

LED Flameless Candles and Lamps Market Analysis and Sales & Marketing Plan

*Prepared for Contempo Lights
By Pro Creative Marketing Group, Inc.*

The Lighting Market

The global market for commercial lighting including both lightbulbs and lighting fixtures, is currently \$54 billion, and is projected to decline to \$30 billion by 2021 because of a rapid shift to longer lasting LED and compact florescent bulbs¹.

In other words, although the number of fixtures with removable bulbs bought is not projected to decline, companies will need to spend less to replace LED bulbs. GE is saying that technology will advance so that an LED lamp will last a decade, reducing repeat sales². According to Pike Research, LED lamps costs are going to be reduced by 80 - to 90% over the next ten years³.

This means that there will be an enormous boom in LED lamp sales in the market within the next four to eight years as companies switch from incandescent and traditional T12 and T8 florescent to LED. However, once market penetration is near complete and the changeover has taken place, sales will drop off due to the much more infrequent need to replace the LED lamps and bulbs.

However, for the small, decorative flameless candles and lamps sold by Contempo, there may be more time to achieve market saturation because you will be less affected by retrofitting and more influenced by design and remodeling considerations where companies are changing their look to become more contemporary or are looking for a warmer, more intimate lighting solution for tables.

As a result, I project that the market for the types of products that Contempo Lights sells will remain strong for the next ten years. The key to success will be competitive positioning, since competition is certain to increase from both existing companies and the large traditional lighting companies like as Philips, GE and Osram they use their significant financial and manufacturing resources to catch up with the trend.

In the United States, there are 8.2 billion lamps, with over half of them in residences. The second largest sector is commercial, which includes hotels, restaurants, retail stores, and other non-industrial commercial buildings, with around 2 billion lamps⁴. According to the Department of Energy, within the commercial sector, about 5%, or 100 million lamps are in lodging and food service buildings. Based on 2011 LED figures, that means there are approximately 9 million LED lamps in restaurants, bars and hotels in the US. Since 58% of LED lamps are luminaries

¹ *Lighting Market Sourcebook for the U.S.*, Diana Vorsatz, Leslie Shown, Jonathan Koomey, Mithra Moezzi, Andrea Denver and Barbara Atkinson, December 1997, Energy Analysis Program, Environmental Energy Technologies Division, Lawrence Berkeley National Laboratory, Berkeley, CA, <http://enduse.lbl.gov/projects/LMS.html>

² *Bloomberg*, December 20, 2011, via *Amerlux Energy Observer* newsletter January 2012

³ Pike Research, LED Lighting to Capture 52% of the Commercial Building Market by 2021, November 22, 2011

⁴ *2010 U.S. Lighting Market Characterization*, Prepared by Navigant Consulting, Inc. for the US Department of Energy Building Technologies Program, January 2012

rather than replacement bulbs⁵, *there are currently around 5,220,000 LED luminaries in restaurants, bars and hotels*. Of these, only 6% are decorative⁶, so there are only 313,200 LED lights in Contempo Lights' category and target market.

The rise of LED in Commercial Buildings

At this point, LED lighting is a very small part of the market, but that is changing rapidly. The current U.S. market for commercial and industrial LED lighting is now \$330 million in annual revenue and is predicted to triple to over \$1 billion by 2014⁷. The factors driving the trend towards LED are:

1. More advanced LED chip performance which have made LED lamps and bulbs more affordable
2. Financial incentives from utilities to switch to the more energy efficient LED systems
3. Government regulation of the less energy efficient older technologies
4. Increased interest from building owners to reduce energy costs by reducing the energy consumption of their lighting

The main competition to LED is the CFL (compact florescent lamp), but the objection to CFLs is that the light isn't warm. Warm lighting is possible with LED. Most modern LED lamps (2011 and later) perform well in the warm white color range, comparable to incandescent⁸.

The other issue with adoption of LED technology is its high initial cost compared to incandescent lighting. The average LED bulb costs between \$25 and \$40, whereas incandescent bulbs cost as low as \$1. LED manufacturers argue that the savings are much more over the life of the bulb because they last longer and reduce energy consumption by 60 to 80%⁹, but the high up front cost has caused consumer adoption of LED to lag behind commercial.

