

MATTRESS REPORT

An Uncomfortable Truth

Mattress makers are looking for ways to stop the slide in sales

By David Gill

NOT MANY MATTRESS VENDORS ARE getting a good night's sleep these days.

Many of them are up at all hours trying to think of ways to endure what many of them consider the toughest business conditions they have encountered in some time.

As HFN's proprietary research into the mattress market shows, the industry's sales slipped by 0.5 percent in 2007 to slightly less than \$8.4 billion. Comments from vendors have made it clear that the slide has become steeper since the beginning of 2008.

Explaining the situation during a Webcast to analysts, Tom Bryant, Tempur-Pedic's retiring president and chief executive officer,

summed up the troubles for the industry as a whole as follows: "The U.S. microeconomic environment deteriorated during the quarter and contributed to what we believe is the slowdown in the mattress industry. Additionally ... we believe average selling prices in the industry are trending lower."

And this is not just a blip for the industry. For many vendors, it has been a long time since business has been this bad.

Larry Rodgers, interim chief executive officer of Sealy, told a group of analysts during the company's first-quarter Webcast, "The last time we experienced industry conditions such as we have today was the early 1970s, when the U.S. economy suffered from the combination of oil price shocks and high inflation,



Above left: Bob Hellyer, Spring Air: The soft economy and rising costs for raw materials and transportation are putting tremendous pressure on the market. Above right: Steve Fendrich, Simmons: "Consumers are still willing to buy large-ticket items as long as they recognize the product's value."

among other issues."

Another vendor, Bob Naboiček, president of Gold Bond, said: "There is no question this is the toughest stretch the industry has seen in my 30 years." Significant raw-materials price increases, raw-materials shortages, high transportation costs and the weakness of the U.S. dollar are "leveling the playing field for U.S. manufacturers," Naboiček added.

"It's a double-edged sword," said Bob Hellyer, CEO of Spring Air. "On one side you have a soft economy giving consumers pause about making big-ticket purchases like mattresses. The other side of the blade is rising raw-material and transportation costs putting significant pressure on margin."

The consensus among the vendors is that they and the retailers are in this rocky situation together—and that pulling out of it will require working together as well.

"It's an unfortunate fact that fewer customers will visit bedding retailers when the economy is down, so dealers must make the most of every customer that comes through their door," said Steve Fendrich, president and chief operating officer of Simmons. "However, our retailers shouldn't have to shoulder that burden on their own."

For Fendrich, this means providing a product range that covers all of the bases with consumers. "We're wholly committed to providing our retailers with a complete range of products that meet the needs of virtually every mattress shopper," he said.

Vendors are also working to emphasize the partnership aspect of their relationship with their dealers. "We run our business as a partnership with our retailers," said Bob

Sherman, president of Serta. Such a partnership "includes maintaining a pipeline of innovative products and investing in strong national advertising programs." Sherman cited Serta's "Dare to Compare" campaign, which includes two new "Counting Sheep" ads, as an example.

"Consumers are still willing to buy large-ticket items as long as they recognize the product's value," Fendrich said. "Therefore, we feel it's important to work with retailers on the development of merchandising and selling programs that the consumer can understand and appreciate."

Service is another aspect of these partnerships. "With Gold Bond, we still have real salespeople on the road providing training, support and customer service," Naboiček said. "We are not cutting back on either the quality of the product or the service we provide."

To Hellyer, "I think it means delivering on our promise of quality, service and value. Remember, it hasn't even been a year since we rolled up the [Spring Air] licensees into a unified company. We dramatically redesigned our product line less than six months ago. Hence, I believe in our case, it is proving to the market that we can deliver on the promise of the Spring Air brand."

Offering innovative products is yet another factor in this equation. Maya Ben, vice president of U.S. operations for Hollandia, said the company was able to weather the storm that hit the rest of the mattress industry through offering inventive products with added technologies. "One of our strengths is that we always have a new product or a new invention to show our customers, and they love it," Ben said. Among Hollandia's products is the Elite bed, with the television that emerges from the foot of the bed. ■

TOP FIVE MATTRESS MANUFACTURERS

(\$ in millions)

Amount*

1 Sealy Corp (1)	\$1,266.4
2 Simmons	\$1,126.8
3 Serta	\$885.0
4 Select Comfort	\$799.2
5 Tempur-Pedic	\$725.3

*REVENUES REFLECT U.S. OR NORTH AMERICAN SALES OF MATTRESSES AND RELATED PRODUCTS, SUCH AS FOUNDATIONS, PILLOWS, CUSHIONS, ETC.
1. SEALY INCLUDES STEARNS & FOSTER AND BASSETT.

Innovative products with cutting-edge technologies, such as the Hollandia Elite, may be one way for mattress manufacturers to reverse the industry's decline.

