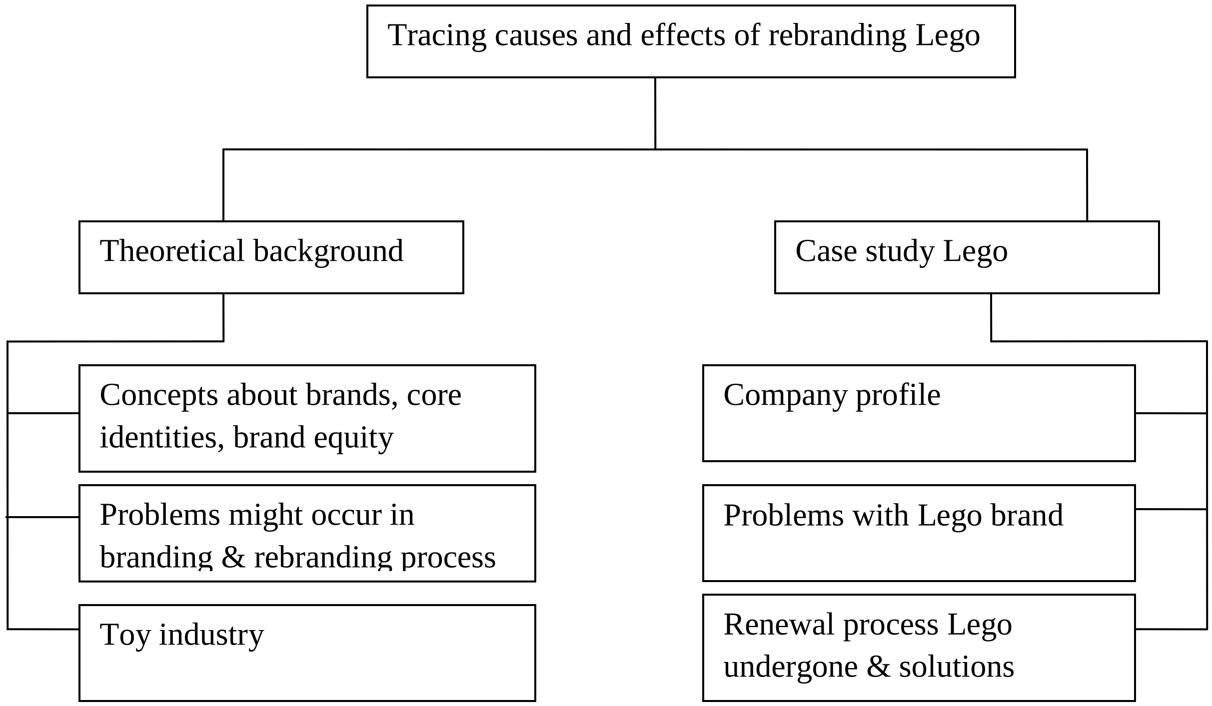

Figure 1 Topic tree – paper structure

Chapter 1 Theoretical background

1.1 Branding

1.1.1 Brands and branding

Every day we see many different television and newspaper advertisements and commercials that contain brands and are made by firms and organizations. Brands are an important part of our environment, especially in a business environment, thus it is crucial that they are defined properly and their concept clearly understood.

According to author Geoffrey Randall (2000) branding is “a fundamental strategic process that involves all parts of the firm in its delivery […] The brand must always deliver value, and the value must be defined in consumer terms”. In short, as Kotler et al. (2006) argue, a brand is a promise of satisfaction from the business towards the customer, it is “a totality of perceptions – everything you see, hear, read, know, feel, think, etc., about a product, a service, or business”. The brand is the one thing about a product/service/company that “holds a certain position in a consumer’s mind based on past experience, associations and expectations”. As well as this, in Healey’s (2008) vision, a brand is compared to an unwritten contract between the producer and the buyer where the buyer is guaranteed a certain satisfaction through the brand name.

Bennet defines a brand as being “name, term, design, symbol or any other feature that identifies one seller’s good or service as distinct from those of other sellers” (Wood, 2000). A brand may “identify one item, a family of items or all the items of that seller” (American Marketing Association).

Semantically, the word *brand* comes from the Old Norse meaning *burn* and it initially meant stamping an animal to show who its owner is (Clifton and Ahmad, 2009). Nowadays, it can also refer to a named product or service (the branded object itself), a trademark (the name or symbol, in the abstract sense) or a customer’s beliefs about a product (idem, 2009).
Today brands more or less dictate consumer actions. By means of advertising and other marketing tools brands convince people of how to live or what to buy. What is more, brands persuade people of certain emotions, they create feeling and attachment and that influences buyer behavior even more than intrinsic product quality.

In what follows, certain theoretical aspects like types of brands and brand characteristics will be presented.

Dimensions of brands

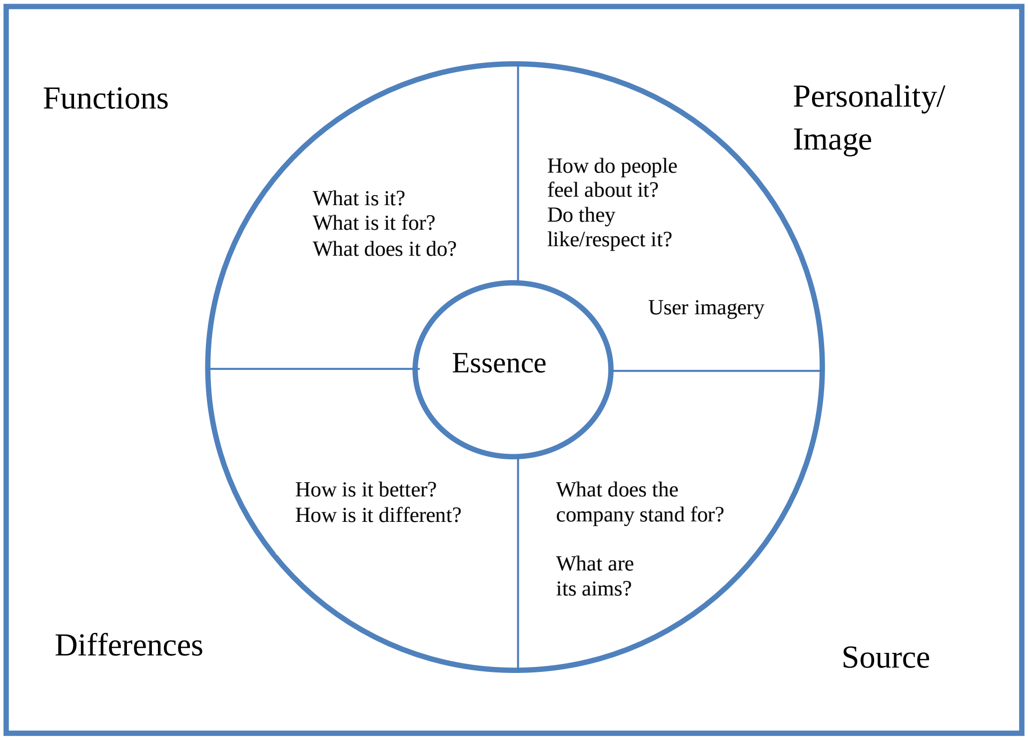

Figure 2 Leo Burnett's model of brand dimensions (Randall, 2000)

Randall (2000) offers the Leo Burnett's model of brand dimensions present above as a starting point for brand theory. The model encompasses brand image and brand identity. *Brand image* can be seen as the sum of all perceptions that result from experience with the brand – what the consumer thinks or feels towards the brand. Brand image is in fact the perceptual concept of a brand that is held by the consumer (Aaker and Biel, 1993).

Brand identity on the other hand is what the company or business conveys to the market, how the business uses the attributes of the brand to transmit its value to the customer. Leo Burnett's model uses brand dimensions like functions, personality and image, source and differences. In the center of the model there is *brand essence*. This refers to the brand's *core identity* (Aaker and McLoughlin, 2010), the concept that summarizes the brand's vision. The brand essence is usually designed to communicate internally and "will capture much of the brand identity from a different perspective, will provide a tool to communicate the identity, and will inform and inspire those inside the organization” (idem, 2010).

Brand personality, also mentioned in the model, can be defined as a “set of associations that differentiate the brand from competing products and it represents the core value of the product” (de Pelsmacker et al., 2007). Brand personality is thought to have a symbolic meaning or charisma – it is what Jennifer Aaker (1997) understands by it – “having human character traits associated with a brand”.

An important aspect of brand personality, especially in literature, according to Franzen and Moriarty (2008) is that it is sometimes confused with brand image or brand identity. According to the aforementioned authors, brand identity is a foundation of brand personality. The latter is directed externally, to the outer world where it transforms as a perception by customers (Franzen and Moriarty, 2008).Brand identity concerns everything a brand is and brand personality is a radiation of it towards the external world (idem, 2008).

Brand image on the other hand, is the sum of the information that remains in the memory of consumers in relation to a brand and it includes identity, values and brand personality (idem, 2008).

