



## THE MARKET

The fundamental mission of the LEGO Group is to stimulate children's imagination and creativity through fun and exciting play. Toys and play are important learning elements for children in their early stages of life, helping in the development of hand-to-eye coordination and exciting the senses.

Taking children's play seriously is the basis for the LEGO business. In a competitive toy environment the LEGO Group's aim is not necessarily to be the biggest, but to be the best in its business area. This aim has allowed the LEGO Group to remain one of the top ten toy manufacturers in the world.

The Australian toy market is estimated at \$1.2 billion in retail sales. The LEGO brand is the leader in the construction toy category, with around an 80% share.

In 1996, LEGO Australia showed a 7% increase in consumer sales. This result followed a 5% increase in 1995. These increases have been above the growth of the total market and therefore have seen the LEGO product range continue to build market share.

## ACHIEVEMENTS

The LEGO Group produces over 100 million LEGO sets a year and sells its products throughout 60,000 outlets in 138 countries. Over the past three decades it has established itself as one of the leading names in the toy business. It is estimated that between 200 and 300 million children and adults play or have played with LEGO bricks.

LEGO products are extremely versatile. There are simple basic elements and specialised elements; large components for small fingers and tiny ones for the very complex models; elements for building the props children use in role-play, and advanced technology that challenges even the most skilled builders.

While LEGO products provide fun and creative play for children up to 16 years, the LEGO name and logo is recognised around the world by children and adults alike who have experienced the ideas, values and fun which the LEGO logo symbolises.



Godtfred's idea was put into practice and the forerunner to LEGO bricks as they are known today was produced under the name 'Automatic Binding Bricks'. This rather primitive version of LEGO bricks consisted of blocks with studs on top and were mainly used for building simple structures like towers and walls.

In the early 1950s, Godtfred developed the LEGO System of Play - extending the opportunities for play. Products were marketed in boxes which contained standard LEGO bricks, small moulded cars, figures and a cardboard town map. These products were launched on the

Danish market in 1955.

In 1957, internal tubes were introduced which increased the bricks' clutching power. This improvement enhanced their stability and opened the way to putting them together in an almost infinite number of combinations.

By 1960 sales companies were established in various countries, including Great Britain, France, Switzerland and Sweden, as well as Germany. In 1960 a fire destroyed the LEGO company's wooden-products warehouse. Thereafter all production of wooden products ceased and the company's resources were then focused solely on the further development, production and marketing of the LEGO System of Play.

Today, LEGO products are produced in Denmark, Switzerland, the USA, Brazil and Korea. All the companies in the LEGO Group are owned by the Danish Kirk Christiansen family. There are no external shareholders. The LEGO Group comprises around 9000 employees, 4250 of whom work in Denmark.

In Australia, LEGO products were first sold in 1962. LEGO Australia is now part of LEGO Asia which represents the LEGO Group's companies in Asia, New Zealand, South Africa and Australia. LEGO Australia is based in Lane Cove, Sydney, and employs around 50 people with sales representatives in every state of Australia.

## THE PRODUCT

The core business area of the LEGO Group is the development, manufacture, marketing and distribution of the LEGO toy system.

There are four brands in the LEGO toy system - LEGO PRIMO, LEGO DUPLO, LEGO SYSTEM and LEGO TECHNIC - with over 100 new sets launched into the market every year.

LEGO PRIMO toys are designed to stimulate a baby's senses through a range of large rounded interlocking elements, human and animal figures

## HISTORY

The LEGO brand originated in Denmark in 1932 with Ole Kirk Christiansen who derived the name from the Danish words 'leg godt' meaning 'play well'. After losing his job as a carpenter in the tiny village of Billund, Christiansen decided to put his skills to good use by making wooden toys. Running his business under the slogan 'only the best is good enough', which is still the LEGO Group's philosophy today, Ole Kirk laid the foundations for the company's international success.

From the end of the 1930s, the LEGO range was extended to include such wooden toys as vehicles, animals and yo-yos and by the early 1940s, the company was manufacturing around 150 different products. The workshop became a small factory and by 1950 the number of employees had increased to 65. By the end of the second World War, Christiansen's LEGO Factory was the largest industry in the Billund area.

Many new raw materials and industrial processes were developed around the world during the war. One of these materials was

plastic, and in 1947 Christiansen acquired the company's first injection-moulding machine and began producing plastic rattles, small dolls, animals and building blocks which were added to the wooden products in the LEGO range.

It was Ole Kirk's son, Godtfred, who, having been involved in the LEGO business from the age of 14, conceived the idea for LEGO bricks. In 1949





and elements with mirrors, sounds and roll-along functions, which stimulate young minds and help advance small hand coordination. LEGO PRIMO is designed for babies up to 24 months.

As children start to grow they learn to recognise concepts from their surroundings and imitate real life situations. The LEGO DUPLO range is designed for toddlers and children, from the age of 18 months to six years.

The LEGO SYSTEM range is more advanced, extending the imagination and creativity of children between five and 12 years through a variety of theme worlds, such as Space, Castle and Western.

For children who are ready to learn about the world of mechanics and technology, the LEGO Group has developed the LEGO TECHNIC range, which challenges children's skills and determination. The LEGO TECHNIC Starter sets cater to children from 7 to 12 years and the LEGO TECHNIC Advanced sets are designed for the nine to 16 year age group.

