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# HOME ACCENTS

TODAY





# PORTFOLIO

BY JENNIFER BURTON

## A bright future awaits

2017 WAS A GOOD YEAR FOR THE LIGHTING INDUSTRY, AND  
ADVANCES IN TECHNOLOGY MAY BRING EVEN MORE POSITIVE CHANGE.

WHILE 2017 HAS BEEN A VOLATILE YEAR politically, socially and environmentally, it's been relatively positive on the economic front.

The stock market has been on a meteoric climb. After a bit of a rocky spring, sales of new homes rose sharply in September, reaching their highest level in nearly 10 years, and construction spending and manufacturing shipments continue growing, albeit more modestly, according to the U.S. Census Bureau.

The National Association of Realtors expects new homes to be a "primary driver of sales in 2018" with 1.33 million housing starts predicted, up from 1.22 million this year, according to Freddie Mac's Outlook report. Total home sales are expected to increase about 2%.

What does all this mean for lighting manufacturers and sellers? Good times and perhaps an even brighter future — a point on which all of the lighting manufacturers interviewed for Home Accents Today's annual category report concur:

**Bradford Smith, CEO, Elk Group**

**International:** "We showed low double-digit growth in lighting overall, and higher quality lamps at higher price points showed continued sales acceleration."

**Clark Linstone, president, Pacific Coast**

**Lighting:** "2017 started off very strong, but the second and third quarters seemed more challenging for many of our retailers. We are seeing a strong fourth quarter, which mirrors what we've seen in previous years, and therefore we believe the year will finish out with a nice increase over 2016."

**Bob Ulrich, senior VP, sales and marketing,**

**Currey & Company:** "We are having our best year of sales overall, and lighting is leading the way."

**Jimmy Webster, president, Stylecraft Home**

**Collection:** "We continue to have strong growth in all categories with a double-digit percentage increase in lighting, as well as for the company."

**Rick Wiedemer, CEO, Hinkley Lighting:**

"Our trend of year-over-year sales increases continued."



Crystorama



Diamond Lighting

**Ryan Ranzino, VP sales, Crystorama:**

"Business has been up slightly between 2016 and 2017, and we expect to see continued growth into 2018."

**Stuart Miller, president, AHS Lighting & Home Décor:** "Sales in 2017 were up slightly over 2016."

**Ilse Bockweg, marketing, Zenza:** "Similar turnover at the shows, but bigger customers ... in total, we are having higher sales."

In a 2016 consumer survey by the American Lighting Association (ALA) and Home Accents Today, 45% of respondents ranked lighting fixtures as very important when decorating a home — and not just for light. Nearly half (49%) said lighting fixtures were a major factor in establishing the design of a room.

When shopping for lighting, consumers said design, quality and amount of light were the three top-ranking attributes. Price and energy efficiency were also important factors, as most consumers said they plan to keep the fixture for five or more years.

Automation and smart home connectivity also continue to affect industry developments. Technology costs are coming down, capabilities are going up, and consumers of all ages are embracing it. The role of lighting showrooms in bringing these developments to consumers was a key theme at this year's ALA Conference where one presenter noted that 35% of lighting controls maker Lutron's current sales are from products the company didn't even sell four years ago.

On the energy front, per-capita electricity use has fallen for the past six years in a row, bringing us back to the levels of the mid-1990s, according to the U.S. Energy Information Administration.

Some of that drop can be attributed to better building practices and Energy Star appliances, but economists like Lucas Davis, University of California-Berkeley, attribute the reduction to energy-efficient lighting, namely LEDs. "Over 450 million LEDs have been installed to date in the United States, up from less than half a million in 2009, and nearly 70% of Americans have purchased at least one LED bulb," Davis writes. "All told,

## PORTFOLIO

energy-efficient lighting now accounts for 80% of all U.S. lighting sales.”

Home Accents Today spoke with several lighting manufacturers about the current state of the industry:

### Q: HOW IS TECHNOLOGY INFLUENCING THE LIGHTING CATEGORY, AND WHERE DO YOU SEE OPPORTUNITIES?

**Smith, Elk Group International:** LED technology continues to dominate the lighting category from both a design and technology prospective. Smart home connectivity and greater design freedom are the driving factors. We have been expanding designer lighting fixtures in our Dimond Lighting brand, which is distinct from Elk Lighting. The Dimond line has involved into a robust offering of several hundred fixtures and portable indoor and outdoor lamps that are allowing us to be a significant resource for designers, hospitality projects and showrooms alike. It took us time to scale the selection properly, but we are now in full stride.

**Linstone, Pacific Coast Lighting:** The lighting industry is at one of its most exciting moments in history. Not only is lighting being recognized for far more than just illuminating a space, but we’re seeing a growing acceptance of LED, tremendous strides in quality and a substantial drop in price. Because LED is a computer chip, it can do far more than just provide light. The potential of Li-Fi (in essence Wi-Fi through LEDs) and OLEDs (organic LED) will also play significant roles in our future. And, of course, connected home technology gives lighting a security and convenience platform from which to do more.

**Ulrich, Currey:** Technology is going to continue to have a big impact on bulbs, batteries and how we integrate systems within the home to all work together. The lighting industry has an opportunity to be a leader in education and solutions for homeowners who want guidance.

**Webster, Stylecraft:** LED is trending up, and today’s consumer wants more functionality such as USB ports, convenience outlets and other benefits. Our rapidly growing e-commerce channel is challenging us to design and develop with only it in mind, where all aspects of product are redefined. There are sizable opportunities for us on the mass specialty side.