Competitive Analysis

Candle Impressions www.candleimpressions.net

Candle Impressions, based in Ontario, Canada. Is the biggest LED flameless candles and lamps competitor in the commercial market. They claim to have 500 different styles for any type of décor, but on their website and in their hospitality catalog, they only show white and ivory traditional looking candle pillars and inserts with holders. Their entire business is focused on flameless candles, with two main markets: consumers and hospitality. They say that they sell

⁵ LED Lighting Facts Product Snapshot: LED Replacement Lamps, July 2012, U.S. Department of Energy

⁶ Ibid

⁷ "Report: LED Lights in the Enterprise \$1B by 2014" *Greentech Enterprise*, by Eric Wesoff, December 2, 2010

⁸ LED Lighting Facts Product Snapshot: LED Replacement Lamps, July 2012, U.S. Department of Energy, <http://lightingfacts.com/default.aspx?cp=productsnapshot>

⁹ Ibid

millions of flameless candles through their home shopping network channel alone, which means that they have a low production cost through economies of scale.

Candle Impressions says that they invented the flameless candle, and their candles do look very realistic, thanks to their patented design in which the part that lights up looks just like a real candle wick, making it indistinguishable from a candle. They are all made from real wax, no plastic or silicone.

They have a network of manufacturer's reps who sign up distribution partners. Manufacturer's reps keep no inventory and most distributors do not carry inventory either; the company ships FOB anywhere in the continental US. Distributors pay wholesale price to Candle Impressions and then mark it up; suggested mark-up is 15 to 20% to stay competitive.

They sell wholesale to:

- √ Consumers through an extensive number of brick and mortar stores throughout the US and Canada, QVC, FlamlessCandles.com and JustHomeDecor.com
- √ Hospitality through Cheney Brothers, Atlanta Fixture & Sales Company, Don, Hubert, Wasserstrom, RW Smith & Co and Mobile Fixture and LampLust.com

Their hospitality clients include Sandals, Walt Disney World Resort, Wolfgang Puck, Hilton, Four Seasons, Bellagio Las Vegas, Canyon Ranch Health Resort, Ritz Carlton, Marriott, Westin, Carnival, Red Lobster.

Strengths:

- √ Well established and well-known
- √ Industry leader
- √ Low production costs
- √ Impressive client list
- √ Most realistic looking of all flameless candles on the market because of wick design
- √ A lot of experience in the market
- √ Extensive distribution network
- √ Stackable rechargers with shared plug cut down on counter space and outlets necessary to recharge
- √ Say their candles run for 5 hours longer per day on a charge

Weaknesses:

- √ Focus exclusively on imitating real candles, not lamps
- √ Not much design shown
- √ Very limited color selection on candles/holders
- √ No color changing capability
- √ More traditional designs, not contemporary

Norex Enterprises <http://www.norexenterprises.com/>

Norex has been around since 1971, but it was in 1997 that they started manufacturing flameless rechargeable candles. They manufacture in the U.S. and because they were an early entrant into the market, they were able to capture a large chunk of the hospitality market. Their brand name is the Norex SafeLite.

Their design does not seem to have changed since initially introduced, with a bulb that is rounded on top and straight on the sides rather than flame shaped. Their latest “innovation” is the same product with a plug rather than rechargeable battery. In order to turn the candle on or off, users must insert a tiny plastic pin into a receptacle on the bottom of the candle. They sell packs of 50 pins for \$6.77, presumably because people are prone to losing the pins that come with the candles. They also have a top switch model, but that one is not emphasized on their marketing materials.

They do offer color lights, but each color is a separate unit (you can buy a red, blue, yellow or green candle), but the same candle does not have the ability to change colors. All candles are inserts – no integrated wax pillars or lamps are available. They do carry votive holders and shaded lamp style holders in both traditional and contemporary styles as well as wax votive holders. A majority of their holders are frosted white glass, some of which have various kinds of stands.

Norex does not sell at all through retail stores, but they do a small direct-to-consumer business on their website, mostly from customers who have seen their products in use at a hotel or other hospitality venue and want to buy one for home. The process for a consumer to buy from them is not made cheap or easy because they have a \$50 minimum purchase, a large handling fee and a long, unfriendly terms and conditions page before the person can even get to the order form.

