

# Sears could be Sleep Country's worst nightmare

## Retail Check

MARINA STRAUSS



Christine Magee, the cheery (some say annoying) voice behind Sleep Country Canada, may be getting a wake-up call soon in the sleepy world of mattress retailing.

That's because Sears Canada has put out the word that it is going to launch a specialty mattress chain of its own this year. Sears, which already is a leading purveyor of mattresses, wants to locate the new outlets in popular power centres where many Sleep Country stores operate.

As Canada's mattress maven, Ms. Magee may start losing some sleep in her king-sized Sealy Postpedic (she says she switches beds regularly to try out new models) over the news.

After all, she's not just the pitchwoman for Sleep Country in its oft-repeated commercials — "Why buy a mattress anywhere else?" — she's also president and co-founder of the country's largest mattress retailer. Now she has Sears on her case.

"We'll be conscious of it, aware of it and we will monitor it," Ms. Magee says of Sears' upcoming venture. "But we'll stick to our knitting, in terms of our approach."

Sleep Country's approach has been to try to blanket a region with stores, cashing in on advertising, distribution and administrative savings, and then move on to another region.

The strategy has left Sleep Country running 87 stores in only seven regions of three provinces — British Columbia, Ontario and Alberta — after almost a decade in the

business. Sears, with its cross-country infrastructure, can now fast forward by quickly opening its specialty outlets.

"Sleep Country will just get eaten alive if Sears or anybody else decides to get very aggressive," says Rick Pennycooke, a retail development consultant who keeps an eye on Sleep Country — partly because he is in the market for new mattresses.

"If Sears gets into it in a big way and gets choice locations, it's going to make it very, very tough for Sleep Country."

Since Sleep Country became a public company as an income trust almost a year ago, there was an expectation that it would pick up the pace in rolling out new stores, he says. But so far, it hasn't happened.

For the moment, Sleep Country has no big expansion plans, besides "in-filling" existing regions with more outlets, Ms. Magee says.

She is mulling over bringing the banner to three new markets — Winnipeg, Halifax-Dartmouth and Montreal/Quebec City, she says. And yet, she's extremely cautious about even mentioning it. "We haven't done more than identify them on a piece of paper."

It's no surprise that Sears wants more space in the estimated \$873-million Canadian mattress business. It already carries mattresses in most of its 122 full-line department stores, its 47 Home stores, its dealer/franchisees and its catalogue.

It's neck and neck with Sleep Country as the top mattress seller, each with roughly 16 per cent of the market.

"Definitely mattresses is a business we want to continue to play a big part in," says Sears spokesman Vincent Power. "It would certainly be one of the stores that we could get into quickly."

The industry is blessed with stable sales gains of between 5 and 6 per cent annually and is "recession resistant," according to Sleep

Country's filings when it went public. Demand is growing for queen- and king-sized mattresses and premium products, another blessing for retailers as they profit from this shift to pricier mattress sets.

The shift is driven by an aging population that is looking for healthy alternatives, as well as larger suburban homes that have more room for big beds.

Meanwhile, mattresses are a necessity rather than a fickle fashion purchase, thus sheltering sleep shops from trendy whims of the moment.

Sleep Country, with sales of \$151.3-million and a \$303,000 profit in 2002, has carved out a niche by focusing on service and a broad selection of mattresses ranging from about \$300 to \$4,400.

Sales people send a thank-you note to customers along with a customer-satisfaction reply card. The company boasts that 98 per

cent of those who reply would recommend the retailer to others.

Delivery men wear booties over their shoes at customers' homes, calling ahead with a three-hour window for the free shipment.

The company promises to beat any competitor's price by 5 per cent if it's lower than Sleep Country's. But that opens a can of worms in the mattress industry because every retailer seems to have its own lines even though they're under the same key brands of Sealy, Serta or Simmons.

Even Ms. Magee acknowledges how difficult it is to comparison shop for mattresses. She says her chain wants to demystify the process with books to spell out the differences between various models.

With so many choices, however it may not always help consumers to rest easy.

mstrauss@globeandmail.ca