



PHILIPS

sense and simplicity

Innovative lighting solutions against climate change



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Executive summary

This research is done in order to create the best strategy for Philips Lighting in the changing markets of recently. The goal is to create opportunities while the European legislation concerning the incandescent light bulbs forces the company to gradually remove all its incandescent lamps. The legislation is created because of the changing climate that causes many problems to the world's environment. Because of the climate change, energy usage must be drastically lowered to reduce the CO₂ emissions. Incandescent light bulbs consume 100 percent of the energy, while improved incandescent bulbs consume 70 to 80 percent and others of the same category 50 to 60 percent, Compact Fluorescent Lamps consume 20 to 30 percent and LEDs consume less than 20 percent. Moreover, LEDs are the cheapest type of lighting to produce. The effect of this will be that out of all these lighting solutions, LEDs will be the only type of lighting available in a near future.

Philips has changed its image many times. At present, its vision is to be a "Health and Wellbeing" company for its customers. Because energy efficiency and health are major trends in today's market, this has positive effects on the company. Herewith, the company is able to create opportunities in the market. The company also invests in a strong brand name to maintain a good position and to make a difference in sustainability and energy use. It is also a people-centric company that adapts to the needs of its customers. Moreover, the company is the first in energy efficient lighting solutions.

Also, the design of the products is of great importance to the company. Philips creates products with innovative designs. Furthermore, its products are of great quality. The low cost competitor is not that big of a threat because of the many product differences between the brands when one looks at quality, design, brand name recognition and the markets it serves. Other direct competitors like OSRAM and GE may cause Philips to participate in price wars. The greatest development in Lighting so far is LED. The LED products are over 80 percent more energy efficient. Moreover, with LED it is possible to use many colours. The product has many advantages, yet the consumers have a negative image of LED lighting products. They think of it as ugly lighting, while nowadays LED gives the same quality of lighting as the old-fashioned incandescent bulb. The Marketing Strategy describes the importance of changing the image of LED. Nevertheless, all other products will be removed from the market eventually.

As a world leader in its market, Philips is uniquely positioned and has many loyal customers. Moreover, the company has many product lines when it comes to lighting that many competitors do not have like LivingColors. Because of its well developed research and development, the company can

create these unique products. The communication of the company is very effective in convincing consumers about its products. Especially with innovative products this is of great importance.

During the research it became clear that Philips Lighting must teach the consumers about the benefits of LED to take away the negative and incorrect image. This type of lighting has an incorrect bad image that needs to be vanquished. Young professionals and housewives have to be reached while Philips markets these LED products. The legislation of the incandescent light bulbs has given opportunities to the company to enter an environmentally friendly market that eventually will only contain lighting products that consume less than 20 percent of energy. By teaching the consumers about the good quality, possibilities of colours and the very energy efficient characteristics, the image of LED will be changed.

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Preface

After my internship at the Consumer Lighting department of Philips in Madrid, I got very interested in the company. This goes especially for the environmentally friendly characteristics that the company adopted in the last few years, thanks to strategy changes it made. It always interests me when companies put lots of effort in being environmentally responsible. Or just as in Philips's case, aiming at the Health and Wellbeing of the consumers. During this time at Philips, I have learned a lot concerning the Spanish consumer lighting market. I got interested in the future of this market in Europe because of the legislation of the phase-out of incandescent light bulbs. I decided to research the market to find out what best strategies Philips can adopt to maintain its leadership position in the European Market.

1. Introduction

At present, climate change is an important subject on the political agenda. It causes catastrophic damages to life on earth that must be prevented. This can be done by lowering the CO2 emissions, which can be achieved by using less electricity. Therefore, the European Union decided to prohibit the incandescent light bulbs that use 80 percent more energy than LEDs. These incandescent light bulbs are gradually being removed from the European market, and must completely be phased out by 2012. With this decision, the European Union wants to fight against climate change. Yet, many lighting companies must change their strategy because of this decision. Philips is one of these companies that must change their lighting assortment drastically in the near future.

1.1 Hypothesis

The new European Regulation concerning the Phase-out of incandescent light bulbs, forces Philips Lighting to make strategy changes and become a “Green Company” by developing innovative energy efficient solutions for Lighting to strongly be able to compete in today’s market.

1.2 Central question

What strategy changes does Philips need to make to adapt to the new European Regulations concerning the phase-out of incandescent light bulbs?

Key elements of the central question:

Strategy changes: Once the market changes, new trends appear or, in this case, political decisions influence company’s strategies, new strategies must be developed to compete in the market.

Philips: Multinational specialised in Lighting Solutions that is forced to take strategy changes because of the new European Regulations concerning the phase-out of incandescent light bulbs.

New European Regulations concerning the phase-out of incandescent light bulbs: Because of the high energy consumption of the old-fashioned light bulbs (incandescent bulbs), they must be gradually removed from the European market.

1.3 Subquestions

The subquestions that will be answered are:

1. How well does Philips adapt to the new European Regulation concerning the phase-out of the incandescent light bulbs?
2. What changes in the market are important to Philips and how can they respond to these changes in the Lighting Market to keep the Top of Mind position with the consumers?

3. What can Philips do to keep generating good profit, especially when today's technology of lamps is so advanced that they last longer than ever before (result: consumers will make less purchases because of these longer lasting products)?
4. What threats will the cheap LED solutions of the competitors pose for Philips?
5. How does LED lighting needs to be promoted while consumers have a negative image of it?

1.4 Justification of research methods

For this research it was important to perform an internal and external analysis of Philips and an analysis of the new European Regulation concerning the phase-out of the incandescent light bulbs. The internal analysis shows the internal factors that create the company such as the type of image they want to have, perspectives of the company and its mission and vision for the future. Through desk research, was possible to gain all this information.

The same applies for the external analysis. Herewith, it is important to gain information about the market in which Philips operates. In this chapter the DESTPEPP analysis and a competition analysis is shown. The research of the competition is conducted by comparing different brands with Philips. The prices, quality, assortment and branding of the competition are being looked at and compared with those of Philips). The comparison is done by visiting different stores and doing desk research. Finally, a scoring table shows the biggest competitor for Philips Lighting.

The analysis of the European Regulation is done by performing desk research on the internet. Everything about this new regulation is clearly described on the internet.

With all the information gained through these research methods, the SWOT, recommendations and conclusion were written.

1.5 Chapter overview

First of all, in chapter 2, the company in general will be explained. In this chapter the company profile will be explained, with information about the sectors, the history and a focus on the Lighting sector.

Subsequently, chapter 3 follows subsequently with an explanation of the new European Regulation concerning the phase-out of the incandescent light bulbs.

Chapter 4 is the internal analysis and chapter 5 the external analysis of Philips, focusing on Philips Lighting, it also contains the DESTPEPP analysis.

Chapter 6 contains the SWOT, Confrontation Matrix and the Marketing Mix.

After researching the Philips Lighting internal and external market and creating a SWOT analysis, in chapter 7 the Marketing Action Plan will be clarified.

Finally, chapter 8, Summary and Recommendations, contains the conclusion and the answers to the central question and subquestions.

Explanation of words:

Luminaries: Light fixtures

Lamps: Light bulbs

2. Royal Philips Electronics Inc.

Everywhere around the globe people know the brand Philips. Globally, the company's image is of a producer of televisions and electric shavers. Yet, the company is more than that. What a lot of people do not know, for example, is that they are active in the professional healthcare sector. Plenty hospitals use Philips products like Monitoring Systems and Cardiac Ultrasound. Furthermore, a big part of the exterior illumination in the streets and cities is done by Philips. Even the traffic lights in most countries are Philips's LED lighting. Therewith, globally, many hotels, monuments, bridges and shops are illuminated by the company.

"48,000 registered patents illustrate the innovative nature of the company. Philips currently holds around 35,000 registered trademarks, 56,000 design rights and 3,100 domain names." (Philips, Company Profile)

2.1 Company profile

"Royal Philips Electronics of the Netherlands is a diversified Health and Well-being company, focused on improving people's lives through timely innovations. As a world leader in healthcare, lifestyle and lighting, Philips integrates technologies and design into people-centric solutions, based on fundamental customer insights and the brand promise of "sense and simplicity." (Philips, company profile)

Philips is a global leader with the following portfolio:

- Philips is the largest home healthcare company and number one in:
 - Monitoring systems, Automated External Defibrillators, Cardiac Ultrasound, Cardiovascular X-ray.
- In the lighting market, Philips Lighting is number one in Europe, Latin America and in the Asia Pacific and the number two in North America. Philips Automotive Lighting is market leader in Europe, Latin America, Japan and Asia Pacific.
- Philips is globally the number one in the market of electric shavers and male grooming category.
- Philips is one of the leading companies of Flat-TVs.

(Philips, Company profile)

2.2 History

In 1981, Gerard and Anton Philips started the company Philips & Co in Eindhoven. The company started with the production of incandescent light bulbs. By 1900, Philips was one of the biggest producing lighting companies of Europe. In 1910, the company had over 2000 employees and was the

biggest employer in the Netherlands. With help of the Philips investigation laboratory, the company introduced the first innovations of x-ray and radio technology. At present, Philips's list of inventions and breakthroughs is immensely and with their products they have improved and continue to improve the everyday life of people.

Important breakthroughs:

- 1891 – 1915: Incandescent light bulbs
- 1915 – 1925: X-ray and radio technology
- 1925 – 1940: Televisions, radios and electric shavers
- 1940 – 1970: Compact audio cassettes
- 1970 – 1980: Further going product innovations of audio, image and data
- 1980 – 1990: Compact disc
- 1990 – 2000: DVD
- At present: LED lighting

(Philips, Our heritage)

2.3 Sectors

Philips is a wellbeing and health company that provides the consumers and the professional market with three types of core businesses: Lighting, Healthcare and Consumer Lifestyle. The innovative capacities of the company are visible across the whole product range. Philips integrates innovative technologies and design into people's everyday life and creates innovative solutions. (Jeannet Harpe, Philips Lighting Profile, 2005)

2.3.1 Lighting

Lighting consumes 19 percent of the world's electricity. Philips, as the world's leader in the Lighting industry, tries to switch this world into energy-efficient solutions, hereby creating new efficient technologies of illumination. They provide energy-efficient solutions for: road lighting, office & industrial, hospitality and home. Moreover, thanks to the LED technology, Philips is now able to shape the future with exciting lighting applications. Philips Lighting has worldwide 59.000 employees. (Philips, Company profile)

The lighting products of Philips are not only found in people's homes, yet also in many professional applications, such as: 30 percent of offices, 65 percent of the world's top airports, 30 percent of hospitals, 35 percent of cars and 55 percent of major football stadiums.

