The world market for decorative lighting

India has been a net exporter of lighting fixtures until 2012. Since then, export has been registering a slow growth (some 380 million USD for the year 2016) while imports registered a double-digit average annual increase, jumping to around USD 1 billion.

A snapshot of the worldwide market of lighting fixtures

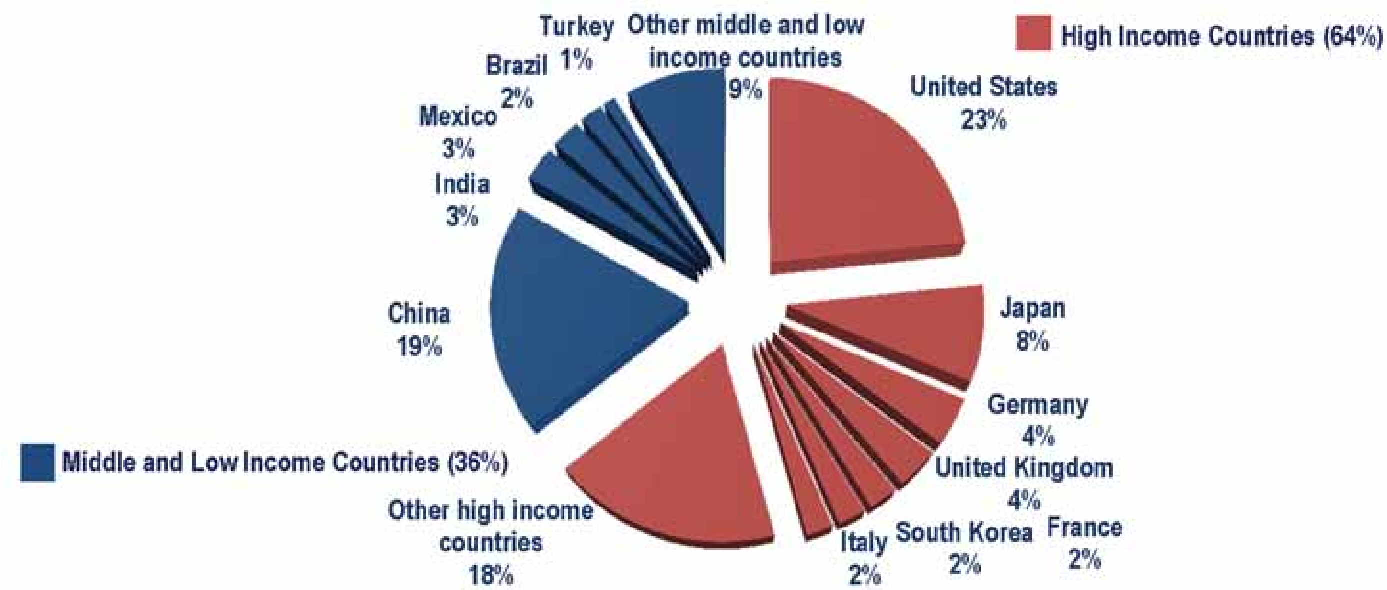
In 2016, the value of the world market for lighting fixtures amounted to around USD 90 billion, according to CSIL estimation. By 2021 this value is expected to reach USD 110 billion and lighting fixtures will weight around 80% of the total lighting market. This means that, for the next five years, CSIL forecasts an average growth of around 4.2% per year worldwide. This synthetic number comes from the projection of a contraction of 5.5%, on average per year, of the conventional lighting and an annual average increase of 12.1% of LED-base luminaires.

India accounts for almost 3% of the world consumption as in 2016 the lighting fixtures market was worth approximately USD 2.5 billion. Over the last five years, this share has slightly increased; it was 2.4% in 2011. In fact, over this period the Indian market has grown at an average rate of 7.1% per year, almost three percentage point faster than the world market.

In 2016, CSIL estimated that the worldwide consumption of LED lighting fixtures was worth USD 41.8 billion, almost 47% of the world total consumption, registering a growth of 20% compared to the previous year. LED lighting fixtures weighted just 5%-6% on the total lighting fixtures market in 2008-2009 and their share is forecasted to grow up to 67% by 2021.

