

# Selling replacement projection lamps: why take a risk?

This White Paper is addressed to retailers, resellers and distributors of replacement lamp modules for projectors and rear-projection TVs.

It describes the development of the aftermarket for lamps and the factors operating on the market today. It documents the emergence of the 'copy lamp' sector and the commercial and legal risks associated with the trade.

The White Paper highlights the opportunities available to resellers and distributors in developing profitable and sustainable replacement lamp businesses by trading only in original and genuine lamps.

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# SECTION 1

## How the aftermarket for lamps developed

Growth in the installed base of projectors and rear-projection TVs has been paralleled by the increase in the sales of replacement lamp modules. Sales of replacement lamps can add a margin-rich, profitable and easily administered revenue stream to an AV or consumer electronics equipment supply, installation or maintenance business.

Aftermarket sales of replacement lamp modules have also created an opportunity for new categories of business – specialist distributors and resellers dealing exclusively with replacement lamps.

As the market developed, the prices of replacement lamp modules became something of an anachronism. Prices of projectors and rear-projection TVs followed the natural downward path of most AV and IT technology products, while the cost of replacement lamps stubbornly resisted change.

This perceived iniquity encouraged some lamp module buyers to turn to unauthorised suppliers, taking a risk on the performance of the replacement lamp and even their personal safety.

With buyers attracted by low prices, the makers and distributors of ‘copy’ lamps enjoyed some initial success. But as in all markets, the lighting industry responded.

Efficiencies gained through rationalising the distribution channel for lamps (see REF1: ‘Re-engineering lamp supply’) had a positive impact on both the pricing and availability of replacement lamps supplied by the manufacturers of projectors and rear-projection TVs. These are called ‘original’ replacement lamp modules.

In a second initiative, the owners of the intellectual property governing lamp development manufacturing authorised a small number of third party lamps manufacturers to incorporate patented technologies into their products.

Called ‘genuine lamps’, these products now provide a lower cost alternative to original lamps, and with guarantees that the performance, reliability and quality will match the original lamp module supplied when the projector or rear-projection TV was new.

The combined effect of these initiatives has been to reduce the price advantage claimed by suppliers of copy lamps to the point where the commercial and legal risks undertaken by retailers, resellers and distributors are no longer offset by the rewards. As a result, there may no longer be a sustainable business case for trading in anything other than original or genuine lamps.

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# SECTION 2

## Taking risks with lamp supply: commercial and legal considerations

Faced with the challenge of meeting customer demand for lower cost replacement lamp modules, retailers, resellers and distributors have been tempted to take the risks associated with trading in copy lamps.

But the market has now changed. Original and genuine lamps present a profitable and risk-free way of meeting customer demand for replacement lamps. Original and genuine lamps hold advantages in each of the following criteria:

### Customer satisfaction

Challenged to demonstrate the performance advantages of original and genuine lamps in relation to copies, the KEMA research and testing organisation conducted a series of trials. The results of the KEMA tests (see REF2: ‘Benchmark research to the quality of projector’) are conclusive. By selling an original or a genuine replacement lamp for a projector or rear-projection TV, the customer is assured of performance that matches the lamp installed by the equipment manufacturer. By endorsing something that performs less well, the seller runs the risk of losing the loyalty of the customer.

### Margin

While the percentages offered by copy lamp manufacturers and distributors might look attractive, the margins available from suppliers of original and genuine replacement modules are likely to net out at a greater cash value and a greater profit when the true costs are considered. On a relatively low cost item, like a replacement lamp module, the cost of fulfilling customer orders efficiently is paramount. Replacement lamps from a legitimate source place very little demand on the seller’s overheads. The distribution system for original and genuine lamps is efficient, reliable and effective in delivering the correct lamp to the customer in the shortest possible time.

### Profit

As a measure of net revenue, after all the costs associated with the sale of a replacement lamp have been deducted, profit has to be defined to include the costs of returning incorrect or faulty products, shipping replacements and dealing with customer complaints. With the cost of a lamp return averaging \$30, the reliability and after-sales service associated with original and genuine replacement lamps is a significant factor.

### Marketing support

A European campaign of awareness, organised by the Genuine Lamp Alliance in collaboration with the major lamp technology rights owners, is underway to build understanding of the advantages of original and genuine replacement lamp modules. Consumers and business buyers will be encouraged to source original and genuine replacement and warned about the potential pitfalls associated with copy lamps.

### Continuity of supply

As with all opportunistic businesses, many copy lamp suppliers offer a short-term solution only. There is very little requirement to look outside legitimate sources of supply for original and genuine lamps for long-term availability and continuity. Manufacturers and distributors of replacement genuine lamp modules maintain high stock

levels, sophisticated logistics and the appropriate credit bandwidth to ensure that customers are not let down.

