



Emotional, Intelligent and Interactive Lighting Technology

MooresCloud designs, develops and manufactures hardware, applications and services that make lighting emotional, intelligent, and interactive.

Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine



Mark Pesce - CEO

CEOCFO: Mr. Pesce, what is the concept for MooresCloud?

Mr. Pesce: The idea behind MooresCloud is that we have worked on a way to be able to monetize light. What that means is that we have had electric lighting for about 120 years, and the range of what you can do with electric lighting is more or less that you can turn it on or you can turn it off. Because of the recent increases in technology with LED and full-spectrum or full-color lighting along with connected lighting, so that you actually have your light bulb on the Internet, it is now possible to think about controlling your lighting in very different ways. It is not just about turning it on or off or saving energy. It is now about being able to get your lighting to reflect your mood, your feelings, your music, your favorite sports team, your country, whomever you are rooting for in the Academy Awards or an American Idol or anything like that. You now have this capacity to take your lighting in your home and tie it to things that are going on in the world outside. We call it "illumination-as-a-service", and you can think about it as analogous to the way the utility brings electricity into your house. What we are doing is now bringing the pattern, color and activity of lighting into your house.

CEOCFO: Has anyone other than you thought of this?

Mr. Pesce: No. The technology to enable it has not really been possible. We have been working on it for the past 18 months, and we have just gone public with it because our technology is now ready enough to do this. With these technologies, there is almost always someone else who is pursuing a close, similar track, but they have not surfaced yet.

CEOCFO: How does it work? What did you need to figure out over these 18 months?

Mr. Pesce: The first thing that we did was developed a small design that almost looks like an Apple device called The Light. It was a cube, and it has many LEDs inside of it. You could change the color, and it could connect to the Internet and do all of these things, but people did not really understand it. We would show it to them and they would say the light turns on and off because that is what light has done for 120 years. If you have a light switch, you can possibly dim it, but it basically goes on and off. What we realized was that the qualities that we were given to light were things people were not very familiar with, so we did not connect with the consumer and their understanding. We made a very simple pivot just a year ago. Instead of doing a cube, we created Christmas lights. It is very funny because people love Christmas lights, but people do not normally understand that Christmas lighting is a \$10 billion a year market worldwide. It is a tremendously big market, and it is basically about very cheap, simple and not very pretty lights. As soon as we brought our technology into a Christmas light form, consumers immediately understood what we were doing because Christmas lights have always been very fanciful, magical and very playful with the certain spirit of the season. Although Christmas lights have never really done much more than turn on and off and blink a little bit, people's belief in what they do is much broader than that. We then provided the technology to make Christmas lights do all the things that people believed they could do. Once we have done that and once someone buys our Christmas lights, takes them home and puts them on their home network, we now have a portal from the home network into our services, which are delivered by the cloud. We already have our first service, which is something called app of the day. You can almost think of it as a surprise. You open up the app of the day, and if it is Valentine's Day your lights turn red and white. If it is Chinese New Year, your lights will turn gold and red, because those are Chinese New Year colors. We have colors for Australia Day because we are an Australian-based firm, which are green and gold. Throughout the year, anyone who owns our lights will have a continuous set of different colors and different patterns that will bring whatever holiday it might be into their home. That is the beginning of our delivering services for all sorts of events – for broadcasting and for special events – into the home. We are getting people used to this idea that when you buy these smart lights, they are not just one thing. They have this continuously evolving set of possibilities.

CEOCFO: *Where are people typically putting the lights?*

Mr. Pesce: We did not really think about it at the beginning, but it became very clear that we have not just created the world's best Christmas lights, but we have created some of the world's best accent lights. People use Christmas lights all over the house all over the year. They put them in the bookshelf, they put them in the kid's room and they put them in the dorm room. There are all these places where people want lovely, diffused, accent lighting, but it always tends to be one color. Now we have given them active lighting so that they can match their mood. One of the apps that we actually ship with our light is what we call the PhotoGrabber. You can take a photograph of something – it might be a party dress, a flower or the sky, and you can select that color and then create your light that color. You can now have lighting that perfectly matches an event, mood or object. People start to experiment because they have this capacity to have the lighting in their house be reflective of themselves in a way that it never has been before. People are now starting to explore all the ways they can do it. We are now developing a style guide, which is the very first thing we put in our marketing plan. A lot of people have beautiful glass vases, and you can put the lights in a glass vase with some glass marbles around it. You now have this beautiful accent lighting that can go anywhere in any room in the home. You can string them up in the bedroom, and you have candlelight animation, which actually adds a very romantic feeling to a bedroom and is very safe because of all the LEDs. There are no flames. We are really just at the beginning of exploring all the ways it can be used.

CEOCFO: *What is the revenue model?*

Mr. Pesce: The nice thing about hardware is that hardware has a built-in revenue model to actually make margin on the hardware. We are selling the hardware at a price that allows us to recover that. In addition, we have a service with an apps model. When we launched Holiday we introduced our Holiday Visualiser app that allows you to use the lights to visualize any song in your iTunes library. If you have an iPad or an iPhone, you can take any of your music and make it play beautiful lights on the string of lights. That app is on the app store, and we have already had 63 percent of our customers who have bought our lights also buy the app. What we are targeting is that in every 12-month period, a customer would purchase an additional \$20 in apps and services, so that over the five or six years that we expect the customer to be using Holiday, will we recover an equivalent amount in apps and services revenue as we recover in the hardware.