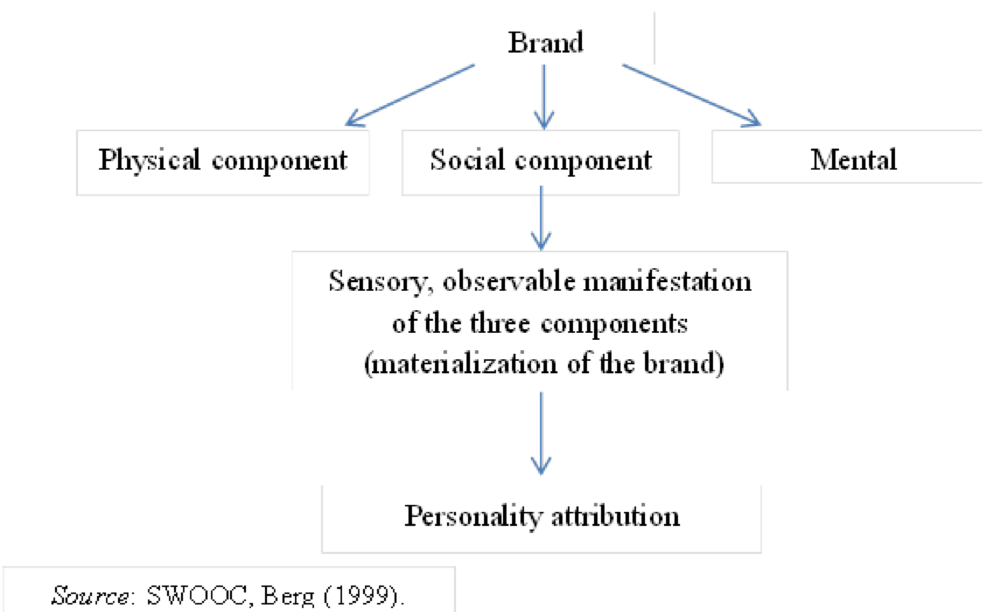

Figure 3 Brand identity versus brand personality (taken from Franzen and Moriarty, 2008)

In terms of brand personality, important research has been done by Jennifer Aaker in 1997 when she developed the brand personality scale (BPS) to measure a brand's personality. This scale has five big dimensions; (1) sincerity (down-to-earth, honest, wholesome and cheerful); (2) excitement (daring, spirited, imaginative and up to date); (3) competence (reliable, intelligent and successful); (4) sophistication (upper class and charming) and (5) ruggedness (outdoorsy and tough) (de Pelsmacker et al., 2007). The research Aaker did was based on brands in the U.S. and although her findings were accurate, later studies have shown that in Japan and Spain for instance, these five dimensions did not all occur, but only three of them appeared. In both countries, 'ruggedness' was replaced by 'peacefulness' and in Spain 'competence' was replaced by 'passion' (idem, 2007 and Franzen and Moriarty, 2008). It is important thus to be flexible and consider different dimensions depending on the country where brands are analyzed.

The corner stone of developing good brand personality is having a good brand identity (Franzen and Moriarty, 2008) as problems can appear in brand management when 'the brand personality concept is not carried by the brand identity' and this is because "chances are it will seem unnatural and contrived to external parties (consumers) and will be discounted as a marketing trick" (idem, 2008).

Also according to Franzen and Moriarty (2008) "***brand values*** are the brand meanings in memory" that consumers consider important and that have a say in choosing between different brands from the same product category. De Pelsmacker et al. (2007) consider that brand associations are of two kinds; (1) hard brand associations and (2) soft brand associations. The first category refers to associations that deal with tangible and/or functional attributes like quality or speed. The latter category is encompassed by attributes like fun or exciting.

1.1.2 Brand equity

Brand equity refers to the added value a brand name offers to a product on the market (Boone and Kurtz, 2011). De Pelsmacker et al. (2007) consider that it is important to differentiate between consumer brand equity and financial brand equity. While the first one refers to the customer and marketing-related components of brand equity, the latter refers to the financial value of the brand for the company (de Pelsmacker et al., 2007). Boone and Kurtz (2011) conclude that brands that have high equity create large profits for a firm because they usually have large market shares.

In 1993, advertising agency Young & Rubicam created the Brand Asset Valuator which is a brand equity system. They concluded that a firm can create brand equity using four dimensions of brand personality; (1) differentiation; (2) relevance; (3) esteem and (4) knowledge. Differentiation refers to the way in which a brand sets itself apart from others from the same category. Relevance is the degree to which the brand has a meaning to its customers (Schultz and Schultz, 2004). Esteem is the level of respect or high regard the customers have for the brand while knowledge is the degree to which the customers know the brand and what its values are (Schultz and Schultz, 2004). Also according to the authors, combining the first two dimensions gives a certain indication of brand strength while combining the last two dimensions is indicative of brand stature.

Brand strength refers to how powerful a brand is. De Pelsmacker et al (2007) present a brand strength index in their book, one inspired by Perrier (1997).

Factor	Relative importance (%)
Leadership	25
Internationality	25
Stability	15
Market	10
Trend	10
Support	10
Protection	5

Table 1 Brand Valuation (from De Pelsmacker et al. (2007), p. 53)

According to this index, the most important criteria for brand strength are leadership and internationality. Clearly a brand that is a market leader and that is present on the global market makes for a strong brand. The fact that it is stable and has customer loyalty (15%) is also important for a strong brand. As well as this, if the brand is supported by marketing efforts and is in a market that has a long-term trend chances are it will increase its strength.

1.1.3 Types of brands

Boone and Kurtz (2011) classify brands into private, manufacturer's or national, captive, family and individual. Manufacturer's brands are the ones that are developed and owned by the producers (idem,2011). Examples of such brands are Coca-Cola, Mercedes, Dell. Private label brands are also called own-label brands, store or dealer brands (de Pelsmacker et al., 2007). They are developed and owned by wholesalers or retailers and most are known to have a good image and are less expensive than manufacturer brands (idem, 2007).

Captive brands are national brands sold exclusively by a retail chain (like Walmart in the US) (Boone and Kurtz, 2011). Such brands usually offer more profit than private label brands – one example of a captive brand is Target's (a US retail store) medium priced line of clothing designed by famous designer Isaac Mizrahi (idem, 2011).

A family/umbrella brand is a single name brand that stands for more related products (idem, 2011). One example is Heinz which stands for an array of sauces, canned food and pickles.

An individual brand is the opposite of the family brand. A producer decides to sell its products through different brands, rather than identifying them all under a single brand name (idem, 2011). For instance, Unilever owns brands like Knorr, Bertolli, Lipton and Slim-Fast in the food category; Pond's and Sunsilk in beauty and Luxe and Dove soaps (idem, 2011). Individual brands are more difficult to manage because each new brand that is created and introduced to the public ends up needing a thorough marketing campaign and a lot of advertising to make it into a strong brand.

Even though it is a challenge, individual brands can be very useful in ensuring positioning in different market segments.

On the other hand, having a family brand makes it easier to introduce new related products because they all benefit from the advantages the already established brand can provide. It is important though that the products in the family brand all correspond in terms of quality so that the overall brand image does not suffer (Boone and Kurtz, 2011).

1.1.4 Corporate brands versus product brands

Marketing professionals easily differentiate between corporate and product brands. An example of a corporate brand is Audi which has its own personality and values that it conveys to all its car models or Adidas. Examples of a product brand on the other hand would be Dunhill cigarettes which is only one brand in the British American Tobacco brand portfolio or Tide detergent which is only one product in the Unilever Company. In literature, Hatch and Schultz (2008) offer a very comprehensive explanation as to the differences between the two types of brand. They differ in terms of five main categories or objectives and these are: (1) target audience; (2) Scope and scale; (3) responsibility; (4) origins of brand identity and (5) planning horizon.

In terms of target audience, a product brand addresses itself to consumers while a corporate brand has a much larger target that includes customers but also includes managers, employees, and other stakeholder categories (idem). According to scope and scale, a corporate brand is one that encompasses the whole company while a product brand only relates to one single product or service of the company or a group of related products (idem). In terms of who is responsible for the brand, a corporate brand is managed by the executives and CEO while the product brand is the product manager's responsibility (idem). Another well noted difference is the fact that the product brand's identity is created by advertisers in accordance with what the customers need. In contrast, a corporate brand's identity is formed by a cohesive sum of the values of the company, its history and reputation and culture of the organization (idem). Last, but perhaps most important is the long-term or short-term perspective taken into consideration when creating and developing the brand. The planning horizon can be a shorter one like the life of a product in the case of a product brand or a longer one like the life of a company in the case of a corporate brand (idem).

An important tool in dealing with corporate branding is the Corporate Branding Toolkit developed by Hatch and Schultz (Schroeder and Salzer-Moerling, 2006). This toolkit comprises 4 cycles or stages through which a company can create its corporate branding: (1) stating; (2) organizing; (3) involving and (4) integrating (idem). The first stage, “Stating” refers to determining the identity of the corporate brand and linking it to the vision of the brand. “Organizing” deals with establishing a relationship in between culture, image and vision (the VCI Alignment model that will be presented later in the paper). The third cycle, “Involving” refers to making the stakeholders be a part of the vision and the culture, involving them in the corporate brand while the last cycle, “Integrating” involves combining culture, vision and image around the new identity of the brand (idem). A more detailed sketch of these cycles of corporate branding is found below.