### Litigation

Owners of lighting technology intellectual property rights are no longer prepared to tolerate copy lamp manufacturers and distributors damaging their businesses and reputations. The court action taken by Philips against Iwasaki Electric marks something of a watershed, with an award of damages to Philips of \$43 million – equivalent to \$28.70 for every lamp unit sold by the distributor of the offending products. The interesting point to note is that the award was made not for manufacturing the offending lamps, but for their distribution.

For distributors, resellers and retailers, there is no sustainable business model to be built around copy lamps. The return simply doesn't justify the risks.

## SECTION 3

### Original and genuine lamps: reduced risk, increased return

Replacement lamp modules represent a good business opportunity for retailers, resellers and distributors, but only if the service that the end-user customer receives is of a predictable and creditable standard.

Selling a replacement lamp that has significant risk attached not only imperils any possible financial advantage, but also opens up the potential for customer disputes, embarrassment for customers found to have bought products that could be described as unethical and even possible litigation.

The market for replacement lamp modules has moved on. Consumers are increasingly aware of issues of product quality, reliability and the dependability of suppliers. When properly informed, most would not trade these advantages for a questionable cost saving.

For retailers, resellers and distributors, replacement lamps should present a hassle-free business opportunity that maintains and enhances customer relationships, while adding a sustainable, profitable revenue stream. Only original and genuine lamps offer this mix of advantages.

## GLOSSARY

### Projector lamp terminology explained

#### Cages

Cages are housings designed and produced by the projector manufacturers to seat the lamp accurately and which enable user replacement. Each physically different projector model usually requires its own bespoke cage design.

#### Compatible lamps

'Compatible lamps' are those that are sold to work with a specific brand and model of projector, but which are not the same as the original lamp placed in the projector by the projector manufacturer. These 'non-original lamps' could be products designed around the authorised use of technology protected by intellectual property or they could be 'copy lamps'.

#### Copy lamps

'Copy lamps' are those produced by unregulated manufacturing companies using technologies without the agreement of the intellectual property rights owner and producing products that are not pre-installed by any projector manufacturers.

#### Copy lamp modules

'Copy lamp modules' are copy lamps fitted in replica cages manufactured by companies not endorsed by the projector manufacturers.

#### Genuine lamps

Genuine replacement lamps are those developed, manufactured and sold with the explicit approval and support of the owners of intellectual property governing technology

used in the original lamps installed in projectors and rear-projection TVs. Genuine lamps offer the same standards of performance and reliability of their original counterparts and offer full compliance with intellectual property legislation.

### Lamps

Lamps (or bulbs) are ultra high-performance lights developed and manufactured in advanced manufacturing facilities owned and operated by world leaders in lighting technology, including Philips and Osram.

### Lamp modules

Lamp modules are made up of the lamp (or bulb), the cage (or housing) and electrical connectors.

### Original lamps

The term 'original lamp' gained currency when the only suppliers of replacement projector lamps were projector manufacturers. It is defined as including lamp modules manufactured using lamp technology, protected by intellectual property rights, with the support and agreement of the developer holding the technology patent. The term is used as a synonym for 'genuine lamp', but following the extension of authorisation for lamp manufacturing to third parties, by rights owners including Philips and Osram, the term 'genuine lamp' is now defined as inclusive of 'original lamps' and those manufactured by third parties with the support and agreement of the rights owners.

### Re-lamping

'Re-lamping' describes the practice of removing a used lamp from its cage and replacing it with a new one, or even substituting the burner within the lamp itself. The risks associated with re-lamping (lamps contain mercury) are considered to be unacceptable for consumers and even specialist resellers might shy away from the task. Those willing to undertake the task run the risk of damaging the lamp cage. These were designed for the ease of replacement rather than refurbishment and so can be fragile (see REF7: 'Choosing the best projector lamp for you' for more detail).

## REFERENCES

### Useful resources for buyers and sellers of replacement lamp modules

The following resources are available, either directly or as links, from the Genuine Lamp Alliance web site at: [www.genuinelamps.org](http://www.genuinelamps.org) :

- REF1: Re-engineering lamp supply  
*AV News International*  
P8 ISE preview 2008 issue
- REF2: The KEMA Report  
Benchmark research to the quality of projector  
January 2008
- REF3: 5 Minute interview: Henk Coppens, CEO of  
Philips' Special Lighting Applications Business Group  
*PRO AV Magazine*
- REF4: All change in lamp market  
*AV News PP6/7*
- REF5: What's in a lamp?  
*Sound and Video Contractor*
- REF6: Market intensifies for lamps  
*AV News PP4/6*
- REF7: US Philips Corporation v  
Iwasaki Electric Company Ltd  
United States District Court  
Southern District of New York



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