Business groups of Philips Lighting are:

- Lamps,

- Luminaries,
- Automotive Lighting, Special Lighting and UHP,
- Lighting Electronics.

(Jeannet Harpe, Philips Lighting Profile, 2005)

2.3.2 Healthcare

Philips simplifies healthcare by targeting the people that need care and those who provide care.

Philips's goal is to reinsure improvements and at the same time to reduce the pressure on the healthcare system. Philips provides advanced solutions for health professionals in hospitals and consumers at home. Philips Healthcare has worldwide 34.000 employees. (Philips, Company profile)

Examples of products of Philips Healthcare are:

- X-rays
- Monitoring Systems
- Cardiac Ultrasound.

(Philips, Healthcare Business Highlights)

2.3.3 Consumer Lifestyle

Philips Consumer Lifestyle division continuously creates innovative innovative and relaxing costumer experiences of wellbeing. Thereby they are innovators of products when it comes to wellbeing and physical care. Philips provides social and emotional needs in the consumer's homes. From a cup of coffee in the morning, until watching TV in the evening. Their main goal is to better people's every day life. Philips has worldwide 20.000 employees. (Philips, Hoogtepunten Consumer Lifestyle)

Business groups of Philips Consumer Lifestyle are:

- Image and sound (TVs, Blu-ray and DVD, MP3 and MP4, etc)
- Personal care (hair care, electrical shaver, electrical tooth brush, etc)
- Care for mother and child (Avent)
- Household (coffee machines, mixers, etc)
- Computer products and phones
- Accessories (earphones, remote control, batteries, etc)

(Philips, Consumentenproducten)

2.4 Mission and vision

Mission

"Improve the quality of people's lives through timely introduction of meaningful innovations."

(Philips, Vision and Strategy)

Vision

"In a world where complexity increasingly touches every aspect of our daily lives, we will lead in bringing sense and simplicity to people." (Philips, Vision and Strategy)

Philips's vision for 2015 focuses on strengthening their leadership position in the health and wellbeing market. Hereby, they want a sustainable image and want to be seen as making a positive difference into people's life.

The company's values are: delight costumers, deliver great results, develop people and depend on each other. (Philips, Vision and Strategy)

2.5 Slogan: "Sense and Simplicity"

"Sense and Simplicity" is more than just a slogan; it is the concept of the company. Often the product technology is difficult to understand, yet Philips makes it easy for the costumer to use. It is a Brand Promise. Life is complicated enough just as it is. Therefore, Philips creates innovative solutions that are advanced and easy to use. Firstly, the slogan means the capability of understanding people. Secondly, it means the capability of technological integration and designing products. (Philips, Sense and Simplicity)

2.6 Philips Lighting

Throughout the years, Philips made everyday life pleasant with solutions for lighting. As the number one in the lighting market, the company leads a solid-state lighting revolution with an immense knowledge of all segments in this category. In recent years, they adopted three companies (Lumileds, TIR Systems and Color Kinetics), to increase their position as a solid-state lighting company. Hereby, they have adopted Genlyte (professional luminaries) and PLI (consumer luminaries). Due to these acquisitions, Philips is always one step ahead with new technologies and is therefore leading in this industry. They are now very well able to produce luminaries with LED. The most recent acquisition of the company is Ilti Luce, an Italian producer of LED designer luminaries. (Newscenter Philips, LED-technologie achtergrondinformatie)

2.6.1 Professional Lighting Solutions

“Our lighting is designed to give people in all walks of life a better experience. We help improve safety, visibility, aesthetic appeal, efficiency, reassurance, inspiration, presentation, convenience.”
(Philips, Merkbeloofte)

Philips Professional Lighting Solutions is active as different branches in the market:

- Retail Lighting: Illuminating shops.
- Office: creating a pleasant working environment.
- Industry: illumination for safety and efficiency.
- Outdoor: illuminating streets at night.
- Residential: Illumination changes people’s moods, the functionality of a space.
- LED Lighting: innovative, sustainable and energy-efficient.
- Automotive: lighting for cars.

(Philips, Application areas)

2.6.2 Consumer Lighting Solutions

For consumers, Philips Consumer Lighting Solutions offers three product segments:

- Automotive Lighting for consumer
- Lamps
 - Examples are: Incandescent light bulbs, Halogen light bulbs, LED bulbs and Energy-savers.
- Luminaries
 - Different innovative luminaries from different price categories. For example, the LivingColors range is luminaries with a unique design that allows the consumer to choose between 256 colours. It is a sustainable luminary because it is made from LED lighting. (Philips, Lighting Solutions)

(Philips, Consumer Lighting)

2.6.3 LED

What is LED?

LED is a abbreviation for Light Emitting Diode. “LEDs are tiny light bulbs that fit easily into an electrical circuit. But unlike ordinary incandescent bulbs, they don't have a filament that will burn out, and they don't get especially hot. They are illuminated solely by the movement of electrons in a

semiconductor material, and they last just as long as a standard transistor.” (Simplify it LED verlichting, Wat is Led?)

LED lighting is highly efficient and is the future for the lighting market. They have low voltages, are small and practical. LED lighting gives infinite creative possibilities. Moreover, LED's long lifecycle, low maintenance costs, energy savings (up to 80 percent) and the fact that it helps to reduce CO2 emissions, makes LED lighting an excellent environmental friendly solution. Hereby, it creates new opportunities to illuminate agricultural areas in India, China or some African countries where there is limited power supplies. LED opens doors to new application areas. (Newscenter Philips, LED-technologie en achtergrondinformatie)

2.6.4 A Simple Switch

Philips wants people to make a simple step into an energy-efficient and sustainable environment by changing their light bulbs. Therefore, they have created the website www.asimpleswitch.com. The website gives examples of saving energy, such as changing incandescent lamps into energy efficient lamps or LED lighting or which TVs are energy-efficient. All these changes contribute to reducing energy consumption and CO2 emissions. (Erik van Erne, 2008)

3. European Regulation: phasing out traditional light bulbs

“Inefficient lamps (conventional incandescent bulbs and conventional halogen bulbs) will be phased out gradually from the EU market starting in September 2009 and finishing in September 2012.”

(Europa, 1st of September 2009)

The incandescent light bulbs consume a lot of energy. At present, eighty five percent of the lamps in the European households are incandescent, thus inefficient when it comes to energy consumption.

(Euractiv, 9th of December 2008)

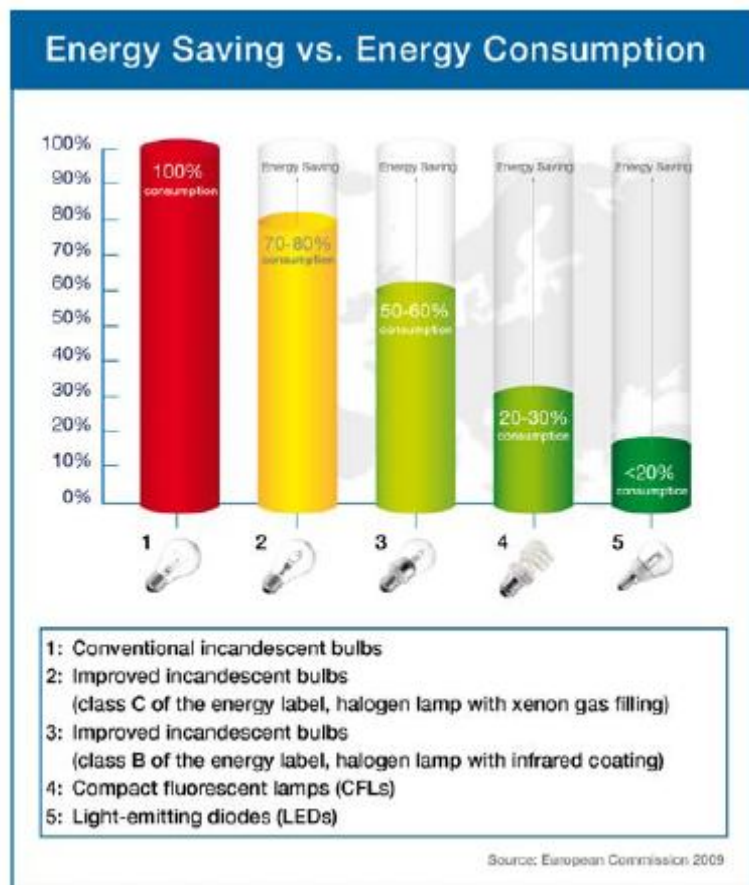
Energy efficiency is a high priority in the political agenda nowadays. From September 2009 till 2012, the consumers must switch to energy efficient and sustainable lighting solutions. (Philips, January 2009)

3.1 What does the European regulation exactly mean?

According to European regulations, the incandescent light bulbs must be completely phased out by 2012. They must be replaced by Fluorescent, Halogen and LED light bulbs. The European Union is committed to fight against the climate change. Therefore, they want to reduce the consumption of energy by 2020 with at least twenty percent. Lighting represents up to a fifth/fourth of a household's electricity consumption. By upgrading the lamps, it reduces the electricity consumption up to 10 to 15 percent.

It is a European Legislation, called EU27 environmental legislation, affecting the Lamp, Gear and

Luminaries business of Philips. Because Philips finds it important to maintain their green image, they support this legislation completely because it will increase the application of “value added” lighting solutions. More than fifty percent of all the lighting in the world is based on the old technology.