Cycles of corporate branding	*Cycle 1 Stating*	*Cycle 2 Organizing*	*Cycle 3 Involving*	*Cycle 4 Integrating*
Key process	Stating the identity for the corporate brand and linking it to corporate vision	Linking vision to culture and image	Involving stakeholders through culture and image	Integrating vision, culture and image around a new identity
Key question	Who are we as an organization? What do we want to stand for?	How can we reorganize behind our corporate brand?	How can we involve internal and external stakeholders in the corporate brand?	How can we integrate vision, culture and image for the corporate brand?
Change mode	Decentralized	Centralized	Decentralized	Centralized
Key concerns	Company wide-audit of brand expression Revisiting brand cultural heritage Analysing brand images among key stakeholders	Create a coherent brand organization and provide managerial foundation for implementation processes	Does the company have a shared cultural mindset? Active inclusion of global stakeholder perceptions	Integrate the brand across markets and business areas

Table 2 The cycles of corporate branding (source: Schroeder and Salzer-Morling, 2006, p. 15)

1.1.5 Brand architecture

Brand architecture refers to the way in which a firm decides to structure its brands (de Mooij, 2009). In general, companies can choose from three strategies: (1) corporate branding, (2) endorsement branding and (3) product branding (de Mooij, 2009).

Corporate branding is when the corporate name is used on all the products of the company – only the mother name is used (idem)

Endorsement branding is branding in which all the sub brands are linked in a way (either verbally or visually) to the corporate brand. This kind of branding is the family branding mentioned before in the previous section (idem).

Product branding is when the corporate brand is just a holding company and each product is separately branded for the market – it is the individual branding previously mentioned (idem)

Brand leveraging is when a company uses an existing brand name to ease the way for introducing a new product or line (idem, 2009). Companies can choose to do a brand extension which is introducing a new product by using an established brand or combining an existing brand with a new brand (Kotler and Keller, 2009).

According to Kotler and Keller (2009), there are two kinds of brand extensions that are line extension and category extension. A category extension is introducing a new product which is in a different product category than the initial brand like Lego clothes (idem, 2009).

A line extension is introducing a new product in a certain product category under the same brand name (de Pelsmacker et al., 2007). Line extensions are advantageous because the positive image of the brand is conveyed to the new products that are marketed with the same name. Nonetheless, if there are too many line extensions, the original brand can lose its meaning to the customer and its positioning on the market can suffer. As well as this there is a risk of cannibalization in between the many products of the company. Furthermore, is the line extension is not successful, it may have a negative effect on the original brand causing it to lose its strength (idem, 2009).

According to de Pelsmacker et al. (2007), brand extensions tend to be more successful than new brand introductions and often less costly. However, the authors remark on a few risks that come with brand extensions. Firstly, an observation also made by de Mooij (2009), there has to be a fit between the brand extension and the product class and values of the parent brand (brand extension fit). If this is not the case, the new extension may not be successful as consumers may not identify with the brand and may respond negatively. As well as this, there is a risk of brand dilution, a phenomenon that appears when there are too many product categories used for the same brand name (de Pelsmacker et al., 2007).

Companies can also choose to offer a brand globally or just locally. A global brand is ‘one that is available in most countries in the world and shares the same strategic principles, positioning, and marketing in every market throughout the world, although the marketing mix may vary. It has a substantial market share in all countries (dominates markets) and comparable brand loyalty (brand franchise). It carries the same brand name or logo’ (de Mooij, 2009). Such global brands are everywhere nowadays like Coca-Cola, McDonald’s or Nike. On the other hand, firms may choose to offer their brands only locally (local brands). Usually, these are brands that have tradition in a certain area, and decide to stay local in order to benefit from the power of each brand (for example the cash&carry retailer Metro is called Makro in some countries while Procter & Gamble’s Fairy is called Dreft in some countries) (de Pelsmacker et al, 2007).

When considering not one brand name but two brand names, companies have three options in terms of branding strategies: (1) endorsement; (2) ingredient branding and (3) co-branding. Endorsement branding is when a company uses two of its brand names on a product and one of them acts like a quality mark (like for example LEGO DUPLO). Ingredient branding is stating an ingredient of the product right next to the label name like Intel for computers. Co-branding implies two companies combining two of their brand names on a product in order to transfer some of their brand value towards the new product (examples are Philips coffee makers and Senseo coffee, Lego with Star Wars or with Kellogg’s Eggo Waffles) (de Pelsmacker et al., 2007; Zargaj-Reynolds, 2010 and NameWire, 2007).

<table>
<tr><td colspan="4">National</td><td>International</td></tr>
<tr><td colspan="2" rowspan="2"></td><td colspan="2">Category</td><td></td></tr>
<tr><td>Existing</td><td>New</td><td></td></tr>
<tr><td rowspan="3">One brand</td><td rowspan="2">Existing</td><td>Line extension</td><td>Brand extension</td><td>Global branding</td></tr>
<tr><td>Corporate branding</td><td></td><td></td></tr>
<tr><td>New</td><td>Multi-brands</td><td>New brands</td><td>Local branding</td></tr>
<tr><td colspan="5"></td></tr>
<tr><td>Two brands</td><td colspan="2">Endorsement</td><td>Ingredient branding</td><td>Co-branding</td></tr>
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Table 3 Basic brand strategies (de Pelsmacker et al., 2007, p. 46)

1.1.6 Brand portfolio

The brand portfolio comprises all the brands a company has. Due to variety, brands differ from one another in a brand portfolio and generally can be distinguished into four categories: prestige brands, flankers, fighters and bastion brands (Riezebos et al., 2003). The company's most profitable brand is called a bastion brand, it performs the best, has a high level of psychosocial meaning and the largest market share. A flanker brand has the same price-profit ratio as the bastion brand but it is addressed to different consumer needs (usually a smaller segment of the market, a niche) than the bastion brand (idem). A fighter brand has the role of protecting the bastion brand from other competitive discount brands, its price being lower than the bastion and higher than the discount brands (idem). A prestige brand is a very good quality brand, a luxurious one targeted at a status-seeking segment (idem).

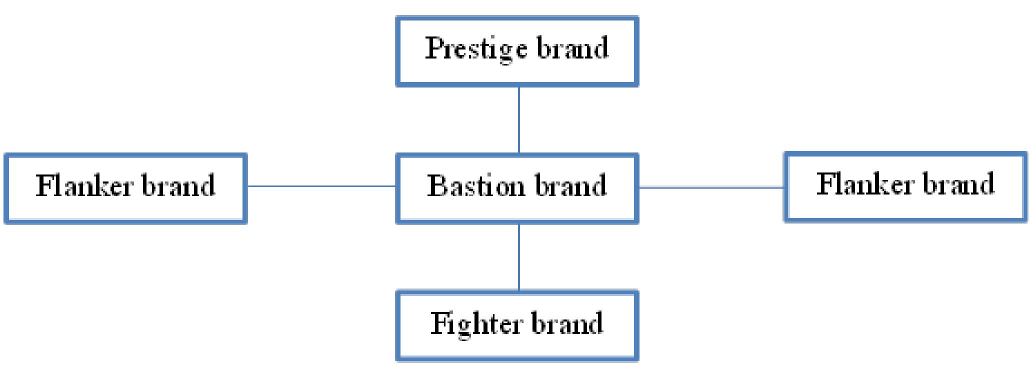

Figure 4 Brand portfolio model (Riezebos, R., 2003)

1.1.7 The Brand Asset Valuator (BAV)

A good way of analyzing the way a brand is performing especially in terms of consumer perceptions of the brand is to analyze it with the help of the Brand Asset Valuator.

The Brand Asset Valuator is a tool that advertising agency Young and Rubicam created to help companies improve their marketing efforts and planning (www.encyclo.co.uk, 2011). It is essentially a database of different brands and the perceptions consumers have about them (idem).

The Brand Asset Valuator uses four factors that can be grouped two by two. The four factors are: (1) differentiation, (2) relevance, (3) esteem and (4) knowledge (Value Based Management, 2011).

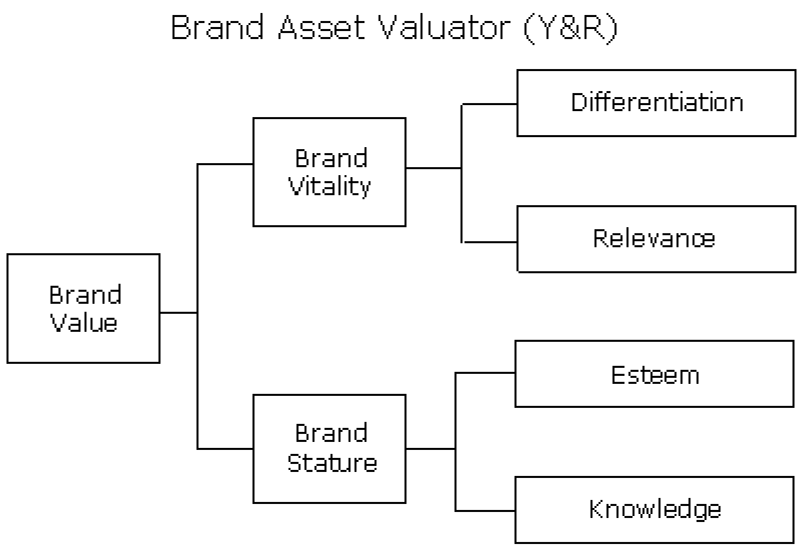

Figure 5 The Brand Asset Valuator created by Young and Rubicam (source: http://www.valuebasedmanagement.net/methods_brand_asset_valuator.html)

According to the above-mentioned source, differentiation refers of course to the degree in which a brand can separate itself from the brands of competitors and have a clear position in the consumer’s mind. Relevance is about how important the brand is to the consumers and offers a perspective on the relationship between the brand and the consumer. Esteem refers to the quality and reputation of the brand perceived by the consumer while knowledge refers to the brand awareness of the consumer (idem).