Strengths:

- √ Well established in the market
- √ Significant market share in hospitality
- √ Can claim “Made in USA”
- √ More reliable and quicker shipping because made in US

Weaknesses:

- √ Old design
- √ Slow to innovate
- √ Prices are double that of Candle Impressions
- √ Candles burn out more quickly than competitors’
- √ Lower margin because of US manufacture
- √ No color changing ability

Smart Candle, based in Minneapolis sells both flameless candles and LED lamps and have a sub-brand in coordination with Energizer™. They are based in Minneapolis and have been around since 2004. They sell globally and claim to have 85 million Smart Candles in more than 26,000 hotels, clubs and noted landmarks in 50 different countries. However, based on my market research, the entire market for all LED lamps in the US commercial sector which includes office buildings and many other places where candles would not be appropriate, is 140 million, so it is unlikely that this claim is accurate.

They manufacture in China with Liown Electronics. Their high end product is the Evolution system, which can charge in 6 hours and stay lit for 24 hours. The candles are completely sealed, so they are waterproof and good for outdoor use too. Candles have a charging indicator that shows when they are fully charged and they have an expandable tray system which allows up to 4 trays of 12 to be charged with a single adaptor. The candles have flicker or static and come with a limited lifetime warranty. They are expensive, though: \$499 for a 12 pack set or \$599 for a 12 pack set with an optional built in anti-theft system.

They also have a lower end product (original) and a mid-level product (platinum) at lower price points (\$221 and \$365 for a 12 pack set, respectively). The original takes longer to charge (10 hours) and stays lit for 10 hours, while the platinum improves on this by charging in 8 hours and staying lit for 18 hours. Each successive level has a longer lifetime, with the Evolution lasting 14,400 hours, the platinum 10,500 and the original 6,000. The platinum and evolution have available wall mounting for the chargers.

Smart Candle also carries attractive LED rechargeable lamps in warm white or multicolor. These are also on the high price side costing between \$220 and \$255 apiece.

Strengths:

- √ Large market share
- √ Alliance with Energizer
- √ High end look
- √ Attractive marketing and branding
- √ Longest lasting burning time on a charge
- √ Interlocking charger trays

Weaknesses:

- √ Very expensive
- √ Candles only in white or red light

They sell through Hollowick , (a leading tabletop supplier the food service industry nationwide for over 30 years), Russell Food Equipment, (Canada's national leader in food service equipment & supplies), Universal Companies, (a leading distributor to spas, resorts, and destination properties), Regal Bronze (a leading national supplier to local church good dealers) and Electric Candle Company (exclusive distributor of the world's most realistic electric candle). They also have a distributor in Mexico and one in Columbia for South America.

Candle Lamp www.candlelamp.com

Candle Lamp is based in Riverside, CA and has been servicing the food service industry for more than 30 years (cruise ships, nightclubs, cafes, resorts, catering). In addition to candles of all types, they also sell food heating solutions.

They sell traditional wax, liquid wax and flameless candles in addition to decorative holders in a variety of styles. They claim to be the nation's #1 fuel supplier, so that is the biggest part of their business, while flameless candles are a small segment of their offering.

Their candles have a stackable recharger and a remote with only on/off capability. Their candles take 4 hours to charge and stay lit for 18 hours. They are water resistant and have an anti-theft alarm, so they are comparable in features to Smart Candle's products.

Nice website with lots of videos, testimonials and an iPhone app but no clear way to purchase them.

Strengths:

- √ Good contacts in the food service companies because they sell other products to them
- √ Nice product features like short charge time and long burn time
- √ More affordable than Smart Candle for comparable product
- √ Good image and marketing

Weaknesses:

- √ Because they are the leading seller of liquid wax for candles and regular solid wax candles, it is hard for them to push the benefits of flameless candles
- √ Flameless candles are just a side business for them

Flameless Candle, Inc. www.pathfinderproductsinc.com

Flameless Candle is a second tier competitor in terms of market share, but they have a unique product feature, which is their wall mounted induction charging. Because the candles fit into slots, they don't fall out when the charger is mounted flush against the wall, which allows more candles to charge in minimal space.

