

Sleep Matters: Selecting a Mattress

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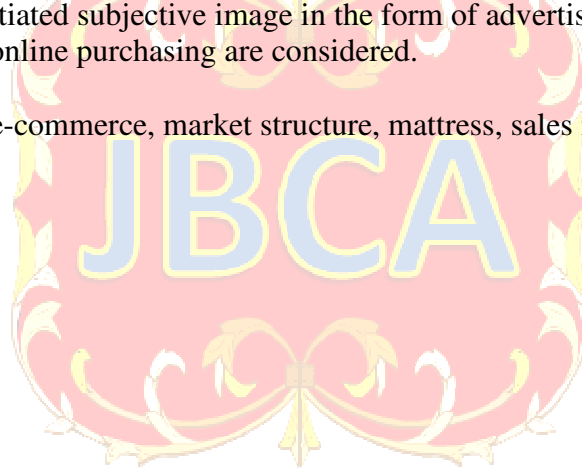
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ABSTRACT

This case study explores the mattress industry from the perspective of the consumer purchase experience. The study provides mattress industry background information, including structural changes in sales management over time. The case investigates applications of competitive industry forces in the realm of price, location, attribute differences, firm-service differentials, and differentiated subjective image in the form of advertising. Factors influencing brick-and-mortar versus online purchasing are considered.

Keywords: competition, e-commerce, market structure, mattress, sales management



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INTRODUCTION

As the morning sun enters the bedroom window, Paul wakes with a bit of a backache. He had spent the weekend working on several outdoor landscaping projects, which likely attributed to most of the discomfort. After reflection, Paul ascertains the current mattress he employs is approaching 20 years since its initial purchase. The mattress was acquired from a retail outlet no longer in business (i.e., Montgomery Ward). Paul realizes the time has come to purchase a new mattress and box springs. As to the questions of where and what to buy, he had no idea.

THE MATTRESS INDUSTRY

For centuries, people slept on a pile of straw on the floor or on a simple platform or cot, while mattresses were typically reserved for the rich. However, early mattresses were nothing more than a bag of straw, wool, or cotton without much shape. It was not until the 18th century that mattresses began to resemble the shape that we think of now. The machine age in the United States made it possible to start mass-producing beds, which, in turn, made it possible for both the rich and the poor to be able to sleep on mattresses (Bryant, 1995).

In 2018, the Top 5 U.S. bedding producers were Serta, Simmons, Sealy, Tempur-Pedic, and Sleep Number (Perry, 2018). Of these companies, the oldest is the Simmons Bedding Company which was started in 1870. Six years later, Simmons was also the first manufacturer to mass-produce a woven wire mattress. In 1925 Simmons introduced the Beautyrest mattress, which was the first mass-produced mattress that provided individual support and motion separation. In the 1960s, Simmons introduced the King and Queen-sized mattress to the world (Always Awake to New Possibilities).

Sealy was founded in 1881 by cotton gin builder, Daniel Haynes, who lived in Sealy, TX. This small company began when Haynes started making cotton-filled mattresses for people in his local community. In 1889 he invented a compressed cotton that he had patented to use in his mattresses. Eventually, Haynes sold the patent to producers around the country. In 1906, Earl Edwards purchased the patents and kept the name Sealy for his new company (Sealy Corporation).

The Serta name was licensed in 1931 by thirteen mattress manufacturers under the company Sleeper, Inc (Serta). In the 1970s, Serta moved away from the widespread belief that firmer mattresses are better and introduced the first plush mattress. In 2000, Serta began airing the famous Counting Sheep commercials that are widely recognized today. In 2012, Serta became the No. 1 mattress manufacturer in the United States and currently holds that position (Serta History).

While these three companies began in the late-1800s and early 1900s, the other two companies that made the Top 5 U.S. bedding producers started in the late 1980s. The two companies, Tempur-Pedic and Sleep Number, used technologies in their mattresses that were not developed until the latter half of the 20th century (Tempur-Pedic and Sleep Number). Temper Foam, used in the Tempur-Pedic mattresses, was developed in the 1960s for seating in aerospace vehicles to help cushion pilots during a crash. In the 1980s, NASA released the formula to create Temper Foam, and many companies tried to develop products using the material. In the early 1990s, Fagerdala World Foams, a Swedish business, produced their version of Temper Foam, Tempur, and began selling mattresses (“The History of Tempur-Pedic Inc.”, 2013).

