



1 Top Canadian Retailer That's Disrupting its Disruptors!

Description

The rapid rise in technological innovation has paved the way for an increase in disruption across all industries, including select low-tech firms that were considered insulated from such tech-leveraging disruptors.

Sleep Country Canada Holdings Inc. ([TSX:ZZZ](#)) is in the low-tech business of selling mattresses and associated sleep products through its chain of brick-and-mortar stores (and revamped e-commerce site). The brick-and-mortar retailer has maintained a dominant position in the Canadian sleep market and has exhibited what I believe are monopolistic characteristics.

Sleep Country has both [immense pricing power](#) on a majority of the items it sells, as well as a sharp management team that's able to defend its [moat](#) from new intruders, most notably up-and-coming mattress-in-a-box startups that have been red-hot of late, especially amongst millennial consumers.

Disruptive new startups ship firmly packed memory foam mattresses straight to a consumer's door, and with their incredibly attractive 100-day return policies, prospective consumers have no reason not to try them out beforehand, as the risk to consumer has been eliminated.

Mattress-in-a-box has been taking off

A ton of new startups are popping up across the internet with the intention of competing directly with the original mattress-in-a-box players in Casper and Leesa.

In fact, Sleep Canada now has their own roster of mattress-in-a-box retailers, including Endy, which appears to have gone overboard with its marketing campaign. At least that's the case in Vancouver, where it's nearly impossible to avoid Endy billboards at bus stops displaying "discount codes" and top consumer reviews.

Before you ditch your Sleep Country shares, however, you should know that management has been expanding upon Bloom, Sleep Country's own exclusive mattress-in-a-box offering. The management team identified its rapidly-rising digital threat early on such that it's now in a position to disrupt its digital disruptor.

Sleep Country really stands to Bloom with its new mattress lineup

The Bloom mattress-in-a-box product is now available in four distinct flavours, catering to a broad range of consumers. In descending order based on price, the Bloom line of mattresses is now available in the Cloud, Air, Mist and Earth configurations, each with their own unique foam formulations.

Most remarkably, the cheapest configuration, Bloom Earth, starts at the ridiculously low \$295 price point, which is substantially cheaper than many of its direct competitors' value offerings.

Moreover, the below-average price of its cheapest product gets even cheaper when you apply a digital coupon that's seemingly always available in spite of its "Special Offer" tag, which appears to inspire a sense of urgency in consumers.

Due to Sleep Country's sheer size versus its smaller up-and-comers, the company appears better able to compete at the lower price point, which may present a great degree of pricing pressure on up-and-comers like Endy, which has enjoyed considerably high margins based on its apparently large marketing budget.

The success of the new Bloom line of mattresses remains to be seen, but given Sleep Country's expected marketing ramp-up, we could see Sleep Country begin to pry back the small amount of market share it lost at the hands of digital mattress-in-a-box retailers.

At this point, it's clear that Sleep Country may have the edge when it comes to price and selection. However, the public reviews on the new line of Bloom mattresses will be key if Sleep Country is planning on shutting down its rapidly emerging competition.

Bottom line

Through management's impeccable innovative initiatives, Sleep Country is well positioned to defend its market share with its new line of mattress-in-a-box offerings. It certainly appears that the hunter (the disruptor) has now become the hunted (the disrupted) as Sleep Country sheds light upon Bloom in the coming months.

I believe Sleep Country is one of the few retailers out there that has the upper hand when it comes to the digital disruptor versus physical disuptee battle in the retail scene. So, I'd encourage investors to buy Sleep Country on any form of weakness.

Stay hungry. Stay Foolish.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ZZZ (Sleep Country Canada)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/08/25

Date Created

2018/06/15

Author

joefrenette

default watermark

default watermark