They also have an exchange program, where they offer some form of credit to dissatisfied customers of their competitors looking to switch.

Flameless Candle is based in Costa Mesa, California. They sell through Sysco, Wasserstrom, Don and Avendra.

http://www.pathfinderproductsinc.com/flameless_candle/mainimages/racks/6.jpg

Strengths:

- √ Best charging system for space saving
- √ Exchange program
- √ Weak marketing and design

Weaknesses

- √ Small selection
- √ No color change capability
- √ Little choice of styles

RestaurantLighting.com www.restaurantlighting.com

In addition to flameless candles, this company manufactures modern design LED lamps for restaurants that compete with some of Contempo's product line. They are owned by Mr. Light Inc. in Philadelphia, and do some manufacturing themselves and contract some of it out. They have no return policy – all sales are final except they will replace any defective product within 90 days of purchase.

For a set of 12 rechargeable tea lights (amber only) with charger, they charge \$159.99. Holders are additional and only come in frosted glass approximately 8" high. They also sell color changing tea lights, at set of 12 with induction charger and remote cost \$199.99. They carry rechargeable flameless wax candles too, but show that they are out of stock; set of 4 with recharging base for \$49.99. They also have flameless pillar battery candles, 3 assorted size pillars with timers for \$29.99.

They produce a number of large LED lamp items, which may be used as furniture or accents. This includes glowing balls, cubes, tables, ice buckets and flowerpots. Prices range from \$99.99 for a 12" ball to \$799.99 for a 71" cone (shown below) In addition, they have a small selection of LED lamps for tabletops with a price of \$149.99 for a set of two with charger and remote.

Strengths:

- √ Attractive product line
- √ Good URL
- √ Been in lighting business for over 20 years

Weaknesses

- √ No distributors listed; sell direct which limits reach into market
- √ Relatively small volume, no real traction in the market

Megapower Product Co, Ltd www.naturalflicker.com

Megapower is a manufacturer in China that is seeking distribution. They have very similar products to Contempo, but at the moment, no clear way of selling them in the US market, although that might change. Their tealights use induction charging and last 16 hours on an 8-hour charge, with the ability to link up to 4 recharging units together.

Strengths:

- √ Low cost manufacturing with no middleman
- √ Attractive product line
- √ Ability to affordably create new designs

Weaknesses:

- √ Distance and communication issues make US sales difficult
- √ Need distribution set up

Enjoy Lighting

Founded in 2002, Enjoy Lighting LLC is based in Azusa, California and is owned by Enchanted Lighting. In 2010, they opened franchises in Australia and Brazil and distribute in Germany and France.

On their website, they say that they sell almost exclusively through major retailers like Target, Kmart, Brookstone and Dillards, however, most of the places they say they sell through do not carry their products. Kmart, Brookstone and Dillards don't carry any flameless candles, while Target only carries Gerson and Energizer brands. It seems that they had, but lost distribution through these retailers, either because of customer service issues or some other major problem. When I contacted them, they said that their main retailers are Target, Kohl's, Michaels and Amazon. Since they almost exclusively to consumers through retail, they are not a competitive threat to Contempo's B2B efforts.

Enjoy has been featured in national media such as the My Fair Wedding TV show and Us Weekly, and they use a marketing agency so it appears that they had money at one point, and then ran out of it. They do have a significant presence on Lamplust.com, with 60 different products sold.

Strengths:

- √ Attractive website and marketing
- √ Good marketing exposure
- √ Low price point
- √ Carry scented candles and design options like drip and distressed

Weaknesses:

- √ Lack of money
- √ Focused almost exclusively on consumer market
- √ Battery operated so less savings for the customer

Competitive analysis summary

Candle Impressions is the top competitor in the market, followed closely by Norex and then Smart Candle. These companies are well established in the hospitality market, with strong distribution platforms. Norex is vulnerable because they have a much higher price, lower level

design and technology and poor marketing. They are an old company that has an old mindset; suspicious and slow.