Philips is going to offer customers what they cannot refuse: lighting solutions that save energy and offer better quality of light at the same time. (Europa, 1st of September 2009)

3.2 What does this mean for Philips?

The company's goal is to encourage their customers and clients to make the simple switch to energy efficient lighting. Philips will communicate this by telling them about the energy efficiency of other kinds of lighting products. Not only the consumers must be informed, yet also businesses in the different branches.

The incandescent light bulbs that must be phased-out the European market are:

Type of light bulb	Date participating retailers will stop selling them
75-100W A-shaped	Jan 2009
60W A-shaped	Jan 2010
40W A-shaped	Jan 2011
60W golfball-shaped and candle-shaped	Jan 2011

(Louise Smith, 2010)



A-Shaped



Golfball-Shaped



Candle-Shaped

The legislation has a big impact on the business. That is why Philips started early taking actions. They searched for alternatives and made from the threat opportunities.

3.3 What has Philips done so far to adapt to the regulation?

In the last few years, climate change has been a high discussions when it comes to politics. Philips sees the legislations as an opportunity to convince their customers to switch to energy efficient solutions.

So far Philips Professional Lighting uses the next process:

- Check if the costumers are aware of environmental legislation and if they have an ISO14001¹ certificate or a sustainability program.
- Check what they do about the legislation and show what the consequences are for their lighting system.
- Inform them about possible green solutions.
- Explain that the green solutions are not only better lighting solutions, they are also economical for the company.

ISO14001 and sustainability programs for companies improve carbon neutrality, green procurement, environmental labelling and social responsibility.

The process for Philips Consumer Lighting Solutions is:

- Informing the consumers by using in-store promotions.
- Informing and training the store staff about new available solutions.

(Philips, January 2009)



¹ ISO14001 certificated companies have an environmental management system. It applies to the environmental factors the company may control. (BS EN ISO 14001 Environmental Management Guide, no date)

4. Internal analysis



Philips is becoming the leading company in Health and Wellbeing. Their most important values are:

- Delight costumers
- Develop people
- Deliver great results
- Depend on each other

The company's main goal is to improve quality of people's life. (Welcome to Philips, 2009)

4.1 Organization

"In a world where complexity increasingly touches every aspect of our daily lives, we will lead in bringing sense and simplicity to people." (Welcome to Philips, 2009)

With their headquarters in the Netherlands, Philips employs 116,000 employees in more than 60 countries. The company is a global leader in healthcare products, consumer lifestyle and lighting. In 2008, the sales were up to 26 billion euros. Therewith, the company is a leader in medical diagnostic imaging and patient monitoring, solutions for energy efficient lighting and consumer lifestyle solutions for personal care, wellness and pleasure. (Welcome to Philips, 2009)

4.2 Current strategy

Nowadays, the company is heading towards becoming the leader in Health and Wellbeing solutions. The company's strategy reassures a people-focussed and market driven organization. People's needs are of main importance to the company. In order to achieve this, they investigate trends to gain deep insights of the consumer's everyday life.

The emerging Experience Economy² creates a lot of opportunities for Philips and therewith growth potential. This means that Philips has to focus on the design of products and keep up with the latest technologies to adapt to the market's desires. Philips tries to bring experience to technology, keeping to their brand promise "Sense and Simplicity", empowering customers with advanced solutions that are easy to use.

Throughout the years, Philips reinvented itself many times, yet the core business remained undiminished. Since the beginning of the company in 1891, the main objective is to improve the quality of people's life through timely innovations.

Philips describes its strategy as follows:

- Philips is a people-centric company that adapts to customers and markets.
- Philips invests in a strong brand by "Sense and Simplicity", visible through their actions, products and services.
- Through investing in strength and end-users insights, technology, design and superior supplier networks, Philips delivers innovation.
- Philips develops employee's leadership, talent and engagement to the company.
- Philips invests in high growth and emerging countries to achieve the leading position worldwide.
- Philips is focussed in making a difference with sustainability and energy use.
- Philips drives to operational excellence through their strategic investments.

(Welcome to Philips, 2009)

4.3 Organization structure

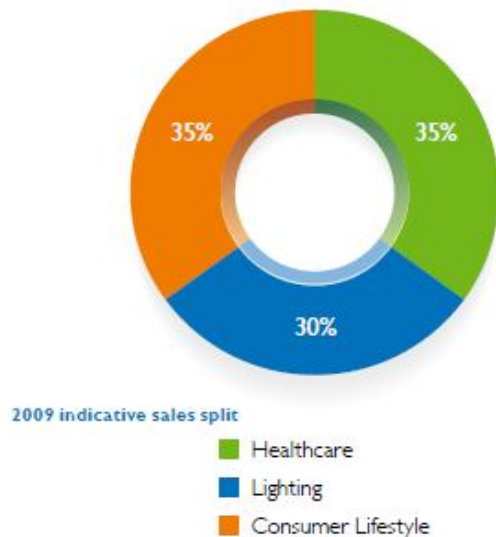
In January 2008, Philips has simplified its organizational structure to be able to adapt to its markets. Nowadays, they refer to their business units as sectors, and not as product divisions. (Welcome to Philips, 2009) The organizational structure reflects the needs and wishes of its customers. Innovation and emerging businesses are important to the company; it contains Research, Design, and all of our supporting departments. (Philips, Philips today)

The first diagram indicates the sales split of the organisation. It shows that the Healthcare and the Consumer Lifestyle sectors generate most of the sales. Yet, the sectors Lighting and Healthcare have

² Economy that inquires value added innovations to products, creating unique experiences for customers so that they certainly remember the products. The consumers' feeling is an important factor when it comes to Experience Economy. (Jan Gerrit Duinkerken, 2006)

the highest growth percentages (discussed in chapter 4.3, financial situation). The second diagram indicates the organizational structure and the divisions of each sector.

Diagram 1:



(Welcome to Philips, 2009)

Diagram 2:



(Gerard Kleisterlee, Strategy update: Vision 2015, Leading in health and well-being)

4.4 Organization culture

Philips finds it important that employees are satisfied. Therefore, it is of great importance for the company to train their staff, develop and strengthen talent management and secure employee engagement. This is of big importance when it comes to the culture of the organization. Philips is committed to engagement with employees, and great employee benefits. Therefore, the organizational culture is as well keeping the image of Wellbeing and Health for the customers as for the employees. (Welcome to Philips, 2009)

4.5 Marketing

The lighting department of Philips takes great efforts in creating the Green image of the company in the sector. They inform the customers about innovative and efficient solutions, thereby offering the newest technologies in the lighting sector.

4.6 Targeting

By using in-store promotions and communication tools, Philips Consumer Lighting Solutions targets and informs its customers. They use in-store promotions to achieve higher sales percentages of LED or Green Lighting solutions. An important objective is to teach the customers about new objectives. For example, in the Netherlands they promote LED lighting on packs of biological milk. The main

objective is to create the green and biological image. To achieve this, they started a partnership with Healthy Life, a chain of producers of products and services of organic and fair trade products, energy efficient cars, green power, furniture and other consumer products. (Jaap Bartelds, 31st August 2010)

The advertising on packs of milk shows that with energy efficient lighting solutions, Philips targets a large focus group. After all, everyone needs lighting in their homes.

As discussed in chapter two, Philips Professional Lighting Solutions offers different companies full scans and informs them about efficient solutions.



4.7 The “A Simple Switch” program

With the “A Simple Switch” program, Philips wants to encourage customers to buy efficient lighting solutions. It informs the customers why it is important to make that “simple switch” and what positive effects it has on their daily lives. This Marketing Strategy clearly shows the Green image of the company, the importance of the environmental objectives and to respond to the new European Regulation concerning the phase-out of incandescent light bulbs.

4.8 Segmentation

As described in chapter two, the Segmentation of Philips Lighting contains two parts:

- Consumer Lighting Solutions

Within Consumer Lighting Solutions there are different focus groups and types of segmentation, dependent on the type of products range. For example, the light bulbs attract different types of people, and therefore it has a large focus group. Yet the Luminaries of “LEDINO made by Philips”, are the most expensive product range within Consumer Lighting Solutions. Therefore, this product range is only sold in Lighting Specialists shops and the price range attracts another focus group, with more money to spend. Most of the luminaries of LEDINO contain an integrated LED lighting system. On the other hand, Bright Luminaries of Philips are the less expensive range and sold in for example Do It Yourself shops. Moreover, there is also a product range of “Lumigos”. The focus group of this range is parents that buy attractive lighting solutions for their children’s bedrooms.

- Professional Lighting Solutions

Segmenting the different types of companies where Philips offers its products and services to. Hotels search for attractive lighting, using colours and energy efficient solutions. On the other hand, organizations search for efficient solutions in which it is pleasant and comfortable to work for their employees.

Finally, it is clear that Philips delivers in both groups a whole range of services and products to adapt to the needs of clients and customers.

4.9 Positioning

Philips wants to position itself as a “Green Company”, concerned about the Wellbeing and Health of people. All the Lighting products are Green, efficient and adapted according to the regulation. Philips marketing shows and represents the Green image.

As discussed in the previous part about segmentation, there are different types of product ranges, thus different positioning strategies when it comes to luminaries.

