



Sleep Well at Night With Sleep Country Canada Holdings Inc. in Your TFSA

Description

Sleep Country Canada Holdings Inc. ([TSX:ZZZ](#)) is but one example of one fortunate and able retailer in that the nature of the mattress industry is one that's better suited for the good old-fashioned brick-and-mortar showroom.

For most, the mattress-buying experience is an unpleasant one, where you'll need to lie down on a wide array of beds before deciding to fork over \$1,000+ on a mattress. It seems everybody's got back problems these days, and in order to spot that Goldilocks mattress, going to a physical store is really the only way to go!

The showroom mattress-buying experience stinks, especially for millennials who would rather not be pressed by a sales clerk as they move from mattress to mattress. That's a huge reason why direct-to-consumer digital mattress firms have been popping up across the board. Despite their seemingly uneconomical business models, many up-and-coming mattress industry disruptors have found a way not only to survive, but also to thrive at the (slight) expense of traditional mattress retailers. Such mattress-in-a-box disruptors have yet to create an alarming dent in the top-line of brick-and-mortar players, however, and that's a huge reason why Sleep Country's still firing on all cylinders.

Mattress-in-a-box seems like a short-lived novelty, but it's been a hit with millennials, and the subtle top-line dent caused by such disruptors could grow over time. That's why Sleep Country is expanding its Bloom line of mattresses this year to three potential offerings, thereby keeping up with the likes of Casper, who's considered one of the leaders in the mattress-in-a-box space.

Digital mattress retailers like Casper, Leesa, and Purple all have impeccable 100-day return policies that are enticing, but ~10% of time these mattresses are returned. As the mattress market becomes more sophisticated, the mattress-in-a-box industry could go the way of the waterbed in a decade from now, as there's really so much tech you can pack into a shippable box. As more options become available, I believe online mattress returns will increase, making it less economical for digital mattress firms to steal meaningful market share away from the big physical players like Sleep Country — a company that's able to hold its own while building on its own competing product.

Bottom line

While the mattress industry isn't one hundred percent immune from digital disruption, I think Sleep Country has a wider moat than many would give it credit for, namely, its ability to innovate and create an e-commerce friendly mattress while being able to renovate and improve the physical experience for the customers who choose to try before they buy.

Given Sleep Country's mattress [pricing power](#), the potential for continued [accessory growth](#) and promising e-commerce initiatives, investors should sleep well with Sleep Country shares at the core of their TFSAs in spite of up-and-coming digital disruptors that have been less impactful thanks to the unique nature of the mattress industry.

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