

Team 2 – Mattresses - Executive Summary

Mattresses were some of the last consumer products to make their way into the e-commerce market. Traditionally, they have been sold in small local stores, retail chains, and department stores. The cost of production for a mattress is generally low, and profit margins of around 75% to 80% were common throughout the industry. Additionally, mattress brands are generally unrecognizable, which has created a market where stores have not been forced to lower prices to maintain a competitive advantage. However, when Casper generated \$1 million in sales within their first month of business, the industry rapidly underwent a radical change (Andrews, 2018).

Since Casper's launch in 2014, approximately 150 digitally operated mattress companies have popped up. The companies outsource both manufacturing and shipping, enabling significantly reduced price-points compared to that of the traditional retail sector. With low operating costs and barriers to industry, a number of entrepreneurs and venture capitalists alike have grasped the opportunity to partake in this novel business strategy. Convenience, the Millennial market sector, rising competition in the hospitality industry, and sleep health and hygiene trends have deemed the industry both attractive and profitable. Over the past few years, the direct-to-consumer mattress industry has managed to capture approximately 10% of the industry market share, a number which is expected to continue to grow over the next few years. However, as more players enter the field, the industry is becoming increasingly saturated such that companies are now forced to find new and innovative methods of differentiating themselves.

Both Casper and ENDY dominate the Canadian market. Instead of highlighting low price-points, they have differentiated themselves primarily through strategic marketing campaigns. Both companies have employed social media marketing via platforms such as Instagram, Twitter and Facebook to establish their brand, mission and identity. Using TV personas, athletes, beauty gurus and other influencers, the companies have showcased their products in an authentic way to directly reach their consumer base. Other campaigns ranging from donating mosquito nets to providing mobile nap stations at the Toronto International Film Festival have been employed.

Through this case, it is evident that to remain competitive in today's market, industries must adapt to a new and changing business strategy. This involves establishing a brand identity, engaging through social media marketing, selling benefits instead of products, providing

convenience, and understanding customer buying habits while listening to the voice of the customer.