

Cheap Sleep

There have been many changes to how Larry Miller operates Sit 'n Sleep - but his budget price pledge still holds



Beds: Larry Miller is the public face for Sit 'n Sleep through a popular radio and television ad campaign. The company will spend \$15 million in advertising this year. PHOTO BY DAVID SPRAGUE

BY MARK R. MADLER *Staff Reporter*

When you're ready for a good night's sleep, Larry Miller and the employees of Sit 'n Sleep are ready to sell you a mattress.

As one of the largest mattress retailers in the state, Sit 'n Sleep has turned a low margin, high volume business into an \$80 million enterprise known as much for its creative commercials as its bargains and selection.

Miller, the president and co-founder, helped take the company from a single store in Culver City to 26 locations throughout Southern California. A new store is planned to open in Studio City in October. And there may be additional stores in Valley communities such as Northridge, Van Nuys and North Hollywood, Miller said.

With a strategy to open up to five stores a year, Miller said Sit 'n Sleep likely will outgrow its Southern California base even after

he relinquishes the helm.

"The other cities are probably for my kids to do," Miller said.

Family ties have been at the center of the mattress superstore since Miller and his late father, Phil, founded it in 1980. The next generation, however, won't be limited to Miller's children, Danielle and Andrew. Business partner (and former brother-in-law) Nelson Bercier has two sons with career paths pointed toward Sit 'n Sleep.

"We want this to be a generational business that can be passed down," said Bercier, the vice president.

Miller and Bercier say adapting to changes has made them better businessmen and has kept Sit 'n Sleep relevant to customers. The company has changed its mattress styles and designs to meet shifting customer demands. It also has changed its technology, as needed, and has adjusted its business model to meet economic conditions,

Sit 'n Sleep

YEAR FOUNDED: 1980

REVENUES (2010): \$82.8 million

REVENUES (2009): \$79.9 million

EMPLOYEES: 179 full time;
60 outside contractors

they said.

The Studio City store, for example, is going into a 1940s-era building on Ventura Boulevard. The soft commercial real estate market allowed the company to get a lease at a lower rent than such a location would typically command, Miller said. A prime spot on Ventura generally costs about \$3.50 per square foot to rent each month, he said.

"I saw there was an opportunity to expand

the business for lower overhead," Miller said.

With the contraction taking place in the industry it is surprising when retailers do expand, said Karin Mahoney, spokesperson for trade group, the International Sleep Products Association.

"In the industry as a whole on the manufacturing and retail (sides) there have been mergers and consolidations," Mahoney said. "It is pretty much across the board."

In 2010, manufacturers shipped \$5.9 billion in mattresses and foundations in the U.S., a 4.1 percent increase over the \$5.66 billion from 2009, according to figures compiled by an ISPA survey.

Customer care

Mattresses account for most of Sit 'n Sleep's success, but futons gave the company its start — and its name. Miller had slept on a

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futon, a simple couch that folds out into a bed — sit or sleep — during a trip to Japan.

Back in the U.S., Miller convinced his father Phil to open a store to sell futons. They put up \$10,000 each to get the Culver City shop up and running, Miller said. The futon craze was short-lived, but by the time it fizzled out, Miller had already transitioned to selling mattresses.

Culver City remained the sole location of the business, and Miller wanted to expand. Phil Miller sold off his share to Bercier, who started with the company as a salesman in 1984. Bercier and Larry Miller came to the Valley with the second Sit 'n Sleep store. "Tarzana was the best fit for us at the time," Bercier said. "From day one it was huge success."

Howard Galant works for an Inland Empire mattress distributor that has supplied Sit 'n Sleep for about 17 years. Miller and Bercier have set the tone for the company on how to treat customers properly, Galant said. "They do it the right way," Galant said. "From the point of purchase all the way to the end they take care of the customer."

Phil Miller passed away in 2003, but his advice on customer service continues to influence how his son operates his business.

Miller says one way he aims to help clients is by finding them the perfect mattresses. Enter the body diagnostic system: two mattresses containing 4,500 sensors are

Miller:

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hooked up to a computer and can measure pressure points of a person lying down and determine how firm their mattress should be.