4.10 Financial situation

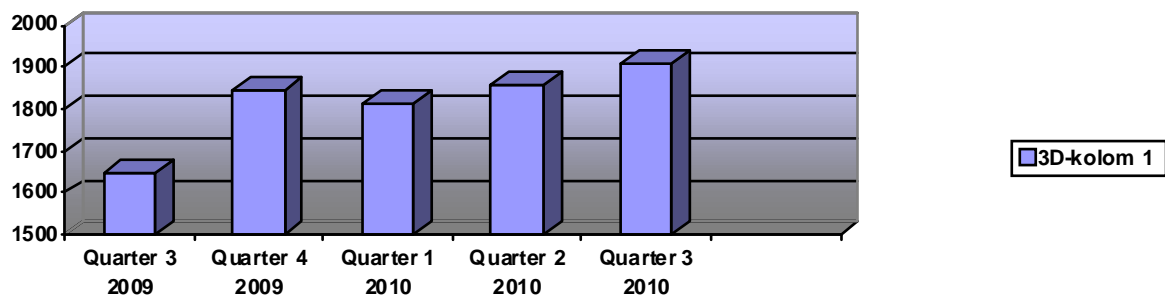
“Growth in Lighting and Healthcare tempered by Consumer Lifestyle.” (Philips, 2010)

Philips exceeded their target for the year 2010. In a weak economy, Philips managed to have a sales growth of 10 percent. Especially the sectors Healthcare and Lighting delivered good results. In the emerging markets, Philips has also seen a positive growth of sales. Due to large investments in the emerging markets, these countries generate 33 percent of Philips’s sales. The Earnings Before Interest, Taxes and Amortisations are 648 million euro and the Net Income is of 524 million euro in the third quarter of 2010. That means an increase of 304 million euro compared to 2009.

In conclusion, during the worldwide financial crisis, Philips kept generating good sales. The sector Lighting increased the EBITA by 137 million euro, particularly because of Lamps, Lighting Electronics, Automotive and Lumileds. (Philips, 2010)

EBITA (in millions of euro)		
	Quarter 3, 2009	Quarter 3, 2010
Healthcare	175	282
Consumer Lifestyle	129	149
Lighting	79	216
Group management and services	- 39	- 1
Philips group	344	648

The next graphic shows the growth of the Lighting sector of Philips:



(Philips, 2010)

4.11 Strengths and weaknesses

Strength

A big strength of the company is the brand name. Everyone around the world is familiar with the Philips brand. This ranges from consumer lifestyle products, such as shavers and televisions, to medical equipment and lighting applications. The lighting sector of Philips is also a leader providing innovation in the worldwide market with many loyal customers. The company researches and develops and those are big strengths. Philips Lighting is leader when it comes to consumer lighting solutions and professional lighting solutions. Nevertheless, the sector booked a positive result the last quarter of 2010. Moreover, since the third quarter of 2009 the company has only had growing revenues.

Another strength is the Green image the company has and their LED assortment. This shows the fast ability to respond to trends in the market and effective communication strategies. Moreover, Philips has many loyal customers.

Finally, the company produces quality products. Usually, the brand is more expensive than its competitors, yet the quality is good. It also depends on the product line, prices vary.

Weaknesses

Philips's weakness is that the company had to reinvent itself many times. At present, they are willing to change their image into a Health and Well-being company. Yet, when mentioning Philips, the first things consumers think of are Televisions, Shavers and Light Bulbs. The change of image may have an impact on the company and is therefore a weakness. It also shows a poor strategy on the part of the business level.

Another weakness is that Philips's price average is higher than other companies when it comes to lighting solutions, thus it is expensive for a large majority of the consumers.

Two other weaknesses are, firstly, that Philips has a weaker distribution network than its competitors. Secondly, the company's corporate level is almost only solely Dutch. It means that at corporate level the decisions are always only made in the Netherlands, which makes it sometimes more difficult for the company to adapt to another market or country. (WikiSWOT, Philips Lighting SWOT analysis)

5. External analysis

This chapter will explain the external factors that are important to Philips Lighting Solutions. In chapter 5.1, the market in general will be explained, followed by a DESTEPP analyses in chapter 5.2, where more specified information for Philips Lighting will be given. In chapter 5.3, the competition analysis will be explained. Finally, the last chapter will discuss the opportunities and the threats Philips Lighting faces.

5.1 Market

Philips objective is to strengthen their global leadership in the market by focussing on the areas of healthy living, sustainable home lifestyle, preventive healthcare and Independent living.

Philips's leading businesses in the today's market are:

- Domestic appliances
- Power toothbrushes
- Mother & childcare
- Shavers
- Televisions
- Customer services
- Clinical care
- Imaging systems
- Patient monitoring
- Home healthcare
- LEDs
- Lamps
- Luminaries
- Automotive lighting

(Welcome to Philips, 2009)

Philips Lighting offers lighting solutions for as well indoor as for outdoor for schools, factories, homes, offices, hotels and hospitals. Everywhere Lighting applications are needed, Philips offers different kinds of lighting solutions. Outdoor areas are sport areas, landmarks and monuments.

Another market is the functional lighting, such as lighting applications for cars, safety on roads and streets. Another area market is for city beautification, whereby Philips creates architectural experiences. Finally, there are specific applications and systems lighting. Here, Philips lights up ovens, refrigerators, horticulture and healthcare. (Welcome to Philips, 2009)

Philips Lighting facts:

- 25 percent of the lamps used in the world are Philips lamps.
- Approximately 30 percent of the hospitals, offices and landmarks in the world are illuminated by Philips.
- The first in energy efficient lighting solutions, and switch program.

- Strong presence with LED solutions.
- Market leader of automotive lighting solutions.

(Philips, 2009)

5.2 Developments

Nowadays, dynamic illumination is an important factor in the lighting industry. Above all, it must be ecological and energy efficient. The most important new development in this market is LED. It creates lots of new opportunities, especially when it comes to illumination with colours. For example, the LivingColors range gives the opportunity to create different environments in homes. With LivingColors, it is possible to choose between 16 million colours, dimming and adjustable colour intensity. (Philips, Living Colors LED-lamp)



Philips tries to convince the customers of the efficiency and effectiveness of LED by educating them about the big pluses. Other developments of nowadays illumination, is the feasibility of design, illumination effects and interaction. There is functional lighting, to facilitate life. Secondly, there is lifestyle lighting, to create ambiances. Finally, there is wellness lighting, to revitalize. Philips does not only want to conquer its customers with LED integrated lamps, but also with LED light bulbs. Because of the new regulation concerning the phase-out of incandescent light bulbs, Philips is forced to stop selling these bulbs. In the near future, the same will happen to the halogen light bulbs. That means that the only two bulbs that will remain next to the LEDs are the CFL bulbs and energy savers. LEDs are the cheapest to produce, so in the future LED will be the only type of lighting available. Producers are trying to innovate the LED solutions constantly and designs to be able to compete. LED's are almost mature, yet at the moment LED remains in the growing stage. (Renske Schriemer, 15th October 2010)

5.3 Size of the market

The size of the market in which Philips Lighting operates, is immense. Everywhere around the world lighting solutions are needed. At present, Philips focuses on expanding in the emerging countries. This way, they want to keep its leadership position in the world. After all, these countries are the worlds fastest growing economies. Philips is putting lots of effort in expanding their economic situation in these emerging countries. Emerging countries are not only the BRIC (Brazil, Russia, India and China);

they are also European countries with Hungary on top, followed by Czech Republic and Poland. (PR Newswire, 2011) The emerging countries are a key factor in the worldwide future trade, and they can bring global stability. (UIOWA, What are emerging markets?)

5.4 Segmentation

Segmentation within Philips Lighting is done by global guidelines, as well as local guidelines for local developments, offering global and regional styles of design. Local research and development is used in the different markets, to produce products and applications adjusted to a region. Hereby, there is a big focus on the LED's, in professional and consumer markets. Philips is a well positioned company that has the ability to create value in the lighting segment. (Philips, Winning in emerging markets)

5.5 Trends

Solutions for lighting are changing into products that are smaller, longer lasting and consume less energy. The new solutions create a more dynamic and intelligent type of lighting. It is proven that lighting can have an impact on people's energy and state of mind. The new Lighting solutions give Philips the opportunity to adapt and personalize to different moods.

Other important global trends for Philips in general are:

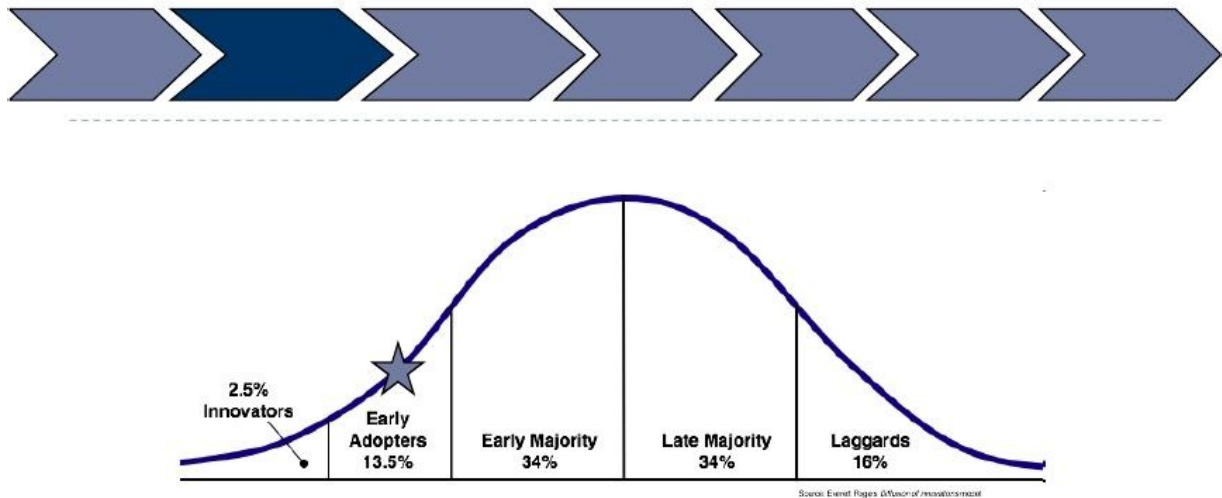
- Aging population; people over 60 years will double by 2015.
- Emerging markets; 99 percent of the population growth will be in the emerging markets, which already produce 28 percent of the global GDP.
- Empowered consumers; personal needs of each customer need to be fulfilled.
- Climate change and sustainable development; as mentioned before, 19 percent of the global electricity is because of lighting, while worldwide we could be saving 40 percent.

(Welcome to Philips, 2009)

5.6 Growth of the market

The emerging markets are growing immensely. Philips is aware of this development and responds to these market changes by expanding its influence in these countries. After the international crisis, Philips came out as a stronger company, with a structurally better business. Philips Lighting can expect great opportunities because of the growing market of the segment lighting. (Philips, Winning in emerging markets)

Adoption LED's in today's market



* At present, the early adopters buy LEDs.



