

Case Study: Even in a Crisis, Focusing on Growth is the Key to Success!

Situation

In the fall of 2008, most industries were experiencing a period of economic uncertainty unlike any in recent history. The mattress industry was acutely feeling the brunt of consumers' spending pull-back, with category sales down 15% in Q4 '08 vs. Q4 '07. One premium mattress company, Tempur-Pedic, saw an even more severe sales decline of 40% in the same period. In an environment where most businesses were focused on protecting the bottom line through cost reductions, Tempur-Pedic's senior management knew they had to invest to re-ignite top-line growth despite the crisis.

The Challenge

Tempur-Pedic, with help from Henry Rak Consulting Partners, developed a comprehensive understanding of the consumer. A detailed survey was fielded to capture consumers' mattress needs and usage habits, which showed that Tempur-Pedic only competed in a narrow segment of the market. Another study was fielded to determine the drivers of Tempur-Pedic mattress owners' satisfaction. The studies' findings were integrated with other information to create a growth strategy that encompassed brand positioning, product innovation and the retail environment:

- A key finding of the consumer research was "people who sleep on Tempur sleep better and are more satisfied than those who sleep on traditional spring mattresses." **To compete broadly in the mattress market, the management team** decided to connect the Tempur-Pedic Brand to this most critical consumer need -better sleep- thus leveraging the Brand's satisfaction advantage vs. competitors in meeting this need. **The Brand was re-positioned** from a medically-driven, specialty Brand to one with broad appeal that is more motivating to consumers because it delivers "the best night's sleep".
- **A new product platform was launched and** positioned directly against a key need that the Company's current products did not meet. Importantly, the positioning of the new platform reinforced the new positioning of the overall Tempur-Pedic trademark and helped insulate the trademark from competition.
- **The keys to winning over consumers in the retail sales process** were distilled into specific selling messages for retail sales associates.

Results

Tempur-Pedic's North American sales in the first half of 2010 increased +57% vs. same period year ago while increasing gross and operating margins and significantly growing market share. Tempur-Pedic has accounted for half of the growth in the overall North American mattress market in 2010.

1. **A new brand communication strategy was created**, resulting in the "Ask Me" campaign, which leverages the brand's high satisfaction level with current owners. In addition, **the Company has changed its Mission Statement** to reflect the new direction.
2. **The new TEMPUR-Cloud Collection** was introduced in 2009 to deliver a soft, comforting sleep surface while still providing Tempur-Pedic's pressure-relieving support. The new line is now the Company's best-seller and has been highly incremental, as the other Tempur-Pedic mattress families have either maintained or grown volume over the same period.
3. The retail sales process has been strengthened by giving in-store sales representatives specific steps to follow to **improve the in-store "close rate."**
4. Tempur-Pedic's senior management's decision to invest when all of their competitors were slashing costs has **imbued the entire organization with a higher level of confidence** and has put the Company in a **stronger financial position than competition.**