The system, located in each of the Sit 'n Sleep stores, takes the guesswork out of purchasing the right mattress, Miller said.

"Would you want to spend a grand (\$1,000) or two grand (\$2,000) on someone's guess?" Miller asked.

Sit 'n Sleep's future

As the company's lead executives, Miller and Bercier have well defined duties. Bercier takes care of the sales, merchandising and retail sectors, while Miller handles the store negotiations and the marketing.

In the latter function, Miller became the voice and face of Sit 'n Sleep through an extensive radio and television ad campaign that has taken on a life of its own. When recognized in public, people greet Miller with his familiar tag line: "I'll beat any advertised price or your mattress is freeeeee" and "You're killing me, Larry."

In Sit 'n Sleep's early days, the advertising budget was \$100 for four overnight radio spots. This year, the budget is \$15 million, Miller said.

Miller has brought a touch of excitement to buying a mattress through his commercials, Galant said.

"That message has done a lot for our industry," Galant said. "(Miller) is not promoting price, but promoting wellness and sleep."

Ideally, the 61-year old Miller wants to continue operating Sit 'n Sleep for another 15 years or so. In the event he could not do that, Bercier could step in as president, Miller said. And the kids ensure the Sit 'n Sleep legacy will continue.

Miller's son, Andrew, a senior at San Diego State University, has spent summers working in the warehouse, operating a forklift and making deliveries. Miller expects that he'll join Sit 'n Sleep post-graduation. Daugh-

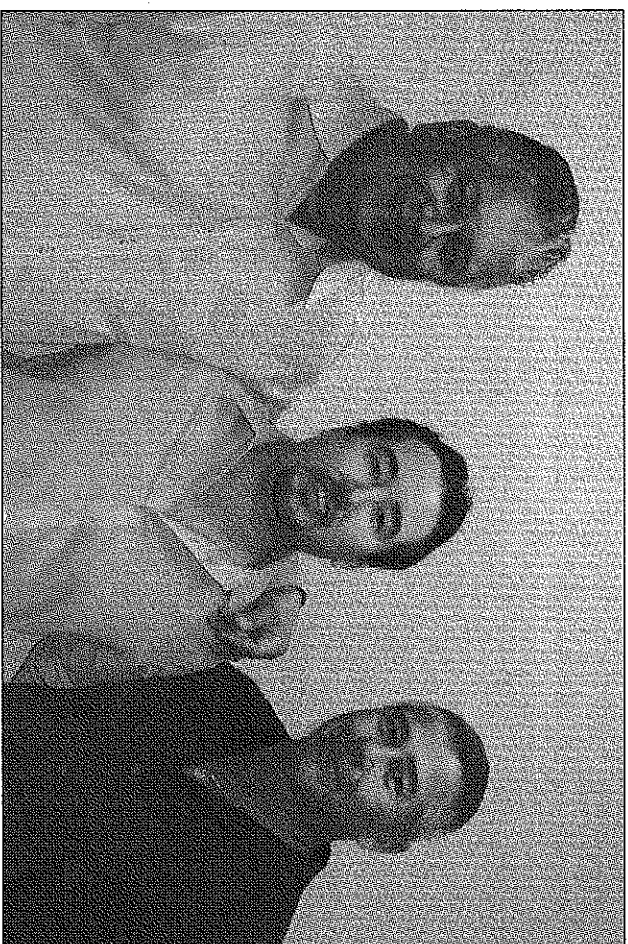


PHOTO SUPPLIED BY SIT 'N SLEEP

Family: Larry Miller (left) with business partner Nelson Bercier (right) and Bercier's son, Jeremy. Bercier expects his son will come work for Sit 'n Sleep.

ter Danielle, 25, also has spent some time at corporate headquarters, most recently as a recruiter in the human resources department. She currently is working for an educational software company, but Miller said he hopes she will rejoin the company.

Bercier's oldest son **Jeremy** works on the wholesale side of the mattress industry for a manufacturer. "He is going to have a great place in our business when the time is right," Bercier said. "He will know it from the other side of the fence."

Bercier said his youngest son is studying business at **Penn State University** and also will likely join the company sometime in the future.

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