Each LEGO set is designed to function with the others in the range, therefore increasing the play value of each set.

Apart from the core business of construction toys the LEGO Group also has a series of related business areas including: LEGO DACTA, LEGOLAND Parks, LEGO Licensing and LEGO Media.

LEGO DACTA is an independent, international business area. It strives to meet the particular needs of childcare institutions and schools through learning systems and educational materials which combine play, entertainment and learning.

LEGOLAND Parks are outdoor entertainment venues designed to provide an exciting day out for families with children aged two to 13. The LEGOLAND Park in Billund, the first LEGOLAND Park, has been operating since 1968 and in 1996 the LEGO group opened its second park - LEGOLAND Windsor, near London. The next LEGOLAND Park will open in 1999 in Carlsbad, California.

The LEGO Group's plan is to open a new LEGOLAND Park every three years in a different location around the world.

LEGO Licensing is a business area which enters into cooperation agreements with companies which target quality products to children and families with children, and with whom the LEGO Group allow to use their brand name. The range



of licensed products includes children's clothing, watches and bags.

LEGO Media is a new business area, established in 1996. LEGO Media was formed in cooperation with other partners to develop and market media products for children, including software, films, books and music. The first software products were launched in 1997.

### RECENT DEVELOPMENTS

The LEGO Group continues to be at the forefront of product development, responding to the changing market and needs of its consumers. Each year new sets and new creative concepts are developed to excite and challenge children.

In 1997, the LEGO Group launched an entire range for babies up to 24 months called LEGO PRIMO, and redefined LEGO DUPLO as a range specifically targeted at children from 18 months to six years.

Babies and toddlers have a natural curiosity and a need for challenges. This built-in drive to explore and learn is why the LEGO Group has developed an entire range for babies and a range specifically targeted at toddlers and young children.

It is the LEGO Group's constant challenge to meet the changing needs of its customers. As play becomes far more computer and technology oriented the LEGO Group has responded, leading the way in the toy construction industry with the launch of the LEGO TECHNIC CD ROM.

The LEGO TECHNIC CD-ROM, which was launched in March 1997, accompanies the LEGO TECHNIC Submarine set. Children can now have the best of both worlds, combining play in the real world with play on the screen.

The LEGO group is currently developing more CD-ROM sets to accompany a wide range of LEGO products.

### PROMOTION

The LEGO brand delivers on its promise of fun every time and hands-on experience is the best form of promotion. The strength of the brand lies in the fact that millions of people have enjoyed playing with LEGO and encourage their children to do the same.

One of the most effective ways to promote the LEGO brand is to encourage the involvement of children. In 1998, LEGO Australia will host the LEGO World Record Tower event. People of all ages will be invited to participate in building the world's tallest tower made entirely of LEGO bricks.

LEGO World Record Towers have been erected in several countries around the world - each time to a greater height. The current height record is over 20 metres. Each new achievement is recorded in the Guinness Book of Records.

LEGO Australia has also introduced LEGO Big Time Builds which are run in large shopping centres throughout Australia. Children of all ages are invited to help professional LEGO builders construct a three metre high model from over 180,000 LEGO bricks. The events are designed to promote participation, cooperation and most of all, fun.

The LEGO Touring Show - Crazy Builders has also been introduced in Australia in 1997. The LEGO Crazy Builders

Show is a showcase of animated fun LEGO models operated by push button.

LEGO Australia has also entered the 1997 LEGO Prize. The LEGO Prize, known as Ygdrasil, is a formal statement of the LEGO Group's interest in children and their development. Awarded for the first time in 1985, the international prize is awarded every year in recognition of individuals, groups of people, associations or organisations who have contributed in some unique and outstanding way to benefiting the lives of children. Nominations for the LEGO Prize are made from all over the world.

### BRAND VALUES

LEGO products are renowned for their quality, strength and durability. When Godtfred Kirk Christiansen conceived the LEGO product he defined basic characteristics which outline the nature and value of the product: the toy must have unlimited play potential; it must be suitable for boys



and girls of every age; it should provide year-round stimulating and motivating play; it should enable a child to exercise his or her powers of creativity, imagination and development; it should be safe and top quality.

All LEGO elements are designed to be wholly compatible, so that elements in each range can be connected with elements in other ranges - extending their play value.

It is the LEGO Group's vision that people all over the world experience positive, happy associations every time they see a LEGO logo or see a LEGO element. A single principle applied to all LEGO products is that children must learn and develop their world as they play.

### Things you didn't know about LEGO

- There are 102,981,500 different combinations possible from six 8-stud LEGO bricks of the same colour.
- In just four decades, from 1949 to 1990, around 110 billion LEGO elements were moulded.
- Over 180,000 LEGO bricks were used to build Australia's largest ever LEGO Santa Claus in December 1996.
- A miniature LEGO replica of the Sydney Opera House is displayed at LEGO Australia's headquarters in Sydney. The model took 725 hours to construct using over 23,000 bricks and was based on original plans by Danish architect Jørn Utzon.
- Each year, across the world, it is estimated that 5,000,000,000 hours are spent playing with LEGO bricks.