(Philips, 2010)

5.7 DESTEP analysis

This chapter will explain the external influences for Philips Lighting. These influences are of great importance for the company to keep operating strategically in today's market. Moreover, to keep generating good sales in a constantly changing market.

5.7.1 Social-Cultural/Demographic

The European population is aging. There will be a reduction of the working population. This can affect the economic growth. (Europa, 12th October 2006)

Nowadays, the youth is growing up with the internet. Sales from the internet are increasingly high.

This phenomenon creates dynamism of today's streetscape and takes into account the changing wishes of the customers. Also because people are always in a hurry, sales from internet are a big advantage.

(Info Nu, Voorbeeld destep analyse detailhandel)

5.7.2 Technological

The largest innovative technology of lighting solutions, is LED. As mentioned before, LED's have big pluses when it comes to saving energy and the fact of being a "Green Product", thus better for the environment. On the other hand, customers are very unfamiliar with LEDs and they often think that the type of lighting is not good enough compared to the incandescent light.

Another technology are the energy saver light bulbs (CFL). The CFL is a mature product in today's market, but a great technology for saving energy.

Finally, other technologies are the lighting solutions for dynamic illumination systems with colours, for indoor and outdoor applications. With the dynamic lighting, Philips can provide applications for the professional and consumer market. Another innovative technology are the lighting solutions that make it possible for customers to adapt and personalize to their different moods.

5.7.3 Economic

The worldwide crisis has caused many problems for lots of companies. During the economical crisis, Philips Lighting was strongly affected, largely because of the automotive manufacturers that had stopped their production. Yet, in the first quarter of 2010, the business unit recovered and the sales increased with 18 percent, compared to the first quarter of 2009. The recovery is due to the production of LED-chips and the increasing demand from the automotive industry. (NRC, 19th April 2010)

Philips Lighting is increasing its portfolio by the acquisition of Amplex A/S, a Danish supplier of energy efficient lighting solutions. The acquisition means for Philips that it can strengthen and broaden its supply, especially the outdoor solutions. (Philips, 20th July 2010)

Philips has witnessed great profitability in the three sectors in the second quarter of 2010. Now that the market is recovering from the economical crisis, Philips expects future sales to grow. (Philips, 2010)

The world's economy is, despite the weak recovery, continuously improving. While in developing countries the growth expectations are at a higher level, in economically mature countries the growth goes below potential. The estimated growth of the world output for European Union is for 2011 of 1.8 percent and for the developed countries it is of 2.1 percent. Meanwhile, for the developing economies it involves an amount of 5.8 percent. (United Nations, 2010)

5.7.4 Political – legal

The new European Regulation concerning the incandescent light bulbs, has a big impact on the lighting market. The incandescent light bulbs are cheap. Overall, the type of lighting is what many consumers are used to. Because all these light bulbs are going to be phased out, new energy efficient light bulbs will take their place. These light bulbs are more expensive.

The European Union is showing the lead and has created two treaties for the climate change, “the 1992 United Nations Framework Convention on Climate Change and its Kyoto Protocol, agreed in 1997.”

These are important treaties to fight against the dangers of global warming, yet more initiatives are needed to truly solve the huge worldwide problem.

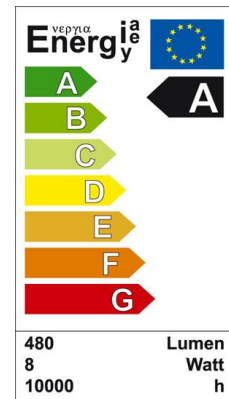
(European Commission, EU action against climate change)

From January 2006, it is obligatory to have an energy advice on a product. This energy advice indicates the energy efficiency of a product. The products are

labelled from A to G, G being very energy inefficient to A very energy efficient.

The energy label of the Netherlands is yellow, D. (A Simple Switch, A Simple

Switch: Change the Color of your Energy)



5.7.5 Physical/Environmental

Europe wants to save energy when it comes to electricity. "Europe wasted at least 20 percent of the energy it uses", said Energy Commissioner Piebalgs. The European Commission has come with an Action Plan on energy efficiency, and wants to reduce 20 percent of the European energy use by 2020. (EUROPA, 19th October 2010)

CO2 emissions need to be reduced to fight against the climate change. Because of the large amount of energy used around the world, the global warming is happening. This can cause catastrophic and irreversible damage to the world. Floods, heat waves and the melting of the Polar icecaps are causing a danger to the lives of people. (European Commission, EU action against climate change)

5.8 Competition

Philips is the number one in the world when it comes to lighting applications. Yet, it has several competitors trying to achieve the same goal with the same types of products, or do even better, in the lighting market. The most important direct competitors of Philips are:

- Acuity Brands
- GE Appliances and Lighting
- Osram

(Hoovers, Philips Lighting B.V.)

5.8.1 Acuity Brands

“Acuity Brands is the leading provider of innovative, technologically advanced, sustainable lighting products and lighting-related solutions. Our lighting heritage goes back to 1898 and our vision for the future knows no limit.” (Acuity Brands, Lighting products)

Acuity Brands is one of the leading companies of architectural and performance lighting. The company serves the professional and consumer market with indoor and outdoor fixtures for commercial, institutional, industrial, infrastructure, and residential purposes. In its industry, the company has the best developed supply chain management. The company has lots of growth potential because of its diverse business units. For example the business unit Lithonia Lighting, offers residential Lighting applications, and on the other hand, it serves the commercial and industrial market. Acuity brands has 13 business units, from units operating in commercial and industrial markets, to units operating in ³architectural and performance lighting, such as the business unit called Winona Lighting. Comparing to Philips, Acuity Brands is only active in the professional market. The professional market is an immense segment for the Lighting Industry, even larger than Consumer market. (Acuity Brands, Lighting Products)

5.8.2 GE Appliances and Lighting

“GE Lighting is leading the global lighting revolution with innovative lighting technology; providing wide range of high quality and energy efficient light sources and lighting solutions all over the world and in all areas of the environment.” (GE Lighting, 1997 - 2011)

GE Appliances and lighting offers, generally speaking, the same businesses of lighting solutions as Philips. Like Philips, it serves two markets; the professional market and the consumer market. The GE Lighting website also shows, just as Philips, the image of being a “Green brand” in lighting products. Furthermore, it offers the same product portfolio of consumer lighting product, even the automotive lamps. Also the LEDs are especially highlighted. So far, many similarities with Philips. Unlike Philips, the company does not have fixtures and luminaries for the consumer market, merely many types of light bulbs. (GE Lighting, Professional lighting)

In the professional market, GE Lighting offers General Lighting, Showbiz products, Lighting fitting (commercial, industrial, roadways, outdoor decorative, etc.), Specialty products (medical lamps, aquarium lamps), electronic ballast (performance lighting) and automotive lighting. (GE Lighting, Consumer lighting)

5.8.3 OSRAM

“OSRAM already offers innovative efficient technologies and a wide range of energy-saving alternatives to conventional lamps.” (OSRAM, Consumer Products)

³ Architectural lighting is especially the lighting of buildings and monuments, in the outdoor and indoor areas. Performance lighting is for example for offices. (Acuity Brands, 2010)

OSRAM is a part of Siemens AG. Such as Philips and GE Lighting, OSRAM offers their products and services in the professional market and consumer market. In the consumer market it has the same portfolio as Philips, offering light bulbs as well as luminaires next to light bulbs also luminaires. LEDs stand out on the OSRAM website, showing them as alternative solutions for the EU regulation of the phase-out of the incandescence. Just as Philips, OSRAM has LED Nightlights, LED armatures and many more types of luminaires like table lights. Yet, Philips has a larger portfolio, moreover, some product lines are more innovative like the LivingColors range. (OSRAM, 2011) In the professional market, OSRAM offers the same as Philips and GE Lighting, yet they do not offer medical lighting. (OSRAM, Professional products)

5.8.4 Asian low cost competitors

Other big direct competitors, especially when it comes to LED, are from Asia. *“By 2010, China is expected to outperform Japan and become the number one LED producer in the world.”* (Kenny Liu, 10th September 2008)

Nowadays, China has the biggest production of lighting sources and lighting products in the world, at least 18 percent. According to research, comparing to China's revenues for 2008, by 2010 the industry is expected to double sales and achieve 2.32 billion USD, receiving a larger market share than Japan. China is putting lots of effort to make many progresses in the development of the products. (Kenny Liu, 10th September 2008) Chinese products are often cheap; this is a unique selling point and therefore a big competitor for Philips. An example of a big LED producing company in China is Shenzhen Yiliu Electronics. The company offers fast delivery, competitive pricing, custom solutions, and technical support. (Shenzhen Yiliu Electronics, Company profile) As Shenzhen Electronics, there are many other imported Chinese LED brands in Europe. Another brand that imports LED from China, is Trophies. This brand sells its LED lamps in the professional and consumer market. Unlike Shenzhen Yiliu, this brand offers products of better quality. (Trophies LED Light, Over ons) In Asia, Japan also has an immense LED production. The most famous Japanese brand of LEDs is Toshiba. The Japanese brand is specialised in LED lamps (bulbs) and LED fixtures. (Toshiba, LED Lighting)

5.8.5 Scoreboard Lighting brands

In the next table, Philips is compared to its competitors by giving each point for each company a rate:

1: Very bad, 2: Bad, 3: Average, 4: Good, 5: Very good

	Philips	Acuity Brands	GE	OSRAM	Toshiba	Shenzhen Yiliu	Trophies
Quality	5	5	5	5	3	1	3
Price	2	1	2	1	3	5	3
Assortment luminaries	5	5	1	4	1	1	1
Assortment lamps	5	5	5	5	3	3	3
Brand name recognition	5	3	5	3	5	1	2
Professional market	Yes (+1)	Yes (+1)	Yes (+1)	Yes (+1)	Yes (+1)	Yes (+1)	Yes (1+)
Consumer market	Yes (+1)	No	Yes (+1)	Yes (+1)	Yes (+1)	No	Yes (+1)
Healthcare market	Yes (+1)	No	Yes (+1)	Yes (+1)	No	No	No
Total	25	20	21	21	17	12	14

5.8.5.1 Quality and price

All brands, except for Toshiba, Shenzhen Yiliu and Trophies are of great quality. Toshiba and Trophies are big competitors for Philips when it comes to price, with an average price and quality. Of course, one has to take into account that Yiliu only serves the professional market, while Toshiba and Trophies are competitors in the consumer market. Dealing with the other brands, Philips must wage price wars to keep offering the most attractive value for money. Philips does not score very well on price, because the average price of Philips products is expensive. Yet, the company has a wide product range and lines that are less expensive.