Air-supported sleep systems, such as Sleep Number, were not invented until the 1980s. Sleep Number started as Select Comfort in 1987 as a direct marketing mattress company and has evolved into a nationwide retailer. Unlike most mattress companies, Sleep Number sells directly to customers instead of through third-party retailers (Sleep Number and Sleep Number About Us). While these five mattress producers operate separately, they are owned by three companies: Serta Simmons LLC, Tempur-Sealy International, and Sleep Number Corporation. The two large corporations, Serta Simmons LLC and Tempur-Sealy International, held 66.7% of total sales for the mattress industry in 2020 (“Major Mattress Manufacturers – Top 20”, 2022).

STRUCTURAL CHANGES TO THE MATTRESS INDUSTRY

The mattress business was historically stable for decades, with the mattress manufacturers selling to customers through department and furniture stores. The stores typically have a large selection of varying brands, styles, and prices. This product range allowed customers to experience the mattress before purchasing. Additionally, the salesperson had an opportunity to upsell the customer on features (Newcomer, 2022; Patel, 2021).

The internet changed this sales process by customers researching compare mattresses and features but still went to the store to make the final decision. One reason for the slow movement to online shopping for mattresses was the delivery cost and complication. A mattress cannot be sent through the mail. Additionally, many people replace a mattress and want the old mattress removed (Newcomer, 2022; Quinn, 2020).

By 2014, one firm found the solution. Casper disrupted the industry with the bed-in-a-box business model. Casper did not invent the bed-in-a-box, BedInABox did that. What Casper did was brand it. Using well-known celebrity investors such as Leonardo DiCaprio and 50 Cent, Casper built a following quickly, generating almost \$2 million in sales in the first two months (Quinn, 2020).

The online firms narrowed the options instead of a vast selection of mattresses like in the furniture stores. Many sites have a quiz that steps the customer through the options of size and firmness. Customers were able to shop faster and with a sense of confidence that they had chosen the right mattress for themselves. By 2020, the number of new mattress sellers increased to more than 175 (Quinn, 2020).

THEORETICAL FOUNDATION

The competitive environment focuses on firm strategies regarding price, location, attribute differences, firm-service differentials, and differentiated subjective image in the form of advertising. This section presents the theoretical foundation for the five strategies and a brief application to mattress providers.

Price is the most observable competitive channel for many industries. The quantity of firms operating in a market often impacts price competition. Two to four firms may compete aggressively in the short term but often revert to a long-run situation of mutual interdependence with limited price competition. The number of mattress vendors has never been greater, so it is not surprising that the industry’s range of prices is very diverse. Consumer Reports Buying Guide for 2019 puts forth a price range of mattresses starting with Night Therapy: Euro as the least expensive option at \$248 to Duxiana; Dux as the most expensive mattress coming in at \$4,950. A median price option is Avocado: Green at a price of \$1,400. Price competition can

also include coupon discounts with some online vendors to advertise sales events at big-box retailers. In contrast, some online retailers (e.g., Saatva) claim the savings are built into the price and make an explicit effort to put forth price stability by not supporting additional discounts.

Location is another crucial facet of competition. Traffic flows during business hours can influence sales. Consumers often prefer convenience in comparison shopping for specialty items. The mattress industry offers obvious location options. The first is a big-box retail outlet within the regional community of the consumer. The apparent advantage of a physical location presence is the ability to sample multiple mattress options available in a display area. For many people, testing the various attributes of a mattress is a relevant component in establishing the efficacy of a purchase. Consumer Reports recommends customers lay on the potential mattress for 15 minutes or more before deciding (Auer, 2017). Despite the historical experience of consumers selecting a new mattress based on in-store comparative sampling, online purchases have increased over the last five years. For example, Casper began as a direct-to-consumer service in 2014 selling only online. Soon they opened some pop-up showrooms, which are currently all closed. Today, the company has relationships with select retailers to allow in-person examination of the mattress before purchase. That being said, many of the online retailers put forth webpages offering firmness, height, and other attribute options to be selected online and/or with the assistance of questions and answers supported via chat (i.e., the online chat session with Casper is facilitated by a “snooze specialist” that will answer your questions).