CSIL classifies as 'Decorative lighting' all the residential

World consumption of lighting fixtures, 2016.
Breakdown by high income countries and middle and low income countries. % values



Source: CSIL processing

and consumer lighting fixtures. In 2016, this category accounts for approximately 29% of the total consumption, whereas it was around 33% five years ago. Therefore, 'technical lighting', which in CSIL analysis includes lighting fixtures for commercial, industrial and outdoor applications, represents the remaining 71%.

The world trade of lighting fixtures: 40% is decorative

Lighting is a product that 'travels' a lot: out of a global market value of almost USD 90 billion, approximately USD 44 billion are internationally traded (defining international trade as the arithmetical mean between export and import in the year). The trade of lighting fixtures, which was worth only USD 30 billion in 2011, has been growing at fast rates until 2014. After a slowdown in 2015, it registered a setback in 2016 as both imports and exports contracted by respectively 2.4% and 6.2%.

Several factors combine to explain this result. Firstly, there is the slowdown of the Chinese economy, by far the leading exporters of luminaires worldwide. Second, this result is part of a larger trend that has characterised the global furniture and, more in general, manufacturing industries over the last two years. Finally, the technological innovations, which have been driven the lighting industry at outstanding rates of growth over the last decade, have now been selling at lower and lower prices, resulting in a general slowdown of the industry as a whole.

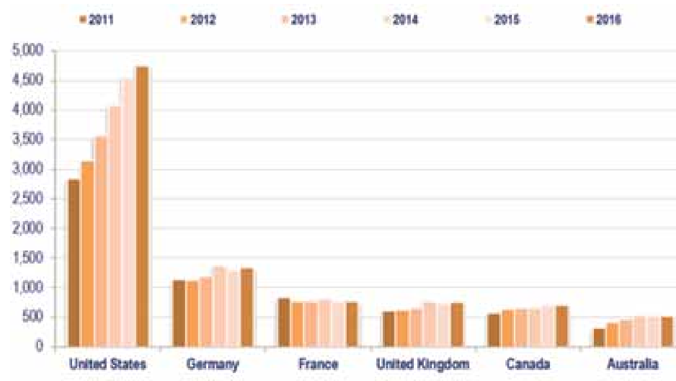
Still, the overall trend of the last five years remains strongly positive: between 2011 and 2016 exports grew by an average rate of 9.2% (in USD) per year and import by 5.4%. On the other hand, while the trade of lighting fixtures (and related LED equipment) has been growing, that of conventional lamps has reduced, from approximately USD 18 billion in the year 2011 to around USD 10 billion in 2016.

In 2016, almost 39% of the world trade of lighting fixtures was made of decorative lighting. Over the last five years, this share has slightly improved, mainly driven by an increasing portion in term of exports (passing from 37% to 39%). Comparing 2009 and 2016, export of decorative lighting grew by around 134% (from USD 7 billion to USD 16 billion), while export of technical lighting jumped from US$ 13.5 billion in 2009 to US$ 29 billion in 2016. A similar trend is true for imports: decorative lighting registered an increase from USD 11 billion to almost USD 18 billion during the period 2009-2016, while technical lighting jumped from US$ 12 billion in 2009 to US$ 22 billion in 2016.

China, Germany and the United States are among the top three exporters of both decorative and technical lighting, together with Mexico (ranking second in the decorative segment) and Italy (fourth). This ranking has been approximately the same since 2010. As regards exports of decorative lighting fixtures, they are followed also this year by Poland (that gained many positions in the latest years), Hungary, Canada, Austria, and France. Roughly, the rankings of the main importers of decorative and technical lighting are quite similar. Top three importers of decorative lighting were the United States, Germany and France. In recent years, an increasing share were exhibited by Japan and India (for both rankings).