5.8.5.2 Assortment luminaries and lamps

GE, Toshiba, Shenzhen Yiliu and Trophies do not offer luminaries. Philips and OSRAM offer a wide range of products in the three markets. Yet Acuity Brands also offers a wide range but only in the professional market.

Shenzhen Yiliu, Toshiba and Trophies score average because they only sell LED. The other brands have a wider assortment of lamps and not just LED.

5.8.5.3 Brand name recognition

Philips, GE and Toshiba score best because these three companies are famous worldwide electronic companies. OSRAM is only specialised in lighting, therefore many people do not know it directly. Acuity Brands is only known in the professional market. The Chinese imports, especially Shenzhen Yiliu, are not known.

5.8.5.4 Professional, Consumer and Healthcare market

These three points show if the company is active in these markets.

The biggest competitor for Philips in the professional market is Acuity Brands and in the consumer market GE and OSRAM. When it comes to prices, Philips must be careful for the Chinese import and Toshiba.

Overall, Philips has scored best of all companies because of its uniqueness and immense product range with varying quality and prices that serves a large focus group in the European market.

5.9 Opportunities and threats

Opportunities

Nowadays, buying Green Products is very popular. The environment and saving energy is a popular subject on the political agenda, as well for the consumers. It is a big opportunity for Philips Lighting to respond to this need by offering lighting solutions that fulfil the requirements of a Green Product.

Furthermore, the demand for these products will increase.

Another important opportunity is the emerging markets. These markets are upcoming and the demand of several products already increased and Philips sales in these markets will keep increasing.

After the economic crisis the economy at present is growing. This is a very positive opportunity for Philips Lighting.

Finally, another opportunity is the growing sales from the internet. This type of sale is rapid, cheaper and easy.

Threats

The phase-out of the incandescent light bulbs in the European Union can be a threat for Philips. These light bulbs are cheap and the consumers are used to it. Eventually, the incandescent light bulbs will be phased-out worldwide.

The worldwide economic crisis of the last few years caused damage to many companies. Despite the progress of the last year, Philips has to keep working hard to maintain its good position in the market and to keep generating good profit. Moreover, the aging European population can affect the economic growth in the future.

The Lighting solutions of Philips have relatively high prices. There are many low cost competitors, especially with LEDs, with their roots in China. These products are made from visible cheaper technology, yet the price is very attractive when compared to Philips.

Because of other competitors Philips will always experience price wars. The A-brands of lighting solutions such as General Electrics and Osram are at the same price level and they are just as innovative as Philips.

The low awareness of the quality of the LEDs. Consumers often think the LED solutions produce ugly light, while there are LED lighting solutions that produce the same light quality as the incandescent light bulbs. Moreover, they have plenty more pluses - the most important is that they are energy efficient.

6. SWOT

Strengths <ul style="list-style-type: none"> • Brand name • World leader of Lighting Solutions • Research and development • Innovative • Growing revenues • Green image • Effective communication strategies • Customer loyalty • Good quality 	Weaknesses <ul style="list-style-type: none"> • Many reinvents of the company (changes of images), poor strategy of the business level • High prices • Weak distribution network • Corporate level is mainly Dutch
Opportunities <ul style="list-style-type: none"> • Big demand for Green Products • The increasing emerging markets • Growing economy • Growing sales from the internet 	Threats <ul style="list-style-type: none"> • Incandescent light bulbs must be removed from the European market by 2012 (eventually worldwide) • The still from the crisis recovering world's economy • Large amount of the aging population • Many Asian low cost competitors • Price wars with competitors with the same quality as Philips products • Low awareness of customers about the qualities of LED

6.1 Confrontation Matrix

In this chapter the results from the SWOT will be compared. With this comparison a strategy can emerge which suites best after all analysis done for Philips Lighting.

6.1.1 Strengths < > opportunities

Because of its famous brand name and the effective communication strategies, Philips can use these strengths to respond to the opportunities. For example, to respond to the big demand for Green Products. Philips already has the green image, so responding to the demand of Green Products can be

easily done by the company by using a good strategy. Especially as the communication strategies the company uses are very well developed and very effective.

To expand in the emerging markets, Philips must use the strength of being a world leader and its research and development. By researching these emerging markets, the company can develop innovative solutions that fit into every type of market. Therewith, the growing economy does the research and development that is useful when trying to expand product lines or create innovative products. The revenues of Philips Lighting are growing, yet with today's growing economy and a good strategy from Philips, it may grow even higher.

Thanks to the strengths which are customer loyalty and the famous brand name, Philips may be able to sell great amounts through the internet. Loyal customers quickly buy a product from a brand that they already know, because they trust the brand. Because of the increasing internet sales, Philips needs to use these strengths. For example, by using direct marketing. Through this, the company can easily create a mailing list of loyal customers and always keep them up to date with the latest inventions. Moreover, Philips can give them the possibility to be the first ones to buy these products online.

6.1.2 Strengths < > threats

The phase-out of the incandescent light bulbs is a threat to Philips. Yet, with its innovative energy efficient lighting solutions, the company may maintain the selling of its products in the European market. The strengths research and development, the innovative characteristics of the company and as well the famous brand name are important to conquer this threat.

Another threat is the still recovering economy due to the worldwide financial crisis. It has caused damages to the company that must be fixed to function at best. Having the strength of being a world leader, with a well accomplished research and development, Philips may create plenty opportunities to vanquish this threat. The growing revenues and a good strategy are both very promising.

The large amount of the aging population may cause difficulties for the company to sell innovative products. Young people like buying new products and setting trends. Yet, elderly people are comfortable with buying products that they already know and trust. With the strength of having effective communication strategies, in the near future Philips can promote products that reach this elder segmentation in the market.

Another big threat is the Asian low cost competitors. Philips must maintain its loyal customers to compete. Also, the significant better quality of Philips products are a big strength. On the other hand, the company must use its effective communication strategies to show the quality of its products.

Hereby, the way Philips positions its lighting products is very important. Therefore, a suitable strategy is needed to outplay the low cost competitors. The company must create a unique selling point and communicate this to the customers to show the advantages of its products compared to the Asian low cost competitors. The same applies to the more direct competitors in price wars.

The low awareness of the advantages of LED is a big threat. Philips must teach the consumers about the benefits. Therewith, Philips must use its strengths of having a famous brand name and its effective communication strategies. Overall, the green image of the company might also be a great strength when teaching the consumers about LED.

6.1.3 Weaknesses < > opportunities

It is a weakness that Philips has had to reinvent itself many times. On the other hand, with the large demand of green products, this weakness can be made into an opportunity by responding to these demands. This poor strategy of business level might have positive turns because nowadays the demand of energy efficiency is at high level. The company has to change because the market expects energy efficient products.

The weakness of high prices must be compared with the opportunity of a growing economy. In difficult times, people buy cheaper products because of a lack of money. Yet, when the economy goes well, products of great quality, that are often more expensive, will be bought more frequently.

The weak distribution network is a large weakness, especially when competitors do have great networks. Internet sales might be useful at this point for a quicker way of distributing.

The corporate level of the company is mainly Dutch. That means there only is one main office that decides what can really happen with the products of Philips in the world. This is a weakness, especially when operating in emerging markets. The decisions might take even longer. On the other hand, this way the company can keep good control of what happens to the products worldwide so that only one type of positioning of products will be used.

6.1.4 Weaknesses < > threats

At this point, the many reinventions of the company might have positive results because of the threat of the phase-out of the incandescent light bulbs. By all means, the company needed the reinvention to respond to the market needs. So, this weakness and threat will have positive results because of the changing market.

The high product prices of Philips and the still recovering economy cause a threat to the company. This is also the case when one looks at the aging population that is used to paying cheap prices for the incandescent light bulbs. Philips can change these weakness and threats into something positive by aiming at this segment in the market and teaching consumers about the benefits of new energy efficient lighting solutions.

With the weakness of having a less developed distribution network Philips will have to compete against competitors with high developed networks and with the low cost competitors. The company must use the strength of being a world leader, the research and development and its innovative nature to be unique in its market and maintaining its good position.

The low awareness of the qualities of LED must be changed by creating communication strategies. Because of the Dutch corporate level, these strategies must be created in the headquarters in the Netherlands. The positive side of this situation is that only one strategy will be used for whole Europe (global strategic management). That must be no problem because the whole European market must be taught about the advantages of LED, and there is no need to distinguish.

In conclusion, important for Philips Lighting to use in its strategy is:

- Respond to the demand of Green Products;
- Research and development of new product lines and innovative products;
- Direct marketing with loyal customers;
- Create uniqueness of brand name, innovative products and different ranges;
- Change low awareness of the qualities of LEDs by teaching consumers about it through effective communication strategies.



7. Marketing Action Plan

Based on former analysis, the marketing strategy for Philips will be explained in this chapter. The recommendations contain the best strategy for Philips to reach the consumers through effective communication strategies. This is followed by how the company must use its Marketing Mix to compete effectively in the European market.

7.1 Marketing Strategy

It is important that the European market knows the importance of energy efficient lighting, especially of LED, and its positive effects on the environment. This chapter shows the recommended marketing strategy that Philips can use to achieve this goal. Because LED will be the main lighting in the near future, the strategy contains scenarios to promote only this product range of luminaries and lamps.