If Contempo can secure distribution through the major food service and hospitality distributors, which clearly carry competitive lines and can focus on the contemporary design niche, it can be competitive in the market. The LED lamps and color change candles are products that neither Candle Impressions nor Smart Candles offers.

Design trends in hotels and restaurants:

- √ Mood lighting – subtler light to create a cozy atmosphere¹⁰
- √ Pastel colors – move from darker more muted palettes to lighter, happier colors. According to Benjamin Moore paint company, lemon sorbet will be the color of the year¹¹
- √ Open, flowing interactive lounge areas and eye catching beautiful spaces, use of lobby areas to attract people to meet and hang out, revenue opportunities in lobby like moving bar or café nearby so the addition of moveable tables¹²
- √ Furniture and textiles – bold patterns with bright colors on white background, mix and match patterns
- √ Whimsical objects – unexpected shapes
- √ For restaurants, focus on sustainability, local food, more comfortable and intimate

Every year, Pantone comes out with its color trends which are then used for furniture and other interior design items such as curtains, rugs, and lamps. These colors can guide the color choices presented in marketing materials and in product manufacturing. In its 2013 Pantone View home + interiors book, it lists nine trendy color palettes:

Connoisseur

Glamour

¹⁰ From Rachel Ashwell, interior designer, signature look rustic romance, Conde Nast Traveler, <http://www.cntraveler.com/daily-traveler/2012/04/Hot-List-Predictor-Rachel-Ashwell>

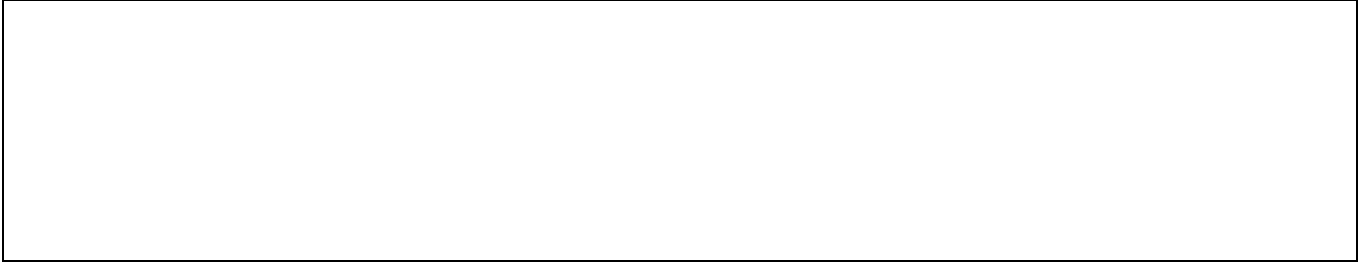
¹¹ “Benjamin Moore's 2013 Color Forecast Calls for Pastels”, *Hospitality Design* magazine, August 15, 2012

¹² “The New Face Of Hotels Public Spaces At Hotels”, *Hotelier* magazine, September 10, 2012

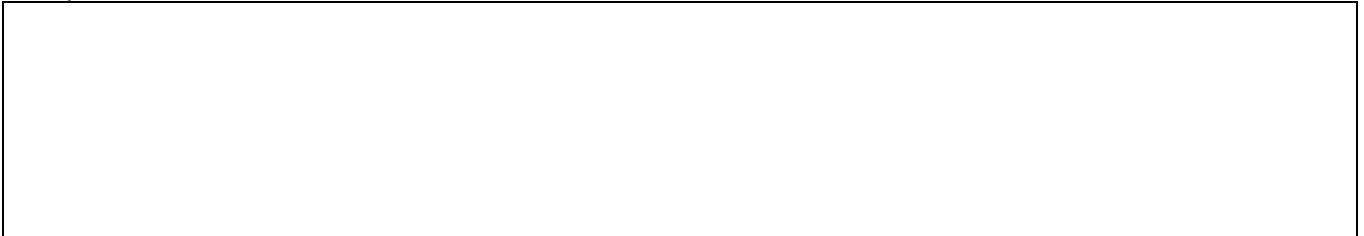
Rugged Individuals



Extracts



Footprints



Sojourn



Surface Treatments



Out of the Ordinary

Sales Plan

Sales channels

As mentioned in the market analysis, only 20% of commercial sales are direct, with 80% going through restaurant suppliers. The biggest national ones are Sysco (<http://www.sysco.com/>), Cheney Brothers (<http://www.cheneybrothers.com/>), Wasserman (<http://www.wasserstrom.com>), Edward Don & Company (<http://www.don.com>) and Hubert (<http://www.hubert.com/>), although there are also a number of regional restaurant suppliers. Manufacturers also offer a limited selection of products direct to end users through business-to-business websites such as www.webstrauntstore.com, www.lamplust.com and www.foodservicewarehouse.com.

