



Sleep Country Canada Holdings Inc. Is a Fantastic Retailer That Knows How to Adapt

Description

Sleep Country Canada Holdings Inc. ([TSX:ZZZ](#)) is an intriguing small-cap play that has been riding some serious upward momentum of late. The stock is now up about 27% since my [initial recommendation](#) just over two months ago. Is there still room for the mattress giant to run?

Sleep Country is in the boring low-tech business of mattress retail. Sleep Country has over 185 stores with distribution centres across Canada. The management team is looking to open new stores in select markets and grow existing stores with the hopes of driving same-store sales with accessories.

Opportunity to grow accessory sales

It's very rare that a company sells just one product, and Sleep Country is no exception. It's known primarily as a mattress retailer, but it also makes a considerable amount from bed accessories. Think about all the parts that go into making a complete sleeping experience: bed frames, headboards, floorboards, mattress pads, pillows, pillow protectors, sheets, quilts, and much more.

Great branding

Sleep Country's jingle is, "Why buy a mattress anywhere else? Ding!" I'm sure you've heard it many times through their advertisements. If the average consumer ever finds themselves needing a new mattress or any bed accessories, then Sleep Country is probably one of the top places to go because of the jingle that sticks. The jingle has created some strong branding through the years. Sure, mattresses are a commodity, and the jingle is incredibly cheesy, but it works.

Sleep Country is adapting in a changing industry

The retail industry is experiencing some tough headwinds thanks to the rise of e-commerce retailers. Mattresses and bed accessories aren't typically items you'd order online, as you need to test the bed for firmness and make sure it's right for you, otherwise a bulky return may in order. You would think the mattress business would be immune from the rise of e-commerce, but you'd be wrong.

Believe it or not, ordering mattresses online is becoming popular in this day and age. I'm sure you've heard of mattress e-commerce companies like Casper. They ship a mattress in a box straight to your door. But what if the mattress is not to your liking? Within 100 days, you can get a refund. Someone comes by to pick it up, and the mattresses are donated. You don't have to leave the comfort of your own home.

Sleep Country knows about this threat, and it has responded with its own mattress in a box called Bloom, which ships to your home. Sleep Country has the same 100-day return policy; it's an interesting response to the rising threat of online mattress retailers.

Takeaway

Going forward, Sleep Country is likely to invest in its online platform in addition to increasing the number of brick-and-mortar locations. Is bed in a box just a trend? Or is it the future? I'm not sure, but Sleep Country isn't snoozing at the chance to fight off online competitors.

Although shares aren't cheap, I'd buy because the management team knows how to grow and adapt: a perfect recipe for great long-term returns.

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Date

2025/07/02

Date Created

2017/05/30

Author

joefrenette

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