Unique product attribute differences also influence consumer preferences. The attribute variations, such as polyester versus cotton versus silk, might be noticeable. Slight attribute differences also can yield a strong consumer preference for various individuals, as illustrated by loyal patrons of McDonald’s versus Wendy’s. Functionally, a mattress is a simple product providing comfort and support for sleep. Of course, if the average person sleeps approximately 8 hours a day, a mattress can be viewed as the most used piece of household furniture. The higher utilization results in numerous personal choice options for a consumer. Mattress options include size (e.g., king, queen, full), firmness (e.g., soft, firm, luxury firm), height, adjustability, exterior materials, interior materials, durability, and several other differentiated traits. One implicit advantage for the online environment is the customer interface offering most consumers a chance to customize several mattress traits as an interactive aspect of the shopping experience.

The customer experience with the firm also creates a competitive strategy. A firm may focus on exceptional and friendly customer service, which requires employees who excel at building relationships. Other firms may emphasize expeditious service or customer convenience. The firm-service differential opportunities in the mattress industry reside with sales experience, delivery, removal of old mattress, and the prospect of returning/exchanging a compromised product. The consumer experience between a brick-and-mortar retail outlet versus an online vendor offer significant differences across and within the two environments.

A firm’s advertising strategy announces the product’s existence, price, location, and/or quality. A first mover in an advertising campaign may gain market share and corresponding profits as competitors lag in responding. This benefit differs from price wars in which the retaliation can quickly occur, negating any gain. Thus, advertising benefits those firms who can read the market and read their customers, especially in industries not suited for price competition. In addition to traditional marketing channels that include avenues such as advertised sales, online reviews of mattresses are an important aspect of developing a subjective image of a product. Online reviews include organic customer input, independent reviews comparing multiple products, and sites funded by companies that pay reviewers for referrals.

FRAMING THE DECISION

The decision for Paul is influenced by seeking good value over lowest price. In general, he does not want to pay an excessive amount for a mattress but he is willing to pay more for better quality (i.e., would like to purchase a King-sized mattress and box springs in the \$1,500 to \$3,000 range). In addition, he is familiar with shopping at a big-box retail outlet but not opposed to online outlets. After a perfunctory review of information of basic information available about various options, Paul narrowed his purchase decision to the following companies: (1) Casper; (2) Leesa; (3) Saatva; (4) Stearns Foster; and (5) Tempur-Pedic. Paul has no specific preferences when it comes to features beyond seeking a normal firmness (i.e., not too soft nor too hard), clear record of spine/back support, cotton or fabric cover with inner spring over foam or latex, and no desire for an adjustable or dual adjustable mattress.

CASE QUESTIONS FOR CLASS DISCUSSION

What actions should Paul when selecting a new mattress? There are no explicit answers to the case but there are several points worthy of discussion in a microeconomic theory, business law, or industrial organization course. Before reading the epilogue to find out how the case was resolved, answer and discuss the following questions relating to the case:

- (1) Assuming Paul is a value shopper that is sensitive to price but not subject to a stringent price constraint, is the established price range for the mattress purchase (e.g., \$1,500 to \$3,000) reasonable? Explain why or why not.
- (2) As a value shopper, do you believe Paul will purchase from a brick-and-mortar business or seek an online option? Explain the reason for your choice?
- (3) From the perspective of the mattress consumer, how many attribute choices do you think are desirable? Explain in the context of a consumer wanting options but does not want to be overwhelmed with too many decisions.
- (4) Firm-service differentials can be hard for mattress suppliers. What do you consider to be the most important firm-service differential consideration for brick-and-mortar business? What do you consider to be the most important firm-service differential consideration for a company dominated with online sales? Explain the reasons for your choices.
- (5) On a scale of 1 to 100 (1 is no confidence, 100 is highest level of confidence, and 50 is the middle of the two extremes), what is your general confidence in the validity of online reviews. Given the aggressive nature of competition and the increasing importance of online reviews, what is your general confidence in the validity of online reviews in the mattress industry (i.e., employ to the same 1 to 100 scale)? Do you believe online reviews will continue to be an important advertising outlet in the mattress industry? Please explain the reason for your decision.
- (6) Describe the mattress you believe Paul will select. What is the most important consideration in your selection for Paul?