The upside of selling through large restaurant suppliers is that they each have a national sales force and restaurants and hotels already are used to buying through them on credit. The suppliers sometimes stock product, but with a lower sales volume product (40 table lamps compared to hundreds of pieces of silverware or glasses), they would be more likely to represent us on a drop ship arrangement.

The customer places orders with the supplier at retail price. Then the supplier orders it from us at wholesale price, we drop ship directly to the customer and then get paid from the supplier. The downside of dealing with these large restaurant and hotel suppliers is that they are huge companies and require a significant amount of compliance in bar coding, packaging requirements and billing from their vendors. There is also the possibility that our products would get lost in their very large product offering.

- √ *We recommend working with one large supplier on a drop-ship arrangement (rather than having them stock our products) as well as smaller, regional suppliers like Cheney Brothers until we are large enough to have the required systems in place. We should also sell through Lamp Lust online so that smaller restaurants and hotels as well as interior designers can buy directly from us nationally.*
- √ *If we have trouble getting approved as a vendor to the larger companies, we can consider hiring a manufacturer's rep. However, this is a fallback position, as it will erode margins.*

Interior designers

Unlike most other restaurant and hotel supplies like silverware, linens and food, décor items such as lamps go through a different selection process in which purchase is influenced or decided upon by third parties like interior designers. Among members of the national

association, the American Society of Interior Designers, about 15% say they do all or mostly commercial interiors and around 19% say they do both commercial and residential design.

The interior design industry is shrinking; there were 40,120 interior designers in the US in May 2010, a 25% decrease from 2008 and 11,300 design firms. About 80% of interior designers are women, with 55% between the age of 35 and 54. A majority work in either interior design firms (40%) or architectural firms (20%) with the rest working in furniture stores, retail stores, construction companies and other organizations. Overall, hospitality design is the third most popular area to specialize in, after office and residential¹³.

Interior design firms and in-house designers are used by most hotels and restaurants to design a look and source or recommend specific products, and each designers typically has a number of clients and/or projects at any given time. This means if they like the products and the general design, they can recommend them to multiple clients.

- √ *Contempo should become a member of ASID to meet, show products to and get involved with interior designers. The cost of an industry partner membership on the local level is \$450, regional \$775 and national \$6500. We recommend starting off with a local membership so we can evaluate the value and polish our presentation to this important group before committing to more expensive membership levels. Membership in ASID will also indicate to our clients and distributors that we are serious about design and are an established company with credentials.*

End customers

Hotels

In hotels, it is either the General Manager or an outside hotel management company that makes the ultimate decision regarding décor and spending. There are two types of hotel management companies: first tier and second tier¹⁴.

First tier include not only day-to-day operational supervision and property management but also a distinct brand, as well as pre-opening services including decorating and purchasing. First tier companies include Hilton, Hyatt, Marriott and Sheraton. Even within first tier companies, however, there are differences in operations. For example, Marriott is highly centralized and standardized, with decisions being made centrally and with great consistency. On the opposite side of the spectrum, Hyatt gives on-site managers broad authority to make property level decisions.

Second tier management companies provide everything except a brand. The top 5 second tier companies (ranked by total number of rooms managed) for 2012 are Interstate Hotels &

¹³ Environscan 2012, American Society of Interior Designers

¹⁴ HVS, Property Management

<http://www.hvs.com/emails/rushletter/Hotel%20Investments%20Handbook/Hotel%20Investments%20Handbook%20-%20%20Chapters19-21.pdf>

Resorts, White Lodging Services, Pillar Hotels & Resorts, GF Management and TPG Hospitality¹⁵. First tier companies only will work with hotels of a certain minimum size, so smaller hotels and those that are in specialized markets or secondary locations will generally have either a second tier management company or just do their own management in-house with a General Manager.