“We believe that light is the next medium. Light is going to become expressive, something you can brand, a communication medium.” - Mark Pesce

CEOCFO: *What is the demographic?*

Mr. Pesce: There are actually a few demographics. We do know because we have a high-price high-value brand that we definitely looking at that demographic area. There is another demographic that we studied very carefully last year, which are the people who go crazy with their Christmas lights. These are the people who will put 10 to 20,000 lights on their front lawn and figure out how to make them blink and do interesting shows. Those people had to be very technically astute to be able to get the lights to blink with music and all that stuff, and we have lowered the bar on that significantly. The people who maybe wanted to do it but did not know how all of a sudden can do it very easily. Those people are not price sensitive. They are buying well before other folks - in August and September – as opposed to most people who will buy their lights in October and November. They also buy in higher volume. We have two markets – the high-end Christmas lighting market for people who want amazing lights on their Christmas tree people – that is the market we are targeting very carefully for October, December and November. You also have the Christmas light hobbyists who buy in August and September. That channel is surprisingly unsophisticated, so we are developing some very targeted marketing strategies to meet them.

CEOCFO: *As opposed to the Christmas aspect of it, what are your plans to get away from that or is it still too early to go beyond?*

Mr. Pesce: We will be shipping a whole style guide when we ship in America. It will show you how to put them on a tree and how to put it on a verandah, in a vase and how you might want to use them in a kitchen. We give you all of these different style suggestions. We are actually working with interior and lighting designers here in America to develop all of that material. If you give people good ideas, they will take them and run with them.

CEOCFO: *What have you learned from your previous entrepreneurial and technology experiences that has been most helpful creating, developing and planning at MooresCloud?*

Mr. Pesce: One of the things that I have learned is that you should not try to get too far ahead of the curve. We recently had a little event to celebrate the 20th anniversary of a technology that I invented in 1994 called VRML, which was a 3D interface to the World Wide Web. It came along right after the World Wide Web had been invented, and we thought it was going to be this great big thing. There was a lot of coverage and a full two-page article in Newsweek about it in 1995. But VRML did not make it over the hype curve because people were still getting used to the Web. When you start throwing in a third dimension, it was too much for them. It was too much change at once. One of the things that you learn is that when

you are leading people, you want to lead them slowly. This is one reason why we are doing Christmas lights. People already understand Christmas lights. They already have an emotional affinity to Christmas lights, so we can leverage that in product. The reason our first product did not connect was because we were trying to bring people too far too quickly. In technology in particular, you need to be careful about that. From technology and design, that is an important lesson. Another important lesson is that there is so much technology that is available now. You can really save a lot of time if you find the right technologies and integrate them. We have been able to get as much as we have been able to get done over the last 18 months because we are able to take advantage of both great commercial technologies and great open-source technologies and leverage them into our products.

CEO CFO: *What is the strategy for the next year or two?*

Mr. Pesce: My job this year is to build the company in terms of both sales revenue and our service offerings. We have to build up our staff, and we have to build up our sales channel. That is exactly what we doing in America right now -- we are establishing our first channel relationships. We are setting up across North America, in Canada in the United States. We are getting the product in front of buyers and helping them to understand how this product fits with their strategy. A lot of that is communication tactics because everyone says that these are \$200 Christmas lights. We have to say they are that and so much more, so we have to work with people who are used to just selling Christmas lights to develop a marketing strategy that pitches the potential and capability of what we are doing to make that selling point easier. We have to work on the merchandising and all the details that accompany going from a product development stage into a sales and marketing phase into product merchandising and also all of the support structures that the company is going to need when we expect tens of thousands of people to be using these at the end of the year. That is this year. Next year is going to be about Europe, and the year after that is going to be about Asia. We also have a product pipeline, which is taking this basic design and putting it into other forms that people have indicated they want.

CEO CFO: *Such as?*

Mr. Pesce: The biggest thing, and the thing that I am very happy to talk about is that they want something that is fully indoor/outdoor. Right now, the string itself is fully indoor/outdoor, but the controller needs to stay dry. People basically just want to be able to throw it outside from wherever they want. We did not really build for that use. We will need to make changes to our design, so that it will be more durable, and I am sure that will be coming. There are some other forms of our lights that are going to be more geared to children and more geared to something that is plush, huggable, lovable and also very nice to be lit. I do not want to talk too much about that yet, but you can sort of see where that is going.

CEO CFO: *Why pay attention to MooresCloud now?*

Mr. Pesce: We believe that light is the next medium. We have had television and radio, and now light, which was never a medium before, is going to become expressive. Light now becomes something you can brand, and it becomes a communication medium. What we are going to be doing is exploring how to use this with agencies, brands and events. How can we use light to tell stories? I think in ten years' time, people will not even think about that. Of course you are using light to tell stories. Oh yeah, there was a time when you could not do that. In ten years, light will be an integral part of what we expect our lives at home to be about. Not just being able to see into a room, but being able to feel because of the light.

BIO: Mark Pesce is an inventor, entrepreneur, educator, broadcaster and futurist. The author of six books - including THE PLAYFUL WORLD and THE NEXT BILLION SECONDS, he has been exploring and its human impacts for over a quarter of a century. Founder of post-graduate programs at both USC and AFTRS, Pesce teaches creators how to harness the 'human network' and empower their productions. On the ABC's series *The New Inventors*, he helped to promote Australia's leading innovators and entrepreneurs.



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