India has been a net exporter of lighting fixtures until 2012. Since then, export has been registering a slow growth

Six major exporting and importing countries of decorative lighting fixtures. Exports and imports, 2011-2016. US$ million



Source: CSIL processing

(some 380 million USD for the year 2016) while imports registered a double-digit average annual increase, jumping to around USD 1 billion. The United States are the major customer for Indian lighting exports, while almost 90% of the Indian import of lighting fixtures is 'made in China'. Other relevant suppliers include Germany, South Korea, and Italy.

More in general, the United States are the largest importing country for China, Mexico, Canada, Taiwan, Malaysia, Vietnam, Japan, Philippines, Indonesia, and Israel. The United States absorbs almost the totality of Canadian and Mexican exports (over 90%), more than half of export coming from Taiwan, the Philippines, and Indonesia, between 20-30% from China, India and Vietnam. On the other hand, China is the leading country of origin of imports for 55 out of the 66 major countries, frequently with shares in excess of 40%-50% (59% in the United States, 71% in Japan, 61% in the United Kingdom, 49% in Germany). Today, China has a positive trade balance in excess of USD 20 billion. After the 2009 crisis, Italian trade surplus went down from USD 1.5 million (2008) to around USD 808 million in 2016.

India is also a relevant exporter of conventional lamps (15th in the world ranking, 5th in Asia), with a value of approximately USD 100 million. Nevertheless also in this case the trade balance is negative, being imports in excess of USD 150 million.

Decorative LED lighting: the leading players

At world level, the decorative LED lighting fixtures market was worth over USD 4.8 billion in 2016, accounting for 11.5% of the LED lighting business. The main players in this business are: Opple (China), Acuity (United States), Philips Lighting, Eglo, Ikea, Trio (Europe), Panasonic and Koizumi (Japan). In 2016, the best performances were registered by Inesa Feilo (China), Generation Brands (United States), Briloner (Germany), Artemide and Flos (Italy).

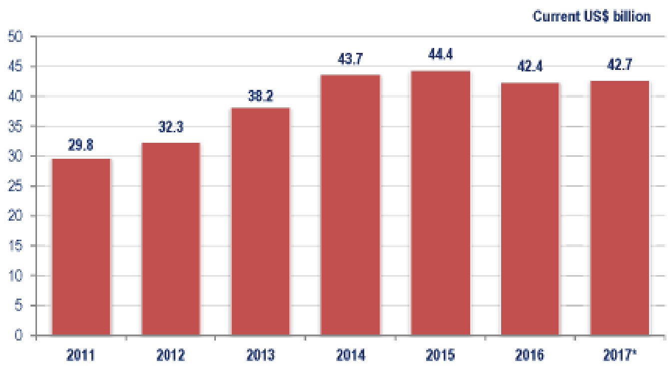
It follows an overview of a selection of European companies specialised in decorative lighting and active worldwide.

With a turnover of EUR 479 million, in 2016 Eglo increased its revenues by 10% compared to 2015. Around 90% of the 18 million luminaires sold in 2016 were manufactured in its plants in China, Hungary and India. Ikea's 2016 sales worldwide amounted to EUR 34.2 billion, of which 69% from Europe, 18% from America, 9% from Asia and Oceania, and 4% from Russia. They included furniture and accessories for around 90%, lighting for 3%-4%, food for 5%. Its lighting turnover is entirely provided by sales of residential lighting fixtures, which in 2016 amounted to over EUR 571 million at factory prices (over EUR 1 billion at retail prices) according to CSIL estimates (up by 7% compared to 2015). During 2016, 79 million LED bulbs were sold in 340 stores in 28 countries. Positive results were recorded also by Trio, whose lighting fixtures turnover amounted to EUR 93 million in 2016 compared to EUR 85 million in 2015. The company is mainly active in the DACH region (74%) – Germany, Austria, Switzerland. Its distribution is mainly conduct through DIY and furniture chains. In 2016, 75% of its revenues came from LED luminaires. Artemide operates through 24 subsidiaries. In 2016, its turnover was around EUR 125 million. Its distribution network includes 55 branded showrooms in the main cities around the world. Among its new products, it is worth mentioning Olmo (Giulio Iacchetti, Discovery (Gismondi), Alphabet of Light (BIG), and Harry H (Carlotta de Bevilacqua) mixing OLED and LED light sources.