7.1.1 Objectives

The objectives of the Marketing Strategy are:

- To make consumers conscious about the changing climate and the reason for switching to efficient lighting solutions (LED).
- To change the incorrect image of LED by showing the innovative quality of the products and telling about its many advantages.
- Marketing innovative products like LivingColors and its nice designs, showing the brands uniqueness.
- To keep the “Top of Mind” position in the market and maintaining the loyal customers to generate good profit.
- To create marketing communication to effectively reach the focus groups in the European Market.

7.1.2 Changing the image of LEDs

It is important that the consumers know about LED and its advantages. Philips must use its effective communication to reach the consumers and to teach them about this lighting solutions. LED must be presented in the European market as the lighting of the future. Nevertheless, in a certain period of time, there will only be LEDs available because of its cheap production. The consumer must be taught about the qualities of LED to change the bad and incorrect image of the product. It has the same lighting qualities as the old-fashioned incandescent bulbs, yet with many more pluses which must be promoted as:

- Consumption of at least 80 percent less energy
- Cold at touch
- Longer lifetime, of 20 years

People often think of LED as ugly illumination, yet nowadays LED lighting gives amazing illumination. The consumers must witness this and therefore Philips must invest highly in communication tools in-stores, commercials and demonstrations on television, direct marketing of loyal customers and promotions of the products. By teaching the consumers about the product, using all these marketing communication tools, the negative image of LEDs can be vanished.

7.1.3 Focus groups

Nowadays, the early adopters buy LEDs. Therefore, the next phase is of utmost importance to reach the early majority of the European market. This group must be reached effectively to have successful sales, overall that the late majority follows largely buying LED products.

Young professionals

When thinking about segmentation, it is important to reach the starters on the work field between the ages of 25 and 40 years. For example, this can be young professionals buying their first houses. This focus group has a wide budget to buy the more expensive products of Philips. Furthermore, they are interested in innovation and trying out new products. This segment of the market can be reached through promotions and communication tools in Do-It-Yourself stores, department stores and residential boulevards. Yet also on television, in several magazines and newspapers Philips can promote its innovative LED luminaries and lamps. On television it is important to concentrate on LED as the lighting of the future. This group can be reached on television through commercials in the evenings. When selecting newspapers to promote LEDs, regional newspapers and other newspapers like in the Netherlands De Telegraaf can be used. In magazines like Quote, Square and many residential magazines, LEDs can be promoted effectively to this focus group. It is also of great importance to show the quality and advantages of LEDs at residential fairs throughout each country in Europe. This may be very effective because starters like to gain ideas for their new homes at these fairs. At these fairs Philips can promote the energy efficient and environmental friendly characteristics. Furthermore, the most important is to explain the quality aspects of the lighting to vanquish to incorrect image LEDs have.

Housewives

On the other hand, housewives must be reached, while their children are at school and their husband is working. Housewives are often an important factor when it comes to residential purchases. There are

television shows especially aimed at this segment of the market. In these television shows, Philips products can be shown by celebrities that tell viewers the efficiency of the innovative lighting products. Moreover, the nice designs of the different products can be shown in television studios backgrounds that look like living rooms. This can be done with luminaries of the product lines LivingColors or Ledino. These product lines have great designs, possibility of colour changes and the integrated LED helps to save energy consumption. Overall, the products help lower energy consumption, thus lower the CO₂ emissions in the world. This must be explained in the television show. Especially the environmental friendly characteristic and saving energy, thus money, attracts the housewives and makes them conscious of the environment. Also in magazines, like the Dutch magazine Linda, this segment of the market can be effectively reached. Just like the young professionals, housewives go to residential fairs. Here, this segment of the market can see the nice designs, the great quality and environmental friendly characteristics of LEDs. Also through communication tools in and close to residential boulevards, department stores and household shops housewives can be attracted to buy LEDs. This segment of the market is attracted to in-store promotions. Philips can create for example in-store promotions as:

- 3 for 2
- Free gift when buying a Philips LED product (examples: LED keychain, children's LED toy)
- Voucher of 10 percent discount on the next Philips purchase.

It is important to make it attractive to buy the LED products for this segment of the market. The main objective is to convince them about the LED products.

7.1.4 The future of LEDs

When thinking about a more distant future, when only LED will be available in stores, the lamps people have in their homes will have a lifetime of 20 years. Less purchase of bulbs is going to be needed in the future. That is why Philips has to produce more luminaries with integrated LED and come with innovative solutions to beautify homes and exteriors. The product lines of luminaries must be expanded and eventually sell mainly luminaries with integrated LED and take out a big part of the lamps from the market. Because of the high lifetime of LED, it is possible to use this strategy.

Normally, people do not even have luminaries in their homes for over 20 years; they change interiors and exteriors of their homes. At this point, the profit of Philips Lighting will only be from the ranges of luminaries. Herewith, it is very important to keep innovating for the company. Innovation is one of the unique characteristics of the company that leads to

7.1.5 Maintaining loyal customers

Very important is to keep the loyal customers up to date by means of direct marketing and the use of mailing or postal promotions. Per country, Philips can make a database of these loyal customers. Through the internet sales it is possible to get all customers' information. Also in different stores Philips can distribute coupons where customers receive a discount when they register online for the mailing. Through direct marketing Philips can inform the loyal customers as first ones about the new products and promotions. Because of the innovative character of the company and a unique position in the market, loyal customers will always be interested in the new products of Philips. The mailing of new products and promotions can be done by showing all new products of the company, thus not only the lighting products. By always keeping the loyal customers up to date by regularly showing all new products, these group will continue loyal to the brand. Sending coupons for discounts or vouchers, is also very effective to attract the loyal customers to make more purchases.

7.1.6 Professional market

In the professional market, Philips must convince companies to change to LED. This is possible by explaining existing clients about the advantages and it can be positive when attracting new ones. Philips already has plenty existing clients, yet attracting others through direct marketing may be very profitable. Also, by using the European Regulation concerning the incandescent light bulbs as an argument to switch must be marketed effectively. Furthermore, Philips should keep offering companies scans to see how far they can go with efficiency and lighting. For example, in marketing agencies or design companies, Philips should promote the use of the possibility of colours with LED. To convince clients, it can also use the green image the company will receive when changing to LED. It is also possible to promote consumer products with client's employees. For example, promote new lighting products by giving them a discount. Within big companies this can be very profitable for Philips.

7.1.7 Sponsoring

Nowadays, there are many non profit companies protesting against the climate change in the world. Philips can show customers they care by sponsoring these companies. For example, Philips can sponsor Greenpeace. For every LED the consumer buys, a certain amount of money goes to Greenpeace to help. By doing this, Philips shows its willingness to help against the climate change and protecting the worlds nature. Therewith, the consumers will have a good feeling when buying a Philips LED product. A feeling that they contributed to creating a better environment. This can be a very effective marketing strategy because many people nowadays want to help non profit organisations.

Moreover, it suits very well to the Philips LED products because of the energy efficient characteristics.

7.1.8 Joint Venture

By working together with other companies, Philips can create a greater awareness of the brand and the advantages of LEDs. Energy companies like the Dutch NUON are potential partners. For example, when customers want to transfer from another energy company to NUON, the company can give a Philips LED product. As well with existing customers they are able to promote Philips LED products by offering it with large discounts. On the NUON website there are many possibilities to promote Philips LEDs as well. Starting this kind of partnership, Philips and the energy company promote each other positively. Energy company want to give tips to its customers about saving electricity. Thereby, they often promote LEDs. Therefore, this partnership could be very attractive for both companies and their customers.

7.1.9 Top of mind

Finally, Philips is a company that is unique in the lighting market. It is important for the company to stay investing in the research and development to always come up with innovative solutions for lighting to stay unique in its market. The company's positioning has to be unique, innovative and it should always be on the "Top of Mind" with its customers and clients. This can be done with effective communication of the innovative products. The marketing of the products is very important to attract the consumers. Therefore, the uniqueness must always be shown. Therewith, the environmental friendly character and energy efficient nature of LEDs.

7.2 Marketing Mix

In this chapter the Marketing Mix explains how product, price, place and promotion must be used to successfully complete the choices of strategy.

7.2.1 Product

To respond to the demand of Green Products, Philips should keep creating green images and communication aimed at teaching consumers about the advantages of energy efficient lighting products. It is also important to create a unique image of the Philips products, innovative and green. Consumers must see the products as innovative, with a high quality and as being very energy efficient. Moreover, the LED must lose its incorrect image of lighting that is of bad quality. The products of Philips must be on the "Top of Mind" with the consumers. That is what the communication strategy must create.

Furthermore, it is of great importance to keep investing in the company's research and development to always be ahead of the competitors when it comes to product innovation. Overall, this is the uniqueness of the company and a characteristic that differentiates from all its lighting competitors.

7.2.2 Price

It is important to maintain the higher price level, yet aimed at the unique quality, green characteristic and innovation of the products. Showing consumers the price is worth because of the great quality and innovation. This way the lighting products will be distinguished from the low cost LED competitors, because of the uniqueness as innovative quality products. Philips must maintain premium pricing, to reflect the exclusiveness of its product lines. For example, with the LivingColors range this is very important because this range does not have any direct competitor - it is unique in the market.

7.2.3 Place

Through the whole of Europe Philips Lighting products are sold in different kinds of stores. At Lighting Specialists stores, Supermarkets, Do-It-Yourself shops, Media and Electronics stores like MediaMarkt and at big department stores like in the Netherlands De Bijenkorf. The company must also aim at internet sales, especially now with the rising popularity of this type of sales. Everywhere young professionals and housewives come, Philips products must be presented. This way the focus groups will always have the chance to witness the advantages of LEDs.

7.2.4 Promotion

The consumers must be taught about the benefits of LED through an effective communication strategy. The company has to make clear to its customers why it is so important to switch to energy efficient lighting solutions. This can be through communication tools in-store, yet also through commercials on television or advertisements in magazines or newspapers. The LED must be promoted as the Lighting of the future. The communication towards the consumers must show that LED has the same quality of illumination as the incandescent light bulb. Moreover, Philips must show all the better qualities and the energy efficiency to vanquish the incorrect image of LED.