If grouped together, the first two factors make up brand vitality and the latter two make up brand stature and altogether they offer an image of overall brand value. This being said, the BAV is a tool most useful when trying to determine the pros and cons of a brand or its strengths and weaknesses as well as how popular it is or recognizable.

1.2 Rebranding

As well as being able to build good, solid and strong brands, companies have to be aware of how they should manage and maintain their brand portfolio. Due to many brand or line extensions and various brand management decisions (bad marketing, incongruent brand values, etc.) a brand's value can decrease and with it, the company value decreases. This is when the branding process should be revised and solutions put into practice. The following section in this paper is dedicated to presenting literature on the rebranding process.

1.2.1 Rebranding process

The rebranding process is the way in which a company rethinks and reorganizes the way it functions or transmits its values or the values of its products to the consumer. A more comprehensive definition would be the one offered by Schroeder et al. (2006) that states that rebranding is "the creation of a new name, term, symbol, design or combination of them for an established brand with the intention of developing a differentiated (new) position in the mind of the stakeholders and competitors".

According to Donelly and Linton (2009), the rebranding process may consist of bringing changes to the overall physic image of the brand (like the logo, symbols, name) or it can involve more organizational aspects like the marketing behind the brand, advertising or simply a change of strategy.

Also considered by Schroeder et al. (2006) are the dimensions of rebranding. According to them, there are two dimensions worth considering when dealing with the rebranding process: evolutionary rebranding and revolutionary rebranding. Evolutionary rebranding is considered to be that type of rebranding process that is so small or happens in such a gradual way (with the product brand or company) that it seems like a natural evolution of things from an outside perspective (idem, 2006). Examples of this type of rebranding are perhaps all the brands in the world. It is sufficient to consider just how packaging for a certain brand has changes, how the logos for some brands have changed like the logo for Pepsi-Cola (weburbanist.com, April 2011, see Annex 1) This type of branding happens when there is only a small change in the “marketing positioning and aesthetics” (idem, 2006). On the other hand, revolutionary rebranding refers to a greater and more obvious change in the aesthetics and positioning of the company’s brands (idem, 2006). Examples of this would be CGNU becoming Aviva for instance or Aarhus Sporveje becoming Midttrafik.

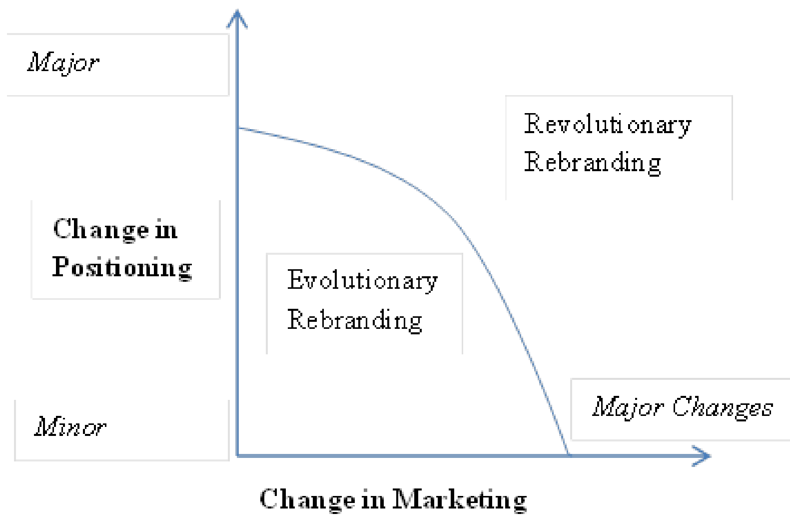

Figure 6 Rebranding as a continuum model (taken from Schroeder et al., p804)

Another more clear-cut classification of rebranding would be one according to the scope and objective of the rebranding process. It can be either organizational, encompassing the whole company or it can be focused on a smaller level, the product level (Donnelly and Linton, 2009).

1.2.2 Reasons for rebranding

Rebranding can be done for several reasons starting from organizational issues like the need to restructure the company and the way it does business, to needing to attract a different target audience to the brand, to changing the name that has become obsolete or just unfitting with current trends or just for legal reasons (Groucutt et al., 2004).

As well as this, authors mention that rebranding processes also include brand culling or brand termination – this is done so that companies can concentrate on developing the brands in their portfolio that have the most potential and not be distracted by smaller brands that do not bring so much profit (idem).

Donnelly and Linton (2009) also mention reasons for beginning a rebranding process. The drive behind taking such a decision for a company may vary from the need to reposition a product (due to price differentiation, to expanding into different markets or simply wanting to change the image of the brand in the consumer's mind) to trying to bring more local or regional brands into a global one. In addition, authors mention that there is sometimes the need to rebrand a product when take-overs or mergers happen so that the consumer gets a more cohesive feel of the new brand that results from such a merger or take-over.

Another important reason that leads to rebranding efforts for a company is investing in too many brand extensions. Armstrong et al. (2007) consider that sometimes a company that creates many brand extensions can end up using too many of its resources without helping any of its brands reach their full potential. Capon (2008) states that in order to be successful a brand extension must be made for a brand that already has positive associations in the consumers' mind and that there should be a cohesion between the brand's associations and the product extension associations. Too many brand extensions can corrode the values and images of the brand, they can make the brand become too diluted (Hoyer and Macinnis, 2009).

There is a model that deals with the alignment of values, culture and images of a brand that is supposed to create a good, strong brand. Aligning what these values express, what the brand culture is and what images are associated with the brand has been studied by Hatch and Schultz (2008) in their book *Taking brand initiative: how companies can align strategy, culture and identity through corporate branding*.

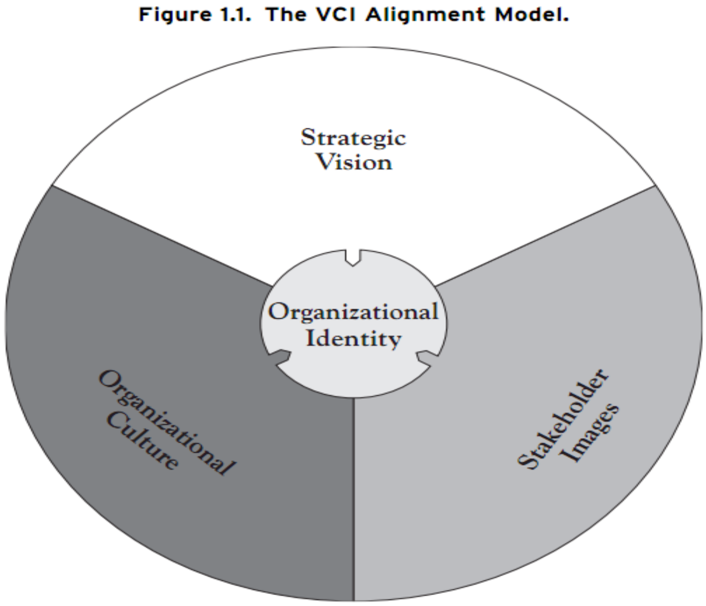

Figure 7 VCI Alignment model, taken from Hatch and Schultz (2008), p. 11.

The main idea of the model is that the more cohesive and related to each other these three factors are (vision, culture, image, thus VCI) the stronger a brand is. More simply put, there has to be a coherence between what the stakeholders of the company associate with it and what they expect from the company (the stakeholder image), the way employees interact and what they think of the company (organizational culture) and the way managers see the company in the long-term (strategic vision). If this vision-culture-image cohesion does not appear at the brand level then the brand is not that powerful due to ‘misalignments’. These misalignments can be between vision and culture (the vision-culture gap), vision and image (the vision-image gap) or between image and culture (the image-culture gap). The vision-culture gap refers to whether the company does business respecting the values it promotes or whether vision and culture are different from those of the company’s competitors. The vision-image gap deals with what stakeholders want and expect from a company, the difference between what they think they can get from it and what they actually get in reality. As well as this, it deals with the vision and values that are attractive to the stakeholders. The image-culture gap refers to what customers associate with the company, how they relate to it as well as how employees see the company and their relationship to it. It also deals with the ways the employees and the stakeholders of the company interact (Hatch and Shultz, 2008). When one or more of these gaps are present, there is an imbalance in the way the brand is portrayed, the way its values and identity are conveyed. On the long-term and even on the short-term, such imbalances lead to brand deterioration in the mind of the stakeholders, both employees and consumers. As a result, when there are such gaps present, changes have to be made and management must consider a rebranding process, smaller or larger, depending on the size and importance of the gap.

1.3 Branding in the toy industry

An average estimate of the global toy market is that it will reach around 122 billion U.S. dollars by 2012 (PRWeb, 2011). The toy industry is nowadays focused not only on young children but also on youngsters and teenagers – especially in what the video games industry is concerned. These target audiences have growing disposable incomes and as a result the toy industry is rethinking its marketing efforts in order to focus them on these demographics (idem). As well as this, there is a growing trend of children becoming less interested in conventional toys faster than older generations (idem).

According to Bryson and Rusten (2010) the toy industry can be separated into two types of toys. The first types are the generic conventional types of toys that never change throughout the ages like generic dolls or cars (that can be made by any organization). The second types of toys are the ones that are owned by a company like Mattel owns Barbie or like Lego bricks.