Decorative lighting: Products and Styles

In the decorative LED lighting segment, some 30% of the market is made of retrofit lamps. Excluding them, CSIL estimates a breakdown of 40% downlights and spotlights, 10% LED strips and 50% other decorative items (suspensions, chandeliers, table and floor lamps). Among the fastest growing products, there are the embedded lighting solutions (undercabinet luminaires, linear lighting inside shelves, bathroom embedded lighting). The path of growth for suspended luminaires is confirmed, at least in Europe. In the Nordic European countries, pending bulbs without shades are still very popular. While wall/ceiling, undercabinet and spot

World trade of lighting fixtures, 2011-2017*. Current US$ billion and annual % changes



Source: CSIL processing

lighting fixtures exhibit an overall positive trend, the sales of floor and table lamps are still slowing down.

Residential lighting can be broken down into traditional, modern and design lighting. According to the country and the type of product, the traditional/classic segment usually weights from 10% (in the LED segment) to 30% (India and Japan), modern is around 60%, design oriented fixtures weight around 25% in the LED segment and 15% elsewhere. As far as design is concerned, consumption is comparatively larger in Italy, Denmark and Germany.

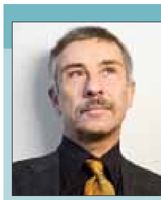
The US production for consumer luminaires has been historically characterised by a large share of classic/traditional products, which are still the majority for the low and high end of the market (modern is more developed in the middle), and in many regional areas. In 2016, 29% was Classic oriented, while Transitional, a local term indicating those products that are slowly developing from classic to modern/contemporary; accounted for half of the consumer lighting market (about 50%). A share of 21% of the production of lighting fixtures can be considered Contemporary (according to the usual term in the States).

Distribution channels for decorative lighting

In Europe, specialist lighting stores represent approximately 22% of the decorative lighting fixtures market. They usually do not have large display areas but most of their turnover is generated by lighting fixtures. Lifestyle retailers have a share of around 40% of the segment. This category ranges from small and medium furniture and lighting fixtures retailers to furniture & furnishings chains like IKEA, in addition to department stores like BHV, El Corte Ingles, and Kika. Electrical wholesalers sell lighting fixtures for values corresponding to 30% of their revenues. Their share of the European decorative market amounts to approximately 14%. DIY stores sell low-cost lighting fixtures, generally imported and they account for 19% of the considered market. This category includes both do-it-yourself stores (some 70%) and hypermarkets (we guess 30%). In 2016, e-commerce for the decorative luminaires has increased by 20%, reaching 3% of the total market. It has now a quite relevant share in the United Kingdom and it is well introduced in the Scandinavian markets and Germany. It is worth to mention that it is hard to provide the exact figures, as usually manufacturers sell lighting products to retailers or wholesalers that in turn practice e-commerce on their own.

In the United States, almost 50% of the decorative lighting fixtures sold in the country are distributed through furniture chains, department stores, DIY and home improvement centres. Home Depot is the main Home Improvement chain in the States, with turnover of almost USD 95 billion. The lighting segment accounts for 3.1% of its net sales (stable compared to the previous year). In 2016, e-commerce (+19.3%) reached a share of 5.9% of the overall sales. Lowes is the second largest Home Improvement chain in country, with a turnover of over USD 65 billion (up by 10% compared to 2015). In the lighting segment, Lowes sells approximately 60% private labels (Quoizel, Portfolio) and 40% branded products (GE, LG, and Sylvania). The company has 1,820 home improvement and hardware stores in the United States, around 299 in Canada and 10 in Mexico. Stores are generally open seven days per week and average approximately 113,000 square feet of retail selling space, plus approximately 32,000 square feet of outdoor garden centre selling space. Online sales accounted for 3.5% of the total.

In China, decorative luminaires are distributed more often through contract sales and wholesalers. Top players in the decorative segment include Opple (also selling in India), Yankon, Tospo (both among the top 3 Chinese exporters), Inesa Feilo (that bought the European brands of Havells), and the European Philips (in the top 10 ranking). ■



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