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TEACHING NOTES

Suggestions for Teaching Approaches

The case centers on the decision to purchase a mattress in an industry transitioning from big-box retail domination to more of a direct-to-consumer industry. The primary subject matter of this case is an applied evaluation of how various competitive outlets impact an industry, including prices, location, firm-service differential, physical attributes, and advertising. Secondary issues include possible consumer reactions to competitive outlets within the mattress industry.

The case is appropriate for advanced undergraduate business courses in microeconomic theory, industrial organization, consumer behavior, and retail marketing. Outside preparation by the students is approximately two hours.

1. Assuming Paul is a value shopper sensitive to price but not subject to a stringent price constraint, is the established price range for the mattress purchase (e.g., \$1,500 to \$3,000) reasonable? Explain why or why not.

Several mattress options available are in the \$1,500 to \$3,000 range.

2. As a shopper in the 36 to 54 age range, do you believe Paul will purchase from a brick-and-mortar business or seek an online option? Explain the reason for your choice?

No preference for brick-and-mortar versus online vendor.

3. From the perspective of the mattress consumer, how many attribute choices do you think are desirable? Explain in the context of a consumer wanting options but does not want to be overwhelmed with too many decisions.

As mentioned in the case, Paul has no specific preferences when it comes to features beyond seeking a normal firmness (i.e., not too soft nor too hard), clear record of spine/back support, cotton or fabric cover with inner spring over foam or latex, and no desire for an adjustable or dual adjustable mattress. Hence, Paul had a strong preference for three to four specific attributes. Other consumers are likely to have a variety of preferences relating to attributes. From a normative perspective, the ideal range of attribute options likely falls somewhere that is no less than three and no more than six.

4. Firm-service differentials can be hard for mattress suppliers. What do you consider to be the most important firm-service differential consideration for brick-and-mortar business? What do you consider to be the most important firm-service differential consideration for a company dominated with online sales? Explain the reasons for your choices.

The apparent difference between the two shopping modes is the ability to test physically the various mattress options before purchase. Some online vendors have brick-and-mortar options to accommodate consumers wanting to try multiple options in person.

5. Firm-service differentials can be hard for mattress suppliers. What do you consider to be the most important firm-service differential considerations?

Consumers often have questions about various mattress options because a mattress is a consumer durable. Brick-and-mortar businesses and online vendors both have an obligation to answer consumer questions. Beyond questions and answers to navigate various mattress trait options,

6. Describe the mattress you believe Paul will select. What is the most important consideration in your selection for Paul? Is the mattress you selected for Paul the same as you would select for yourself? Why or why not?

Answers will vary by student. In general, it should be interesting to see if students select the same mattress for Paul versus a personal selection. To the extent there is a difference in the mattress selection for Paul versus personal selection, is there a pattern across multiple students as a reason (e.g., budget considerations, attribute preferences, etc...).

EPILOGUE

After careful consideration, Saatva is the company of choice for Paul's purchase. Total price, including sales tax, was slightly under \$2,000 for a king-sized mattress and box springs set with a luxury firm comfort/firmness rating in the 5-7 range (middle option for the company in contrast to plush soft firmness rating of 3 and firm mattress with a rating of 8). Saatva marketing claims a direct-to-consumer model that offers a luxury mattress at a saving of over \$1,000 per unit by eliminating commissioned sales staff and no retail markup. Saatva limits the number of discounts or coupon codes put forth by other retailers based on the concept of offering an every-day low price. The Saatva website states the following: "At Saatva, we believe in selling the highest quality mattresses for the best possible value. That's why we don't offer coupons or sales on our mattresses. We pledged from day one to always be transparent in our pricing, so our customers never have to wonder if they're getting the best deal. Selling direct to you means we can offer our premium products for the same low price every day of the year. While we don't have sales or coupons, we do offer a \$50 discount to active military, veterans, and first responders (Saatva, 2019)." The price transparency was attractive to Paul and highly influenced the decision over the other four companies as part of the final consideration.

Key features for the selection of Saatva include a durable dual steel coil support system, organic cotton cover, pillow top cushioning, and lumbar zone technology adding additional support in the middle are of the mattress. Although likely subject to editorial considerations, customer satisfaction listed on the Saatva Mattress website is a 4.9 out of 5 stars from over 1,000 consumer reviews. Three months after the Saatva purchase, Paul decided to buy a second mattress for another bedroom and Saatva was selected again. To the extent repeat purchase is the higher form of customer satisfaction, Saatva receives high marks.