Branding in the toy industry is a difficult task. One aspect that has recently been dealt with is the “genderation of toys”. Author Karen Brooks (2010) deals with the idea of toys still being assigned and branded to be gender-specific even though there have been so many advances in gender equality until today. The author argues that old stereotypes are reconfirmed by the way companies brand and sell their toys: girls are to play with pink colored toys and all kinds of dolls while boys should play with logic puzzles, LEGO bricks and action figures. She goes on to mention that branding toys by gender happens not only in the aisle section of the retailer’s but also in the packaging, logos and colors used to brand the toys.

Chapter 2 Case-study: The LEGO corporate brand and its way to rebranding

2.1 LEGO. History of the brand.

The LEGO brand is a Danish-established 80 year old, global corporate brand present in 130 countries (LEGO, 2011). The name of the company comes from an association of two Danish words that mean "play well" ("leg godt"), a name that is quite meaningful for their company vision. The corporate brand was created by a Danish carpenter, Ole Kirk Christiansen in 1932, (Schroeder et al., 2006) and it has become an icon brand for generations of children ever since.

Figure 8 Lego Logo (source www.lego.com)

LEGO toys are considered to be great toys for the development of a child as they encourage imagination, inventivity and creativity. In his own words, the founder of the company thought of the LEGO toys, as they were when leaving his shop, as being "[…] unfinished". This was because, in order for the toys "to come to life, each one needs the touch and imagination of a child" (Gerzema and Lebar, 2008).

The company began as a small carpenter's shop and it eventually turned into a wooden toys manufacturing company which later started selling plastic toys in 1958, specifically the LEGO bricks that are so famous today (Schultz et al., 2005). In 1950, LEGO introduced the 'LEGO system of play' which basically stood for learning through play – it was the very first concept of this sort and LEGO simply called it "Play and Learn" (LEGO Company Profile, 2009).

The LEGO bricks had been produced and sold by the company since 1956 but they did not have the 'stud and tube coupling system' that they have nowadays. For this reason, they were quite limited in ways in which they could be coupled and the architectural ways in which children could build with the bricks were mostly two-dimensional (Lauwaert, 2009). In 1958, the new stud and tube coupling was introduced and as a result, the options for building with the LEGO bricks became more numerous because the bricks could be coupled together in more ways than before (thus giving freedom to building new constructions like planes, cars, boats) (idem).

The LEGO company has been a family business since it was founded, the current owner is Kjeld Kris Kristiansen, the grandson of the original founder and it was he who as CEO of the company (LEGO Group1, 2011), started the major rebranding of the company in the early 2000s. But until we can deal with the idea of the rebranding the company has recently undergone, we must look at the overall image of the history of the brand. Throughout the years, LEGO has evolved in what the brand personality, image and values are concerned but also in the physical shape and form of the bricks it produces as well as the types of figurines it sells. If at first, in 1949 LEGO produced only two types of bricks (red and white), the company ended up having a portfolio of 12,400 different pieces in 2004 (Lauwaert, 2004).

After introducing the new coupling system, LEGO continued innovations all throughout the 1960s as well. In 1966, the first LEGO train that has its own motor was introduced (LEGO Company Profile, 2009). By the end of the year, LEGO already had 57 train sets and 25 vehicles in its line (LEGO History, 1997).

Also in the 1960s, LEGO found a new way to categorize its products to its target audiences by making products that were specifically designed for certain age groups and stages of development in a child’s life. The brand modified its strategy focus because it was clear that different child groups depending on age but also on gender had specific needs that needed to be catered to separately. This was the period when a sub-brand was introduced, the DUPLO brand. It was introduced in 1967 and it was meant for younger children while the later launched Technic series was targeted at slightly older boys. The DUPLO sub-brand was different from the normal LEGO bricks as the DUPLO bricks were designed to be twice as long, as high and twice as wide in order to be easier to use by smaller children (LEGO Company Profile, 2009; LEGO History, 1997, Schultz et al., 2005).

In 1968, the LEGO brand gets a brand extension by opening the first LEGOLAND Park in Billund, Denmark that offered games for children while giving entertainment to the whole family in trying to attract them to the LEGO brand.

In 1970, LEGO starts introducing small low-priced vehicles in its line with the purpose of making its customers spend more on LEGO toys. These ranged from cogwheels to police cars and fire engines and were the inspiration for the Expert Builder Series (later called the Technic

Series). Just one year later, in 1971 LEGO introduces a line specifically aimed at girls that offered doll houses and furniture pieces (Lego History, 1997).

Later in the decade, in 1974, LEGO came up with a new product, introducing tiny figurines that made it possible for children to create buildings and worlds that had more real-life characters in them (Gerzema and Lebar, 2008). The tiny figurines had painted faces, arms and legs that could be moved and had a base plate that meant they could be fixed in place wherever the children wanted to put them in their constructions (Lego History, 1997). At the end of the decade (in 1978), the current owner of the company implemented a new business model called ‘a system within a system’ that had to do with the way the company developed its products. The ‘system within a system’ meant that LEGO had to continuously analyze the phases of its product development process so that the needs and skills of children (according to their ages) would be met and enticed in a creative way (LEGO Company Profile, 2009).

Figure 9 LEGO tiny figurines (source: http://feedingthepuppy.typepad.com/ feeding_the_puppy/work/)

Also in the late 70s, LEGO began to focus not only on the toy pieces they sold and on the bricks but on the ideas and concepts they offered to children. As a result, they started emphasizing on themes and stories - fantasy worlds and concepts that made up whole new environments for the LEGO bricks to be used in. one of these new LEGO worlds that children could build in was the LEGO Space Series launched in 1979 (idem).

In the same year (1979), LEGO decided to change its brand strategy and make the main brand an endorser for the various sub-brands it manufactured. This was done because the company wanted to stress on the fact that it offered a large range of toys aimed at all children, at any age. The strategy was comprised of each sub-brand getting its own new image and identity while being endorsed by the mother-brand. As a result, the Technic series became LEGO Technic (having LEGO as an endorser) (Schultz et al., 2005).

In 1982, LEGO introduced the Technic I series and the DUPLO Mosaic which were to be the first products that the company targeted towards pre-schools and schools. A year later, they also tried to attract the baby market by launching the DUPLO Baby sets that even included rattles. In the same year, they also launched the Castle series that included figurines like knights or horses made out of basic LEGO bricks (LEGO History, 1997).

Starting with the 1990s a lot of new products were introduced on the market starting with the Model Team, the first 9-volt LEGO Trains (with transformers and speed regulators), the Toolo line for DUPLO, Paradisa product aimed at girls, the Brickvac, new DUPLO train sets, the Belville line for girls, DUPLO Primo for even younger children, Acquazone series and WildWest Series and in 1997, LEGO launched its first CD-ROM (LEGO History, 1997).

LEGO went on a brand extension spree while also changing the brand strategy. It stopped the endorsement strategy and went back to using the LEGO brand as its main brand on all its products. The company underwent this change because it wanted to strengthen its core brand so that it would be stronger when it eventually applied its diversification strategy. As Schultz et al. (2005) state, the LEGO Group planned on “expansion of the scope of the LEGO brand, by stretching it across different categories in the children’s universe”. Because of a trend called KGOY (kids getting old younger) the only segment in the toy industry with some noticeable growth in the beginning of the 90s was youth electronics (Ireland et al, 2008). Children were becoming less interested in conventional toys and they outgrew them faster than earlier generations. Sometimes, children became interested in lifestyle products (like clothes and accessories) even as early as age 7 (Schultz et al, 2005) and as well as that, there was an incredible increase in the demand and interest for technological games (video games). LEGO bricks began to be seen as old-fashioned and demand for them decreased. Consequently, the company decided it was time to reinvent itself and broaden its horizons. The LEGO Group changed strategy and opted to diversify and extend their brand portfolio into more areas as to attract more markets. The company expanded into these three markets: “(1) children’s clothes and accessories; (2) media products and interactive multimedia robots and (3) LEGOLAND family parks (Schultz et al., 2005).

During the 1990s LEGO teamed up with the Massachusetts Institute of Technology to produce LEGO MINDSTORMS. This product combined the LEGO building system with robot technology and allowed children to ‘create and programme intelligent LEGO models’ (LEGO Company Profile, 2009). Also in the 90s, LEGO also acquired the hotel near its LEGOLAND in Billund and started plans to open its first LEGOLAND outside Denmark, in California.

As well as this, another notable action in the late 1990s is the partnership that LEGO signed with LucasFilm Ltd that gave LEGO the rights to create brick sets that were inspired from the Star Wars movies. This was a stepping stone for the company as well as for the industry since it created a whole new toy-category called “constraction” – a mix between “construction toys” and ”action figures”. The series inspired by Star Wars came out in 2001 and is called the BIONICLE. It combines physical toys with an online virtual world where children can enter to follow the story and tell it in their own way (LEGO Company Profile, 2009).

2.1.1 The LEGO Philosophy

Like any other brand, the LEGO brand has its own personality, identity and values. It is one of the most easily recognizable brands in the world and it carries meaningful values that the brand stands by. As a toy brand, it can be said that LEGO develops a special relationship with its ‘consumers’ as it becomes part of their childhood and even as they grow up, adults end up having a fondness for the brand due to nostalgic associations.

This next chapter deals with the values, mission and vision of the brand and the associations it conveys to its target audience.

