



Follow This Tired Trend to Profits

Description

According to the National Sleep Foundation, adults should get between eight and 10 hours of sleep each night, yet the average person only gets about two-thirds that amount.

Not only that, the sleep we are getting isn't nearly as adequate as it could be, increasing our stress levels and reducing our ability to fight colds and other illnesses related to a compromised immune system.

When I was younger, I thought all the talk about lack of sleep was just that — talk. But as I've grown older, I've come to realize how important a good night's sleep is to my overall well-being.

One investor I respect immensely is Howard Lindzon. He's funny and smart and blogs about a lot of interesting topics, one of which is sleep.

"Elon Musk was not just talking weed and stoners in his *New York Times* interview. He also talked about his problems with sleep and referenced his reliance on Ambien," Lindzon wrote August 17. "I know this pain of which Elon speaks."

As a result of Lindzon's sleep troubles, he's been long **ResMed** for several years — they make sleep apnea machines — noting that there is very few pure-play publicly traded companies that address the problem of sleep.

Given the stats, I'd say ResMed will continue to do well.

Here in Canada

One of the most important things you can own is a good bed. If you're going to be cheap about a big-ticket item, your bed is not the best place to start.

Without a good bed, you might as well call in sick every day to work, because you're not going to be nearly as effective as you could be with a real investment in a quality bed.

Lately, **Sleep Country Canada** ([TSX:ZZZ](#)) stock has come under fire from online startups such as Casper and Endy in recent months, as Canadians try their hand at [mattress-in-a-box offerings](#), which have got some Fool contributors less convinced about the brick-and-mortar retailer's ability to fend off the increasing competition.

There's no doubt Sleep Country's moat isn't as wide as it once was, but that doesn't mean it's incapable of fighting back. To play the same online game as Casper and Endy, Sleep Country launched Bloom in May 2017 with the cheapest versions selling for less than \$400.

While the online players make a big deal about their risk-free trial periods, less than 10% of mattresses in Canada are bought online, suggesting that it's going to take a lot of marketing or opening physical locations to win over consumers in this country.

"The mattress industry is a sleepy industry," Stewart Schaefer, Sleep Country's chief business development officer, told the *Globe and Mail* recently. "So we love it when other people advertise. It makes consumers say, 'Honey, we haven't changed the mattress in a long time.'"

Sears departure

Sears Canada had approximately 10% of the mattress market in Canada. Sleep Country is expected to pick up about half of that. That's great news for a retailer that's delivered 20 consecutive quarters of same-store sales growth, the most recent increase being 4.4% on top of 7.5% same-store sales growth a year earlier.

Now, Sleep Country is going after the consumer who wants a bed for less than \$1,000, the sweet spot for online retailers like Endy who sell a queen-sized mattress for \$850.

"Most bed-in-a-box players make one mattress," Schaefer told the *Globe*. "Normally, it's a mid-quality foam mattress. If you're a middle-aged, overweight guy with a bad back, I guarantee you a mid-quality foam mattress ain't gonna cut it."

Now, not only is Sleep Country going to maintain a dominant position in the high-end mattress market, but it's getting free advertising from online competition below \$1,000, giving it the best of both worlds.

The bottom line on Sleep Country stock

Competition is nothing for Sleep Country. They've seen plenty of competition come and go over the past 24 years since its founding.

I'm not saying investors should ignore the competition; Sleep Country is certainly not. However, entering a market is one thing. Winning in it is another.

I continue to like Sleep Country stock, which in the past I've [called](#) one of the best stocks not in the S&P/TSX 60.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:ZZZ (Sleep Country Canada)

PARTNER-FEEDS

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

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/08/19

Date Created

2018/09/05

Author

washworth

default watermark

default watermark