LuxeLume Lighting

Resource 1: Background of the business

LuxeLume Lighting (LLL) is a Portuguese manufacturer of high-quality lighting solutions for luxury hotels, offices and retail spaces. Founded in 2009 by business partners Miguel Pereira and Ana Costa, the company has built a strong reputation for elegant designs and customised lighting projects. LLL operates in ten European markets, including Portugal, Spain and Italy, generating $85m in revenue.

LLL’s financial performance has recently been under pressure. Despite strong sales, the company’s gross profit margin has fallen from 48% to 43% over the past three years, primarily due to rising raw material costs. Its overall profit margin stands at 4%, and its return on capital employed (RoCE) is 5.5%, significantly lower than the industry average of 8%. Competitors such as EliteLights and LuminaLux have gained an edge by automating production and optimising their supply chains, leading to lower operating costs.

The company employs 320 staff, including engineers, designers and production workers. LLL’s production facilities rely heavily on skilled labour and customised processes, which have contributed to high manufacturing costs. The business is structured with centralised decision-making, and Miguel Pereira, as CEO, adopts an autocratic leadership style, focusing on strict cost controls and operational efficiency. However, employee surveys reveal low morale and concerns about limited opportunities for innovation.

Figure 1: LuxeLume Lighting product example

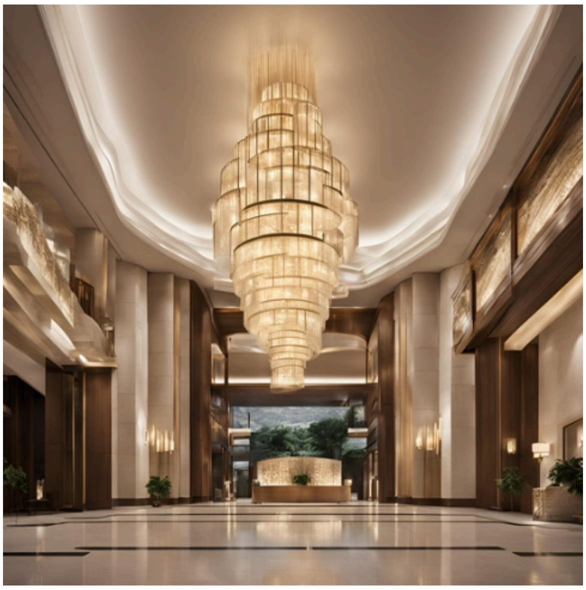

Table 1: Financial data (2024)

Metric	**Value**
Revenue	$85m
Gross profit margin	43%
Operating expenses	$34m
Net profit	$3.4m
Profit margin	4%
RoCE	5.5%

Resource 2: CEO report

LLL's profitability has declined due to rising costs and inefficient production processes. Key priorities include improving cost efficiency and boosting operational productivity. Proposed initiatives include:

- investing $2m in automation to streamline production and reduce labour costs
- optimising the supply chain by sourcing raw materials from lower-cost suppliers
- offering a standardised product line in addition to customised designs to lower production costs

Resource 3: Summary of minutes from a management meeting (October 2025)

Key points discussed:

1. **Automation:** Automation could cut manufacturing costs by 15% but requires significant upfront investment and may lead to job redundancies, affecting morale
2. **Standardised product line:** Adding standardised designs could appeal to cost-conscious clients but may risk diluting LLL's luxury brand image
3. **Supply chain optimisation:** Sourcing materials from low-cost suppliers could save $3m annually but raises concerns about quality and reliability

Resource 4: Internal email from the Finance Manager

To: Miguel
From: Sofia
Subject: Addressing Falling Profit Margins

Dear Miguel,

Our gross profit margin is declining, and operating costs are rising faster than revenue. Without urgent action, our profitability will remain below the industry average.

I recommend prioritising automation and supply chain improvements to reduce costs.

However, we must monitor the risks of compromising product quality and brand reputation.

Best regards,
Sofia Mendes
Finance Manager

Resource 5: Industry overview

- The European luxury lighting market is growing at 4% annually
- Competitors such as EliteLights and LuminaLux have increased profitability by adopting automation and diversifying product ranges
- Standardisation and efficient supply chains have enabled them to lower costs while maintaining premium quality

Table 2: Competitor analysis

Competitor	Market share	Strengths	Weaknesses
EliteLights	18%	Advanced automation, efficient supply chains	Limited focus on customised projects
LuminaLux	15%	Strong standardised product range, competitive pricing	Less emphasis on unique designs
LightArt Designs	7%	Specialises in customised projects, strong branding	High production costs, limited automation