The LEGO brand stands for quality and reliability – it is a corporate brand that conveys its values and personality towards a family of products it manufactures and sells. The LEGO Group itself states that their brand values are imagination, creativity, fun, learning, caring and quality (LEGO Group3, 2011). The first four values are directly linked to the experience children have with the brand and what they get out of the relationship with it. The fifth brand value ("caring") is directed not only to the target audience of the brand but also to its stakeholders and the world around it while quality is a core brand value without which the brand would not exist (idem).

As taken from their company profile document, the LEGO group states that "it is LEGO philosophy that 'good play' enriches a child's life – and its subsequent adulthood. With this in mind, the LEGO Group has developed and marketed a wide range of products, all founded on the same basic philosophy of learning and developing- throughout play" (LEGO company profile, 2009).

LEGO's mission **–** "Inspire and develop the builders of tomorrow" (LEGO Group2, 2011) - has roots in this philosophy of developing learning and creativity and inspiring children to develop skills by thinking logically and playing in an innovative way. The vision of the company is "Inventing the future of play" (LEGO Group2, 2011) by which it means that the company will always seek to create new ways of creative and reason-enticing play by combining "globalization and digitalization" (idem).

The brand essence of the company is the LEGO motto which is "only the best is good enough" (LEGO company profile, 2009).

2.2 Rebranding LEGO

This subchapter deals with the problems that arose with the LEGO brand in the mid-late 90s and the beginning of the 2000s and the way the company saw fit to deal with them and implement solutions.

2.2.1 Problems with the brand

Throughout its history LEGO has been considered to be a strong and powerful brand. In 2000, Fortune Magazine and the British Association of Toy Retailers named LEGO the "Toy of the Century". By the time the brand was 55 years old, (in 2004), it had sold more than one billion euros worth of toys and online games and it was considered the fourth largest toy manufacturer in the world and the first one in Europe (Dahlen et al., 2009).

Schroeder and Salzer-Moerling (2006) consider LEGO to be an iconic brand and place it in the top of one of the most favored brands for families with children, alongside Disney or Kellog's. However, this changed in the 90s due to fluctuating trends in the toy industry that somehow made the LEGO company look old-fashioned. The classic bricks play was no longer appreciated by children who were in awe of the new and innovative technological developments that offered them exciting video games. Playing with LEGO seemed less entertaining and children got bored of the old conventional bricks.

Moreover, the KGOY trend discussed previously made children be interested earlier on in their lives in other toys or lifestyle products and entertainment rather than just plastic bricks.

As well as this, throughout the years LEGO has been known to be a sound company that refuses to sell children the kind of toys that instigate towards violence. This was another disadvantage in comparison to LEGO's main competition, video games, which are often quite violent and demanded by the market. According to Gerzema and Lebar (2008) this was a major obstacle in the growth of the company in the 90s as LEGO remained "opposed to the concept of toys simulating harmful actions". The same authors state that LEGO even had internal problems with concerned employees when it paired up with LucasFilm Ltd to launch the Star Wars Series because it would have meant having the word "war" in a product name (idem, 2008).

Furthermore, at the end the 90s decade, LEGO faced competitors that imitated its bricks and sold them for a lesser price which also undermined LEGO revenues (Franzen and Moriarty, 2008).

In 1996, in an analysis of the LEGO brand with the help of Young and Rubicam's Brand Asset Valuator, it turned out that the brand had not scored great on all accounts. Its strength was still good but it scored low on the differentiation factor (Lauwaert, 2009). According to the author and to the BAV, this kind of a result is characteristic of a brand that is fading.

In addition to this, the continuous brand extensions and expansion into different markets like the lifestyle products markets and entertainment markets made the company and the consumers lose focus on the brand. There was confusion over what the brand signified anymore and what values it stood for.

Lawaert (2009) argues that this harsh expansion of LEGO in so many directions (new toys, theme parks, media, lifestyle products, online and electronic games) produced damage to the brand – damage that the company will try to fix in the seven year rebranding and restructuring program that they started implementing in 2004.

However, it is important to note that the reason for the brand extensions in the first place were quite serious for LEGO. The company had realized, in the mid-90s that its image was not what is used to be (Schultz et al., 2005). The LEGO image was considered less desirable and boring and too much linked to its core product (the building bricks) so as to make it easy to extend the brand to other product lines like it was intended (Schultz et al., 2005).

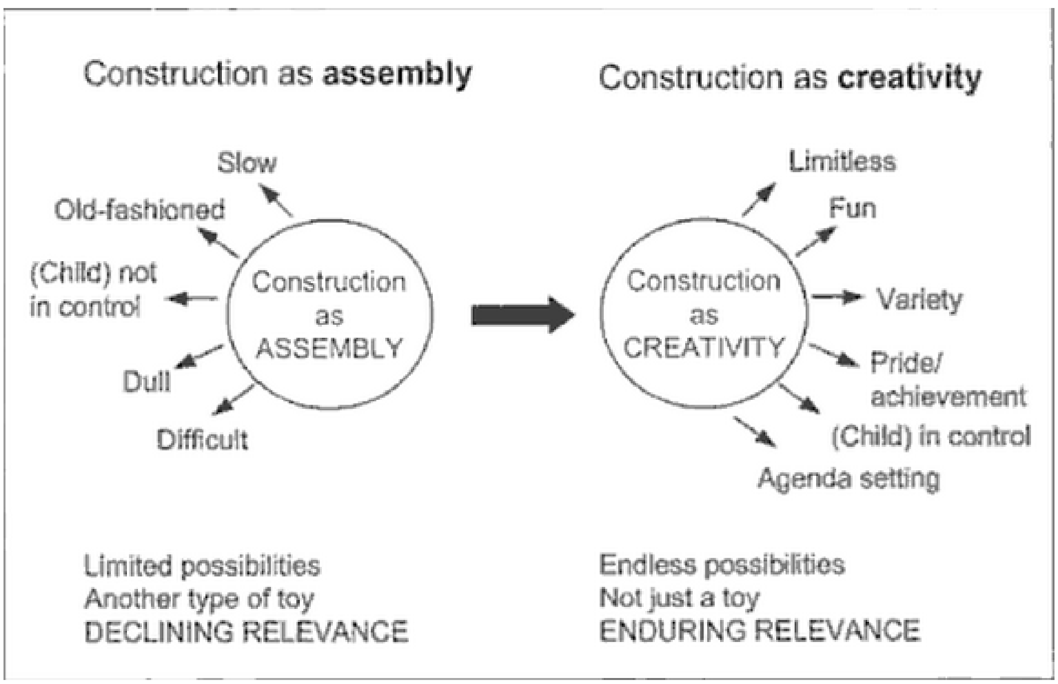

Figure 10 Reinterpreting the LEGO brand identity (source: Schultz et al., 2005, p. 169)

Consequently, LEGO tried to reinvent and reinterpret its core brand value/essence in order to make it easier to stretch the brand (Schultz et al., 2005). In order to do so, they used the basic concept sold by the company: “construction” with building bricks. They analyzed, as seen in the figure above, construction as it was then (mid 90s) “as assembly” of different building bricks and construction “as creativity” – picturing how it would become with the aid of brand extensions. Construction as assembly was considered to not be popular with children anymore, somewhat difficult for the complicated LEGO sets (sometimes children needed their parent’s help to complete building the sets) (idem). Furthermore, it was considered to be outdated and limited in possibilities as well as not relevant for the current toy demand.

On the other hand, construction “as creativity” offered a new image of dynamism, endless possibilities, of fun and entertainment and most of all of variety (idem).

After careful analysis, the company decided that its new brand essence and identity to be conveyed to its target audience would be “Stimulate creativity” (Schultz et al., 2005). This essence was to be transmitted in the mind of the consumers and in time change their perception about the LEGO brand. It was supposed to make the consumer not associate the LEGO brand with the out-dated brick (Schultz et al., 2005) but with creativity so that the brand could widely expand in other product lines without causing inconsistencies in its core brand values.

However, this is what started the company on a slippery slope of too many brand extensions and too much diversification that ultimately “fragmented the LEGO brand” (Schroeder and Salzer-Moerling, 2006) and lead to the need for huge restructuring in 2004.

Lauwaert (2009) also remarks on the ironic way in which these brand extensions from the mid 90s and early 2000s were supposed to create a dynamic and new image for the company – one that was not considered too conventional or old-fashioned. Rather than succeed in their efforts, LEGO’s diversification strategy succeeded in doing just the opposite. The fact that the LEGO boxes started being packed with more and more preformed parts limited not only the amount of time children spent on constructing their toys but also the ways in which they could build the blocks together (Lauwaert, 2009) and this stole even more out of the brand’s personality.

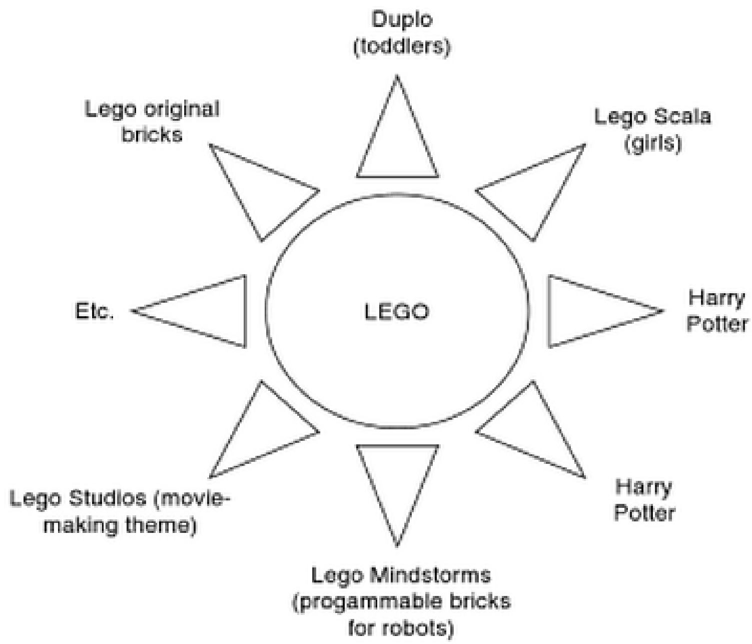

Figure 11 The various brand extensions for LEGO in 2000 (source: Taylor, 2004, p. 130)

Lawaert (2009) also deals with underlining the shift in perspective and type of play. If in the beginning and for the most of its first four decades LEGO focused on "constructive play" (which meant physical play with building blocks), it gradually ended up focusing on stories and themes (they were all part of the brand extensions). As the author puts it, the focus went from "designing and constructing" to "narrative and role-playing".