**Ranzino, Crystorama:** There is definitely an opportunity with continuing success through showroom education. By outfitting the showrooms with marketing materials such as videos, finished samples,



Zenza

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— BOB ULRICH,  
CURREY & COMPANY

decorating tips and expert staffers, it makes the shopping that much better for the customer.

**Miller, AHS:** We are starting to see lamps that include LED as part of the design. There are also some interesting developments taking place in solar portable outdoor lighting. Pendants and chandeliers also continue to show higher demand.

### Q: WHAT ARE YOUR FASTEST-GROWING DISTRIBUTION CHANNELS?

**Smith, Elk Group:** With lighting fixtures, it’s interior designers and e-commerce; with portable lighting, the fastest growing channels are furniture and lighting stores.

**Linstone, Pacific Coast Lighting:** The combination of retail and e-commerce is the winning formula. We focus primarily on the furniture store channel.

**Ulrich, Currey:** Lighting showrooms and interior designers.

**Webster, Stylecraft:** Online. We’re implementing an e-commerce strategy.

**Wiedemer, Hinkley:** We continue to dance with the showroom channel as the one that brought us to the party.

**Ranzino, Crystorama:** Online and hospitality/trade.

**Liz Townsend, marketing director, Capital Lighting Fixture Co.:** We work with our showroom and e-commerce partners to promote trends our products align with.

**Miller, AHS:** Online, interior design, furniture and gifts.

**Ilse Bockweg, marketing assistant, Zenza:** Interior architects and the hospitality sector.

### Q: WHAT ARE SOME OF THE CHALLENGES THE INDUSTRY IS FACING?

**Smith, Elk Group:** I would expect with the rising costs of some raw materials that are tied to lighting, we should expect to see higher costs in 2018. However, lighting is relatively lower-priced than other fixtures in consumers’ homes, so after a long period of static prices the industry should be fairly well-positioned to pass along these incremental costs.

**Linstone, Pacific Coast Lighting:** The changes in, and consolidation of, retail stores is something we monitor closely. The Top 100 retailers have secured a far greater percentage of the overall business since we’ve come out of the Great Recession. This doesn’t leave much for smaller retailers unless they can find a niche and own it, which many have successfully done. Many retailers have battled the pure-play online retailers with well-thought-out omnichannel marketing that is showing positive results. Consumers and the ways they shop are changing, and their expectations with regard to the retail experience are much higher; we all have a role to play in it.

**Ulrich, Currey:** Compliance with the rapidly changing regulations and state standards, and having the technical support to meet those demands, is a challenge.

**Webster, Stylecraft:** Some of our biggest challenges involve rapid changes in distribution channels; a surge in digital merchandising and augmented reality in





Stylecraft



Pacific Coast Lighting



Currey & Company

interior home design, both of which require more tech support; and the constant search for more creative ways to serve our core customers online.

**Wiedemer, Hinkley:** There are so many ways consumers can obtain lighting now; it is a challenge to be everywhere.

**Ranzino, Crystorama:** It's challenging to keep up with the speed at which the demands continue to grow: Faster shipping, replies to inquiries, and so on.

**Townsend, Capital:** We can't deny the industry is embracing e-commerce channels, and it comes at the cost of the traditional showroom sales model. One of our biggest challenges revolves around sustaining and continuing our partnerships with our showroom customers. We're taking conscious measures to support showrooms by providing digital marketing materials and social media tools that help drive traffic.

**Miller, AHS:** The strength of the Chinese economy has caused costs to rise, and the consumer has shown some pricing reluctance. Trying to find American suppliers to help us create more products made in the

U.S. could offset this.

**Bockweg, Zenza:** We are copied a lot — creative people and sources all face this problem. Cheap imitations can make trends go too fast, and the market is soon flooded.

## Q: WHAT'S NEW FOR THE WINTER '18 MARKETS?

**Smith, Elk Group:** We continue to invest in our outdoor portable lighting, which has proven to be a good value proposition for customers and an underserved segment of the industry. Look for more organic materials and aesthetics that coordinate with outdoor living space trends.

**Webster, Stylecraft:** With a new merchandising team, our focus is on the customer experience, merchandising, providing a clear vision of our product story — and how to tell that story through display and direction. We're looking forward to offering an upgraded atmosphere for market attendees.

**Wiedemer, Hinkley:** We never come to market without some surprises, and this time is no exception. We will be introducing

our Fredrick Ramond catalog along with many new enhancements.

**Ranzino, Crystorama:** This January represents our 60th anniversary. It is also our founder Abe Kleinberg's 90th birthday. We are extremely excited to celebrate with our friends, reps and customers.

**Townsend, Capital:** New collections will feature details like rock crystals, wooden beads, faceted crystals and rough-hewn, hand-crafted styling. We're offering nine new finishes that complement many of the color palettes and trends — from subtle, warm mixed metals to rustic, white-washed looks.

**Miller, AHS:** We are introducing a fun new collection of distressed table lamps with beaded and shell shades and pendant lamps, plus new farmhouse pendants, chandeliers and accent lamps.

**Bockweg, Zenza:** Our latest designs were influenced by the tropical and botanical trend. Palm leaf patterns were added, and most of the new lights were made in gold. ■

*Susan Dickenson and Thomas Lester contributed to this report.*

“ONE OF OUR BIGGEST CHALLENGES REVOLVES AROUND SUSTAINING AND CONTINUING OUR PARTNERSHIPS WITH OUR SHOWROOM CUSTOMERS. WE’RE TAKING CONSCIOUS MEASURES TO SUPPORT SHOWROOMS BY PROVIDING DIGITAL MARKETING MATERIALS AND SOCIAL MEDIA TOOLS THAT HELP DRIVE TRAFFIC.”  
— LIZ TOWNSEND, CAPITAL LIGHTING FIXTURE CO.