

Lighting: A Risky Game for MSMEs?

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The Misleading Perception

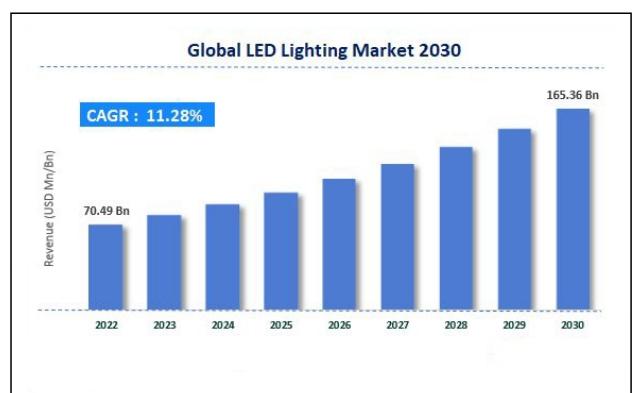
At first glance, the title "Lighting: A Risky Game for MSMEs?" might seem counterintuitive, especially given the vibrant growth of the lighting industry. However, this provocative statement aims to challenge the conventional approaches prevalent among many Micro, Small, and Medium Enterprises (MSMEs) in India's lighting sector. While the global lighting market is projected to grow from USD 154.27 billion in 2024 to USD 367.88 billion by 2032, exhibiting a CAGR of 11.5% during the forecast period, and the Indian lighting market is expected to register a CAGR of 15.7% during the forecast period (2025-2030), a significant number of MSMEs are not capitalizing on this potential. The reason? Many are entrenched in me-too businesses, leading to fierce price wars and, ultimately, unsustainable operations.

The Pitfall of Me-Two Ventures

In the quest to establish a foothold, numerous MSMEs adopt business models that mirror existing players, offering similar products

without distinct value propositions. This me-too strategy results in:

Intense Price Competition: With multiple players offering indistinguishable products, the primary differentiator becomes price, leading to diminishing profit margins.



Market Saturation: The influx of homogeneous products saturates the market, making it challenging for any single entity to stand out.

Stagnant Growth: Without innovation or unique selling points, businesses struggle to attract and



retain customers, leading to a plateau in growth.
Embracing Innovation in a VUCA World

In today's Volatile, Uncertain, Complex, and Ambiguous (VUCA) environment, staying abreast of industry trends is not just advantageous—it's imperative. The lighting industry is experiencing rapid disruptions, and MSMEs must pivot to align with these changes. Key areas of focus include:

Transition to Advanced Luminaires: Moving beyond basic fixtures to high-efficacy, flicker-free, and glare-free luminaires enhances product appeal and meets evolving consumer demands.

Adoption of Smart and Intelligent Lighting: Integrating controllable and self-operating features caters to the growing demand for smart homes and offices.

Incorporation of Renewable Energy Solutions: Solar lighting and other sustainable options not only reduce environmental impact but also appeal to the eco-conscious consumer segment.

Diversifying the Product Portfolio: The Four Baskets Strategy



To navigate the complexities of the market and ensure sustainable growth, MSMEs should consider structuring their product offerings into four distinct baskets:

Emerging Basket (Latest Technology Products):

Characteristics: Cutting-edge products that leverage the latest technological advancements.

Strategy: Engage with industry experts for training and development. This basket promises

high profitability and positions the business as an innovator.

Approach: Prioritize technical sales and continuous learning. Collaborate with technology partners and invest in upskilling the sales force to effectively communicate the benefits of advanced products.

Growth Basket (Products with Unique Selling Propositions):

Characteristics: Differentiated products that stand out from competitors.

Strategy: Invest in research and development to innovate and design unique offerings. This approach reduces competition and allows for healthier profit margins.

Approach: Allocate resources to innovation and design. Protect intellectual property to maintain a competitive edge and consider niche marketing to reach targeted customer segments.

Core Basket (Volume Selling Products):

Characteristics: Standard products with consistent demand.

Strategy: Focus on scaling operations, building relationships with key accounts, and optimizing supply chains to offer competitive pricing. While margins may be thinner, the volume compensates, supporting overheads and contributing to the top line.

Approach: Streamline operations to achieve cost leadership. Develop strong distribution networks and consider bulk deals or long-term contracts to secure steady revenue streams.

Legacy Basket (Me-Too Products):

Characteristics: Basic products similar to those offered by competitors.

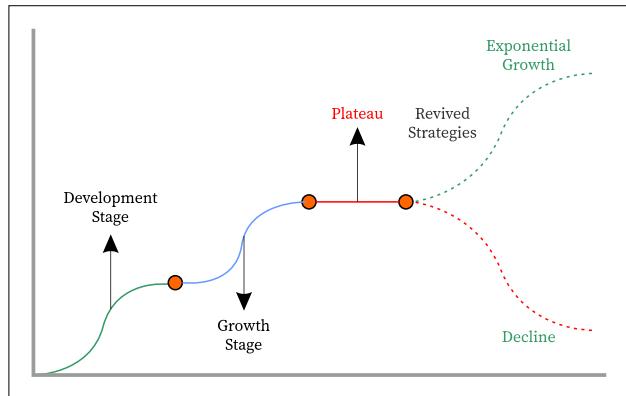
Strategy: Maintain these offerings to provide a comprehensive product range, ensuring clients find all they need under one roof. However, minimize reliance on this basket to avoid price wars.

Approach: Limit inventory to reduce holding costs. Use these products as add-ons or bundle them with other offerings to provide value without eroding margins.

Navigating the Business Growth Lifecycle



Understanding the typical stages of business growth can help entrepreneurs anticipate challenges and adapt strategies accordingly:



Build:

Focus: Establishing the business foundation, developing products, and entering the market.

Action: Invest in market research to identify gaps and opportunities. Build a skilled team and establish efficient operational processes.

Grow:

Focus: Expanding market presence, increasing sales, and scaling operations.

Action: Diversify the product portfolio (utilizing the four baskets strategy), enhance marketing efforts, and explore new market segments.

Plateau:

Focus: Growth stabilizes, and the business faces saturation.

Action: Re-evaluate business models, invest in innovation, and seek feedback to identify areas for improvement. Consider strategic partnerships or diversification to reignite growth.

Decline or Renew:

Focus: The business either experiences a downturn or revitalizes growth.

Action: For renewal, embrace change, adopt new technologies, and adapt to market trends. For decline, assess the feasibility of turnaround strategies or consider exit options.

Embrace Change or Risk Obsolescence

The provocative assertion that "Lighting: A Risky Game for MSMEs?" serves as a cautionary reminder: for entrepreneurs resistant to change, the lighting industry can indeed be unforgiving. However, for those willing to innovate, diversify, and adapt to emerging trends, the opportunities are boundless. By moving away from "me-too" strategies and embracing a dynamic, trend-aligned approach, MSMEs can not only survive but thrive in this ever-evolving landscape.