Particularly with first tier companies, being a minority or woman owned business is a plus in a supplier, since they are all looking for diversity. It might be worth it to put Contempo in Heather's name to become a woman owned business.

These management companies have a list of approved suppliers, and frequently work with their own designers.

√ *We need to apply to become an approved vendor to all of these because that opens up a huge market for us.*

Below are some links hotel management companies and their supplier application process:

Hilton Supply Management - http://sc-tforce2-12bd0207277.force.com/CVM_SC_Base_VFP_SupplierRegistration

Hyatt ,along with four other hotels, created Avendra, a Rockville, MD based procurement company, but they don't buy everything from them. Individual properties have leeway to buy from smaller suppliers.

<http://www.avendra.com/feedback/Lists/Avendra%20Supplier%20Inquiries/SupplierInquiry.aspx?source=/whoweworkwith/Pages/Confirmation.aspx>

Marriott - <http://www.marriott.com/diversity/supplier-evaluation.mi>

Sheraton/Starwood - <http://source.starwoodpurchase.com/VendorMgmt/>

Interstate – Purchasing department 703-387-3100

Marketing Plan

Goal - Our goal is to become a frequently chosen vendor by hotels, bars and restaurants nationwide when planning, renovating or enhancing their décor.

Marketing strategy

The process for specifying and buying products in our category is a long and complex one, with a number of players and influencers. The most effective strategy that will lead to the quickest results is a combination push-pull strategy.

¹⁵ *Lodging Hospitality* 2012 Top Third Party Management Companies, <http://lhonline.com/hotel-development-resources/TopThirdPartyManagementCos2012.pdf>

On one hand, we will be pushing our product by making it available through restaurant suppliers, hotel management companies and online retailers. Our marketing, unique designs and higher margins will make it attractive for salespeople at the suppliers to actively promote and sell our products to their customer bases.

Pricing

Suggested retail pricing will be set at premium levels. This will allow our distributors to sell the products and make a profit that exceeds that offered by competitors. For example, our landed cost for the 28" high elongated tear drop shape lamps is \$54.60 each. We could sell them wholesale for \$99 with a suggested retail price of \$220. This would give Contempo an 81% margin and the wholesaler a gross margin of 120%. Compare that to the average of 15 to 20% markup they get for selling flameless candles (information from Candle Impressions' manufacturer's rep).

Simultaneously, we will be spurring awareness and demand from the other side by marketing to both end customers and interior designers. We can reach the end customers through participating in trade shows where we will show our products. For example, there is the Hospitality Design Expo taking place in Las Vegas May 15-17, 2013 (booth space is \$37.50/ square foot plus \$200 premium for each corner and \$200 for the digital marketing and leads package). The Hospitality Design Expo is the biggest hospitality event of the year. They also have a smaller event, the HD Americas, September 24 – 25 in Miami Beach.

We can also connect with our target market through participating in the Hollywood Heart, an event taking on May 14, 2013 in Las Vegas benefiting charity and organized by ISHP, the International Society of Hospitality Purchasers (<http://www.ishp.org/>).

For interior designers, we recommend that Contempo join their industry association (ASID) and become active participants in it. This will allow us to form relationships with key influencers and benefit from "free" design advice and specifications.

Product

The products that are currently in production are not in shapes that are common, and that is good. In order to discourage copycat competitors, we need to make sure that we are always coming up with new and unique designs. We will have to get feedback from the market as to which shapes are most popular, but we can get a heads up on design considerations by working closely with the interior design community (more on that below).

One possible weakness in the product design is the logistics of recharging the lamps. Most rechargeable lamps and flameless candles have small units like tea lights or votives that can be removed and recharged in a relatively compact unit. Some competitors even have stackable, mountable and connecting recharger trays to minimize space needed and also the number of electrical outlets necessary to recharge the lamps. Particularly in restaurants, space is frequently limited and we need to be able to offer customers some convenient and space saving way to recharge.