The promotion of LEDs has to make the consumers conscious of the influences of energy use on the changing climate and the importance to switch to efficient lighting solutions.

8. Summary and Recommendations

Philips adapts very well to the legislation of the phase-out of incandescent light bulbs by introducing energy efficient solutions to lighting to the market. At the same time, they also respond to the demand for “Green Products.”. With a large assortment of energy efficient lighting products and the ability of being unique in the market, the company can keep its “Top of Mind” position with the consumers. Being environmental friendly is on top of the political agenda - even consumers are conscious about this trend. This opened many doors for Philips whereby the company can generate big profits.

Because of the uniqueness of the company, low cost competitors are no harm. Philips offers different ranges of other products that have notably better qualities. Yet, the company always needs to be careful with its direct competitors OSRAM and GE to not find themselves in too many price wars, this may cost loose of sales.

It is also important to keep producing luminaries with integrated LED, because of the longer lasting LEDs. Eventually, when there will only be LED available on the market, it will be more convenient for the company to only sell luminaries with integrated LED.

To vanquish the negative image of LEDs, Philips needs to teach the consumers about the possibilities and advantages as written in chapter 7.1, Marketing Strategy. This can be done per country by using communication tools in stores, promoting in magazines or explaining the advantages on television.

Hereby, Philips should aim at the focus groups of young professionals and housewives.

Recommended from the Marketing Action Plan is:

- Through effective communication in stores and residential boulevards, magazines and newspapers, on television and on residential fairs, teaching the consumers about the advantages of LEDs and meanwhile showing them the quality to vanquish the incorrect ideas some have about the products. Aiming at the focus groups of housewives and young professional.
- Preparing the consumers for a future with only LEDs luminaries, by convincing the early majority of the market about its quality, advantages and energy efficient character.
- Keeping the loyal customers up to date by means of mailing and therewith offering them as first ones promotions.
- Convincing the professional market through direct marketing to switch to energy efficient lighting, and meanwhile showing specific clients the possibilities of colours with LEDS.
- Sponsoring non profit organisations like Greenpeace to create an awareness on the subject of the climate change.

- Through joint venture with energy companies like the Dutch NUON, Philips can create awareness with the customers for energy efficiency and the Philips LED products.
- Maintaining the “Top of Mind” position in the market by always investing on the research and development to stay innovative.

To get back to the hypothesis:

The new European Regulation concerning the Phase-out of incandescent light bulbs, forces Philips Lighting to make strategy changes and become a “Green Company” by developing innovative energy efficient solutions for Lighting to strongly be able to compete in today’s market.

After all the research has been done, I believe it can be said that the European legislation of the phase-out of incandescent light bulbs has created many opportunities for Philips Lighting. Using this Marketing Action Plan, the company can change the negative image of LED and make consumers and clients conscious about the environment and wanting to switch. After all, we need to put a halt to climate change, by beginning to lower our energy use.

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Appendix

Media backgrounder (Consequences of the legislation)



MEDIA BACKGROUNDER

Introduction

The EU has set new energy efficiency requirements that lamps produced for the EU market need to fulfil as from 1 September 2009.

This document explains the content of the measure, the available lamp alternatives, the benefits for the consumer, and some background on the legislative process.

What changes for the consumer? - energy and money savings

Conventional incandescent and halogen bulbs which cannot fulfil the requirements will be gradually phased out from the EU market beginning in 2009 and finishing in 2012.

However, there are many alternatives offering the same light quality and/or higher energy savings, including:

- Improved incandescent bulbs with halogen technology, fully equivalent to traditional incandescent bulbs in terms of shape and light quality
- efficient and long-life compact fluorescent lamps
- efficient lamps with the latest technology, light emitting diodes (LEDs)

All of these provide significant overall cost savings to the user due to lower consumption, even taking into account that their purchase price is higher. The costs savings will amount to 25 to 50 € per year, depending on the size of the household and on the choice of alternative bulbs.

The available alternatives - a wider choice of lamps

Improved incandescent bulb (class C of the energy label, halogen lamp with xenon gas filling)

	<p>This lamp uses about 20-25 % less energy for the same light output compared to the best conventional incandescents.</p> <p>It provides light of equivalent quality to conventional incandescents, but in normal use it lives twice as long (2 years).</p> <p>It is fully compatible in size with existing luminaires and dimmable on any dimmer.</p>
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Improved incandescent bulb (class B of the energy label, halogen lamp with infrared coating)

	<p>This lamp will use about 45 % less energy for the same light output compared to the best conventional incandescents.</p> <p>It provides light of equivalent quality to conventional incandescents, but in normal use it lives three times as long (3 years).</p> <p>It is dimmable on any dimmer.</p>
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MEDIA BACKGROUNDER

Compact fluorescent lamps (CFL)



CFLs consist of fluorescent lamp tubes which use between 65 % and 80 % less energy than conventional incandescents. They are known to be a “money saver”, and they can live 6-15 years, depending on type and use (as opposed to 1 year for an incandescent bulb). There are models in all shapes and many are dimmable.

CFLs are also available with an external envelope which hides the tubes and makes them even more similar to light bulbs.

Light-emitting diodes (LEDs)



LEDs are a fast emerging technology and their efficacy is on par with that of CFLs, however they do not contain mercury and live even longer. LEDs for room illumination are today only in the first phases of commercialisation, but already now they provide replacements for both clear and non-clear light bulbs. They are likely to become alternatives to the full range of lamps in the near future.

Compact fluorescent lamps - tips for buying and using

- Before selecting a compact fluorescent lamp, check on its packaging:
 - The quantity of light produced: 1300-1400 lumens for the equivalent of a 100W incandescent bulb, 920-970 lumens for a 75W, 700-750 lumens for a 60W, 410-430 lumens for a 40W and 220-230 lumens for a 25W
 - The colour temperature (2700K or “warm white” for relaxing, more than 4000K or “cold white” for work)
 - Whether the lamp can be dimmed (if you need it)
 - Whether the lamp can handle very frequent switching (if you need it)
 - Whether the lamp can function in very cold temperatures if it is for outdoor use
- Do not place a compact fluorescent lamp in your bin - use dedicated return or collection facilities
- If the lamp breaks accidentally, it is better to air the room before cleaning the lamp with a wet cloth and to avoid skin contact with debris. Do not use a vacuum cleaner.

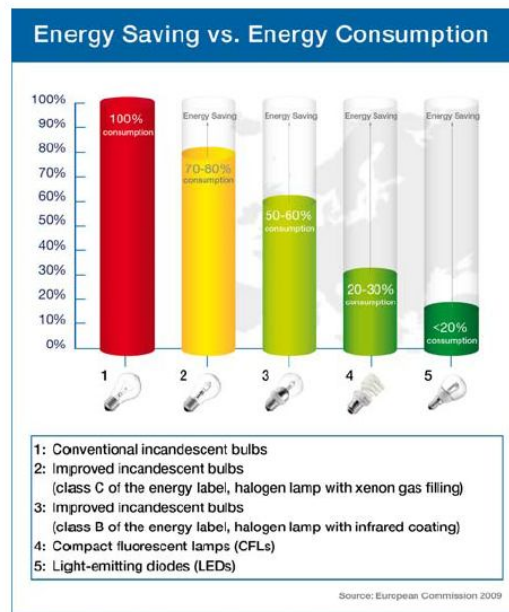
Benefits of the measure

The measure brings benefits for citizens, the environment and the economy.

It will save annually some 40TWh by 2020 - the equivalent of 11 million European household's electricity consumption for the same period. Crucially, it will lead to a reduction of up to 15 million tons of CO₂ emissions annually. It is part of the EU objective to cut greenhouse gas emissions by 20%, by 2020.

About 5 billion Euros will be saved and re-injected every year into the European economy. Finally, an average household's total electricity bill will be reduced by between 25 and 50 € per year, depending on the size of the household, of the number and type of lighting used.

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Scope of the measure

Lamps that cannot meet the minimum energy efficiency and performance requirements (e.g. durability) will be phased out from the EU market beginning in September 2009 and ending in 2012. Further measures are planned for reflector lamps such as spotlights.

The measure distinguishes between lamps that are "clear" (transparent) and non-clear.

Non-clear lamps will need to reach the A-class according to the EU's lamp energy label, which means energy savings of 75 % or more as compared to traditional incandescent bulbs. Only compact fluorescent lamps and LED lamps can achieve such high efficiency. Consumers who want other lamp technologies due to factors such as aesthetics and size may purchase clear lamps.

Meanwhile, inefficient clear lamps will also be phased out gradually. From September 2009, equivalents of clear incandescent bulbs of 100W or more must be made with more efficient technology (e.g. efficient halogens). This limit will be moved down to lower wattages gradually until 2012 (75W in 2010, 60W in 2011, 40W and below in 2012).

New requirements on the functionalities of lamps (starting times, lifetime etc.) are also introduced so that only quality lamps will be allowed on the market that will meet the users' expectations. Additional product information will also be required on the packaging to help consumers to make the right choice for the intended purpose.

The measure applies to lamps manufactured and sold by the manufacturer or the importer as from 1st September 2009. Wholesalers and retailers will be able to continue selling existing stocks even after that date. This means that the lamps that are banned will only gradually disappear from the shop shelves.

The legislative process

This measure on domestic light bulbs is only one of a series of measures that the European Parliament and the Council of Member States have requested the European Commission to take under the Ecodesign of Energy Using Products Directive of (2005/32/EC) with the aim to improve the energy efficiency and



MEDIA BACKGROUNDER

environmental performance of more than 30 products groups (e.g. televisions, washing machines, electric motors, heating boilers etc.).

The measure on household lamps was prepared after in-depth technical and economic study, extensive consultation of all interested parties including consumer organizations, environmental NGOs and lamps and luminaires manufacturers. It was endorsed by the Council of Member States and the European Parliament and formally adopted by the Commission on 18 March 2009 (Commission Regulation N° 244/2009 on the ecodesign of household lamps).