According to Schultz et al. (2005) the brand extensions of the mid 90s not only affected the brand in terms of consumer's perceptions of it but also affected the company and the brand internally. Employees and even management had difficult times adjusting to the new products (that restructured the organization and its culture). The authors conclude that the "LEGO culture and identity were unprepared for the organizational consequences of extending the brand in new business areas and the resulting need to include new competencies and subcultures" (Schultz et al., 2005).

In between 1998 and 2004, a period of seven years, the company had registered losses in four of those years (Dahlen et al., 2009). In 2003 it saw sales drop by 30 percent and another 10 percent the next year (idem) as the company continuously tried to escape from "fluctuating financial performance" and get back on track (Schroeder and Salzer-Moerling, 2006).

All the reasons for which LEGO started undergoing a long, seven year rebranding process have been presented in this last paragraph and are summed up in the figure below.

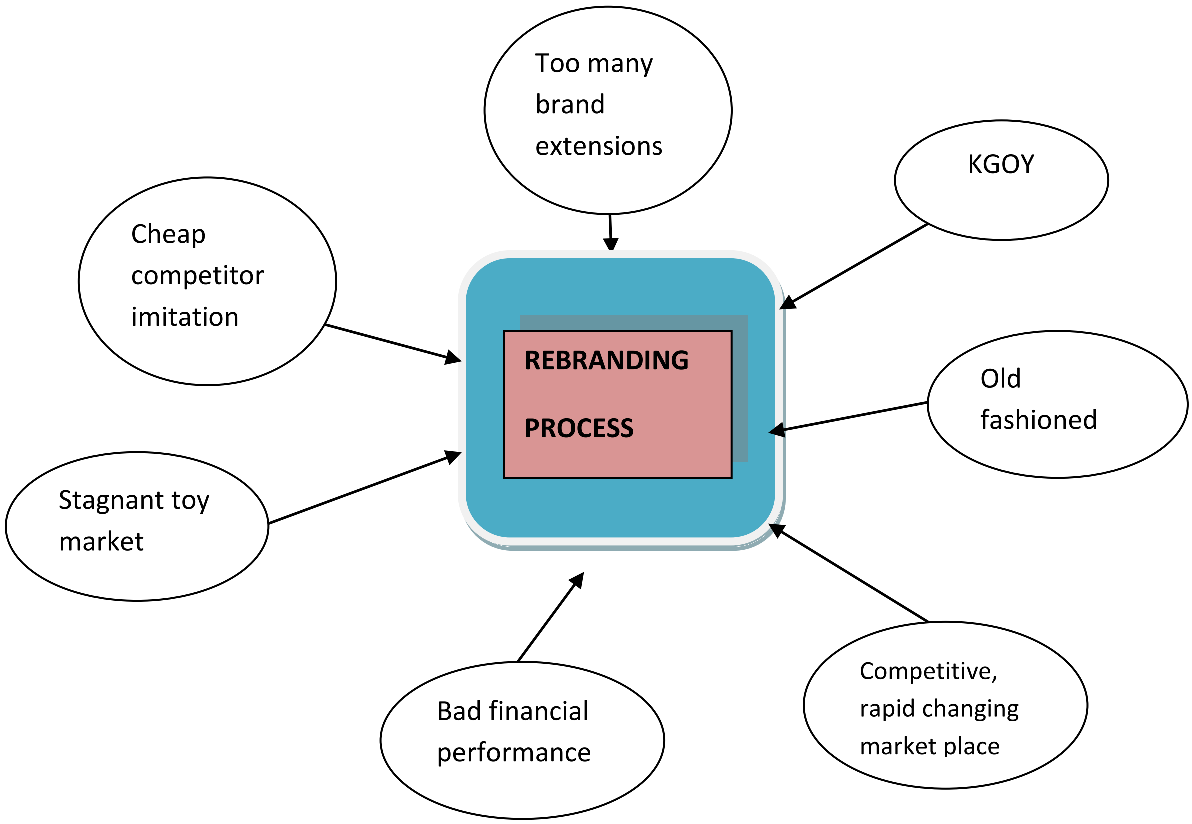

Figure 12 Reasons for the need for a long-term rebranding

2.2.2 The rebranding process. Solutions found and implementation in stages

As Schroeder and Salzer-Morling (2005) put it, faced with all these problems that caused deterioration to the LEGO brand, top management had to make a decision. Management had to keep the LEGO heritage alive while constantly striving for innovation and trying to obtain profits in the meantime.

LEGO created a "task-force" of twelve people (idem) in 2001 the sole purpose of which was to analyze the state of the brand and coming up with a strategy that involved changing the branding strategy to corporate branding (idem).

The Corporate Branding Toolkit by Hatch and Schultz was used and the task-force went through all the four cycles.

In the first one, they challenged what the brand stood for and rethought the brand heritage and images as well as redefined the brand values. The brand and all its extensions were analyzed only to discover that there was much confusion in the consumer's mind in between brands, sub-brands and product lines (Schroeder and Salzer-Morling, 2006). As well as this, LEGO was compared to its competitors in terms of how differentiated it was as a brand (idem, 2006).

The task force also talked to the stakeholders, to employees and the owner so that it could form a better idea of what the organization's culture was like. Based on their insights the taskforce was able to redefine the brand values, the traditional ones and made them more modern and attractive.

Moreover, the brand architecture of the company was redefined having as a criteria the "play experiences that consumers obtain by engaging in LEGO play" (idem, 2006).

Cycles of corporate branding	*Cycle 1 Stating*	*Cycle 2 Organizing*	*Cycle 3 Involving*	*Cycle 4 Integrating*
Key managerial challenge	Select values for the redefinition of the corporate brand and make them relevant to own managerial practices	Set priorities and implications of redefined brand values for cultural practices	Listening to the organizational culture in order to enhance cultural change towards a more coherent culture	Build awareness of national cultural differences and estimate their importance for brand execution
Key cultural activities	Creating a range of new cultural symbols, redefining espoused values; renewed reflections about strengths and weaknesses of basic assumptions	Shift in relations between subcultures; inserting new competencies and cultural mindset. Overcoming cultural conflicts	Dialogue workshops with top management. Development of LEGO Brand School; involving new group of brand champions	Dialogue with regional markets; cascading processes to involve local employees; exploring the limits of a one-company culture.
Key cultural paradox	Balance the promises the company wants to make to stakeholders and what stakeholders want to hear from the company	Balance the central policing of cultural values and key symbols and the need to empower employess to enact the brand decentrally	Balance the respect for past cultural heritage and the need to make the culture relevant and emotionally appealing to current and future employees	Balance the vision for a global one-company culture and adaptation to national cultures; business subcultures and local markets

Table 4 The cultural dimensions of the shift to corporate branding (source: Schroeder and Salzer-Morling, 2005, p. 17-18)

The brands under the LEGO umbrella were restructured based on four platforms or portals – specifically tailored in order for parents to decide which type of toy is suitable for their child's age (Taylor, 2004). The four portals are: Lego Explore, Lego Stories and Action, Lego Make and Create and Lego Next. The first one is aimed at young children up to the age of five while Lego Stories and Action is aimed at children ages 4-8 with the idea being that children can bring characters and entire worlds to life while they play. Lego Make and Create is for even older children and is aimed at children who enjoy building complex constructions while the Lego Next platform is comprised of more high-tech series and aimed at children above 10 years of age (idem).

Platform =>	Lego Explore	Lego Stories and Action	Lego Make and Create	Lego Next
Type of product	Different coloured and shaped Lego bricks to help children learn and grow while having fun	Construction with emphasis on bringing to life different character universes	More challenging and complex construction, with maximum flexibility of outcome	High-tech, programmable creation kits
Core age group	0–5	4–8	7–10	10+
Examples of versions	Explore being me Explore together Explore logic	Harry Potter Bionicles Star Wars	Lego Technic Construction designer kits	Lego Mindstorms robots Lego Spybotics

Table 5 New LEGO Architecture (source: Taylor, 2004, p. 131)

This new type of organizing the brand architecture made operations in the company become more efficient. Brands that did not fit into any of the categories were dropped.

In the second cycle of corporate rebranding, the task force tried to define the consequences of the rebranding process on the brand and organization (Schroeder and Salzer-Morling, 2006). What this means is that organizational and managerial practices had to be adapted to fit the new corporate branding. In this cycle, there were new roles and responsibilities set for managing the brand (idem).

In the third cycle the task force focused on learning the organization's opinion, aligning changes and talking to top management. It dealt with offering activities that made the employees and the customers be directly involved in the LEGO brand (idem).