A solution for the smaller table top units is to switch them from rechargeable to running on batteries. This would preserve their cordless feature, which is key, and would avoid the hassle and space of recharging. The trade-off is that they would be somewhat more expensive to maintain over time because batteries would need to be replaced. However, we could minimize that issue by selling the lamps with rechargeable batteries and a battery recharger unit that would take up only a very small amount of space.

We may also want to consider fabricating some of the larger indoor lamps from glass rather than plastic because it is more high end.

Materials needed

In order to successfully attract both large restaurant suppliers and end user customers, we need to have a polished, professional and modern portfolio of marketing materials.

Website – We need to have a professional, beautiful website that showcases our designs and shows our product being used in upscale locations. Since we will be selling through wholesalers, there is no need for an ecommerce component.

Email newsletter and occasional blasts – Building a list and keeping prospects and designers informed about products and lighting trends and issues will keep us in their top of mind awareness.

Brochure – The brochure should feature the products, in close up and being used and should emphasize our positioning as a high-end design component that helps our customers create revenue by creating ambiance.

Catalog – This is a piece that can be given to restaurant suppliers and hotel management companies for ordering and positioning as a “real” company they can rely on.

Direct mail/leave behind piece – Full color cut out photos of new designs that can stand up can give buyers a preview of what the product will look like on a table.

Trade show booth – In order to create awareness and be taken seriously, we should ideally have an impressive trade show presence with a large booth (20 x 20 size).

Branding

Positioning statement:

Contempo Lights provides lighting that acts as an integral part of our clients' décor and helps them create an ambiance that positively impacts revenue generated, customer satisfaction and repeat business.

The winning marketing strategy that best takes advantage of both market trends and the competitive landscape is to position Contempo as a high-end provider of decorative LED light

design with the ultimate goal of creating revenue for our customers. In other words, we are more than just a lamp company; we are part of a client's overall décor and design through lighting, and our product is an investment in the customer's future success.

By presenting ourselves this way:

- √ We become an indispensable design component, protecting us from competitive price pressures and the commoditization of our product category
- √ We can keep prices and margins high
- √ Customers begin to see our products as an asset rather than as an expense

This strategy works, as evidenced by Lusive Décor (<http://www.lusivelighting.com/>), a manufacturer of handcrafted, high-end lighting and accessories for the hospitality industry. They specialize in custom and signature pieces for architects and interior designers, so they are more high-end than we are, but even so, their 3 year growth is 312% and their 2010 revenue was \$6.9 million.

As proof that our products positively impact our clients' bottom line, we can offer a small restaurant use of our lights, and obtain sales figures before and after (while our products are being used). This will hopefully demonstrate the ROI of adding our lighting. No other company is approaching the market like this.

In order to set the company up for success in this position, we recommend a rebrand of the company with a new name and logo so we can come into the market with a strong, design feel. The upscale look and feel will flow into all marketing materials with lush, luxurious photography showing our products in use and a clean, modern design with plenty of white space.

Some ideas for new brand name:

Glo Design
Prometheus Design
Lite Space
Atmosfere Lighting
Aura Décor
Milieu
AuraLite

Colors & design

Colors used in the marketing materials should be indicative of light, so nothing too dark or muted unless it is used as a contrast. Because the products come in a variety of colors, we have a lot of leeway to use colors like pink, purple, orange, blue, red and green in addition to yellow.

Fonts should be thin and clean, non-serif to convey a modern design feel. We might for the text want to use a charcoal grey rather than black for the same reason.

Showing beautiful people enjoying themselves in beautifully lit hotel, restaurant and bar environments will be key to our marketing materials. Neuromarketing research has proven that one of the most effective marketing tactics is to show successful use of your products because it creates a desire in the customer to do the same. Ideally, tables should also have generous food and alcoholic beverages so that clients can see that a lovely atmosphere will contribute to their F&B revenue.

Next steps

Logo, rebranding and corporate ID kit (letterhead and business card design with printing)

Website design & programming

Brochure design & writing

Catalog

Trade show booth design

Email newsletter design

Marketing & sales management including identifying and working with suppliers and management companies, networking with designers, writing newsletters and articles