In the last cycle, the task-force took a look at different cultural markets and their differences in order to estimate whether they could be conjured into one global brand. This integrating stage refers to ‘aligning the concerns and resources of all stakeholders including managers and employees behind the brand on a global scale” (Schroeder and Salzer-Morling, 2006).

This analysis being done, the LEGO Group announced that it would undergo a long seven year process of rebranding starting with 2004 (Lauwaert, 2009). The LEGO rescue plan had three main objectives: (1) create a clear direction and drastically change the business model; (2) become more competitive by focusing on customers and (3) downsizing the activities that are not profitable and reduce the level of risk (Annual Report LEGO Group, 2004). As part of this initiative, LEGO decided to sell the LEGOLAND parks in order to get more financial support to rescue the company (idem).

As well as this, all other redundant assets of the company that were not on board with the “going back to the roots” strategy were sold (Gerzema and Lebar, 2008). The basic idea was that all the product lines that did not have a direct link to the core brand or business or were not profitable were cut out of the brand portfolio (Lauwaert, 2009).

The rebranding process was divided into three steps. The first step was stabilizing the company financially and operationally in order for it to survive the problems it was having. Phase two of the rebranding process began in 2006 and lasted until 2007 and consisted of creating a good range of core products and maintain financial stability. The last and final step of the rebranding process was improving the core business and preparing for growth of the company. This last phase was planned for 2008-2010.

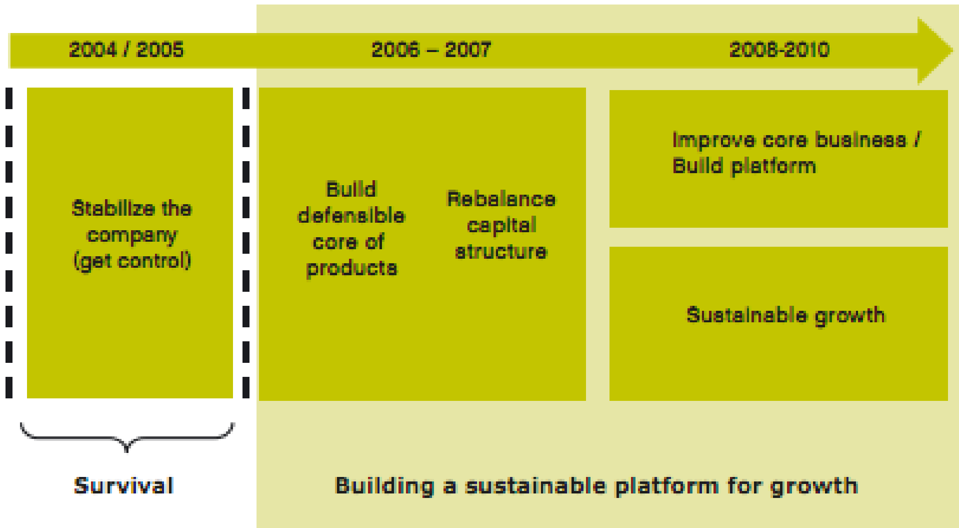

Figure 13 Rebranding plan for seven years (source: Annual Group Report, LEGO Group, 2007)

Starting with 2004, the brand became more flexible, the company focused on getting the consumer's opinions on current products or future ones – consumers today still have a voice in which products LEGO launches (idem). In 2004 for example, four American LEGO fans were selected to help design and innovate the new MINSTORMS series (Gerzema and Lebar, 2008). The initial four collaborators became a hundred volunteers by 2006 that were glad to help with the designing of the new product. The MINDSTORMS NXT series was a great success when it was launched in 2006 and quite a breakthrough as it was awarded the "Breakthrough Award" by the magazine *Popular Mechanics* (idem).

As well as involving fans, LEGO tried to connect with consumers online. Through design facilities like LEGO factory.com and LEGO Digital Designer (3D construction software), both launched in 2004, LEGO has developed a bigger online presence and seems more modern (Dahlen, 2009). LEGO factory is an interactive site that offers consumers the opportunity to build virtual LEGO while the main website of the company allows children to create whole universes (Gerzema and Lebar, 2008). It is one of the ten most visited children's websites (Dahlen, 2009). Lego factory offers consumers a very personalized experience – it allows them to design their own construction while choosing from a wide range of bricks. The designs can be later shared with other fans or they can be ordered from LEGO and received for physical construction (Hatch and Schultz, 2008).

Another important aspect of the rebranding process consisted of reducing the development time of toys to a half of the time it took LEGO to produce them in 2004. This was done in order to be able to react more quickly to the ever changing environment around the brand (Lauwaert, 2009).

The main focus in the first two years of the rebranding process was “establishing operational and financial control as well as stability” (Annual Report, LEGO Group, 2005). As can be seen in their annual report from 2005, their financial situation had greatly improved mainly by selling assets. Also in this year, the LEGO Group sliced production costs as it moved its operations from Switzerland to Eastern Europe and centralized its European distribution in the Czech Republic so that it would become more efficient and less costly (idem).

Moreover the number of LEGO models was again reduced and as a result, it was easier to move products through the value chain and costs were sliced.

As well as this, the company started to focus and improve relations with key customers worldwide and underwent a customer satisfaction research in order to better get to know the customers’ beliefs, attitudes and priorities concerning the brand (idem). As a result, the company began to use the information about its customers in order to offer retailers better service. In 2006, LEGO launched the “Store of the Community” concept which was an incredible hit among retailers like Wal-Mart (Hatch and Schultz, 2008). It consisted of LEGO gathering information from its Lego Club and sales tracking system in one area (information linked to fan and club intensity) and catering to the region depending on how many LEGO fans there are. The bigger the number of fans, the more LEGO products that the company delivers to the retailer in the area – product deliveries can even be customized by product line (space series, train series) depending on the preferences of fans in the area (idem).

The year 2006 was the year when the second phase of the rebranding process began. This stage had three main objectives: (1) transitioning the supply chain, (2) improving the profitability of the products in the brand portfolio and (3) preparing for economic growth (Annual Report, LEGO Group, 2007). The end of 2006 brought increased sales and revenues for the company partly because of new features in old product lines and partly because of increased sales in the MINDSTORMS NXT series which was a great success (Hatch and Schultz, 2008).

All in all, all the objectives from the second phase of the rebranding process were completed successfully, and LEGO managed to create a strong core platform for the company to later develop on and grow sustainably (Annual Report, LEGO Group, 2007).

The third phase of the rebranding process started in 2008. Since then, the company has experienced sales growth and revenue growth each year. The basic product lines like LEGO City, Creator, Technic and Star Wars are the ones that bring the most profits (Annual Report, LEGO Group, 2008). Part of the strategy for growth and sustainability, LEGO took over production facilities in Eastern Europe and established another one in Monterey, Mexico and started “phasing out” the production agreement they had with company Flextronics (idem).

In 2009, LEGO finished the process of internalizing production it started in 2008 and was again in control of its own production (production sites are in Denmark, Czech Republic, Hungary and Mexico) (LEGO Group, Annual Report, 2009). The company also made investments in order to increase its production capacity by buying new moulding machines and investing in building a new warehouse in the factory in Czech Republic. (LEGO Group, Annual Report, 2009).

In 2010, the group continued to have increase sales and fortify their market position and growth strategies.

Chapter 3 Conclusions

A rebranding process is one that takes time, effort and sacrifices. Rebranding LEGO has been a lengthy, demanding but necessary process in order for the company to achieve its proper potential.

Throughout this paper and especially the final part, the research questions posed in the beginning have been answered. The first question dealt with finding out how LEGO dealt with the rebranding process and the strategic problems it arose. The chapter on ***Problems with the brand*** deals extensively with the type of problems the company and subsequently the brand have had that required a process of rebranding. Starting from the huge decrease in sales, brand dilution due to too many brand extensions, highly changing technological trends, the KGOY phenomenon to an out-dated brand image – these are just a few of the branding or strategic problems that were identified.

The second research question was aimed at the type of solutions the company found and how they were implemented. Part two of the case study in chapter 3 relates to this question. In this subchapter, a long description of how the company came about the rebranding idea and how it structured it is presented. The four cycle model is used to explain how the first rebranding efforts were begun and how the designated task-force dealt with pin-pointing the causes that called for a rebranding. As well as this, the paragraph describes the "Strategic Vision" (i.e. the rebranding process) of the company for a period of seven years starting from 2004 and until the end of 2010. Each of the three phases of the rebranding process is described in detail with examples of what the company has done in order to move the process along and implement it thoroughly.

The last of the research questions refers to the impact the solutions have had and whether they have solved the problems the LEGO group has had in the long term. From the information presented in the latter part of the case study and also from the financial information contained in the LEGO Group Annual Reports it can be said that the company has recovered financially as a company as well as a brand, a corporate brand. It has made many changes in its image and brand personality, it has consolidated its essence and has returned to its core values which have inspired its consumers. Through continuous attention and the aligning of values, culture and image, the LEGO Group might have solved its problems for now. In order to be able to venture and say that they have solved their problems in the long term, one would have to be sure that the company stays on this track and that is does not get lazy on the way to sustainable growth. In an industry that is so demanding and a market place that can change so rapidly, it is probably unwise to ever state that a problem is solved on the long-term and that nothing should be done about it anymore. Instead, constant vigilance and continuous analysis and maintenance are key in keeping problems at bay.

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