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Case Study #2

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Casper Sleep Case Study

Prior to the introduction of Casper Sleep in 2015, the Big Mattress industry had become quite saturated. Known for their extensive markups, luxury mattresses were expensive, enormous, and often described as “one of the worst buying experiences in the world”. With the addition of Jeff Chapin, Lindsey Kaplan, Terri Rockovich, and other executives, Casper Sleep was in the perfect position to revitalize the industry. Casper was able to differentiate itself from the four Big Mattress companies through a strategically designed market disruption. Disregarding the aspects associated with most market disruptions such as short-term revenue growth, Casper envisioned a market disruption that would permanently innovate the luxury mattress industry. With the overall intention of increasing global brand equity, the mattress company created a competitive advantage over other DTC firms through its extensive R&D, efficient distribution model, and unique approach to communication channels.

Casper Sleep first was able to differentiate itself from other market competitors through its extensive Research & Development. Traditionally, most luxury mattress firms followed the “Big Mattress” approach, with Serta sharing their marketing strategy as “Our product portfolio spans every price point and mattress construction so that everyone can find the sleep comfort they deserve.” Noticing the customer inconveniences associated with the big mattress approach, Casper sleep envisioned a new and limited product line that satisfied all target market segments. Through intensive R&D, Casper originally examined different prototypes, all with different firmness levels. However as these prototypes were tested, Casper realized the data significantly supported one product with a firmness level that can satisfy all consumers. As the data emerged, Chapin commented, “You started to appreciate what the simplicity of one mattress meant – no complex decision-making for the customer, and enormous manufacturing, logistics, and marketing benefits for us.” The creation of the universal mattress was the beginning of making the market disruption Casper desired feasible. With no other DTC firm marketing a universal mattress, Casper had just designed a unique value proposition (UVP) for the brand.

Now with the clarity of a successful product design, Casper needed to decipher how to effectively distribute their product to their customers. Casper was the first mattress firm to design a product that could be “USPSable”, as most mattresses did not fit in standard shipping box sizes. Once the mattress was taken out of the shipping box, the product expanded to its full size, simplifying national delivery while still satisfying their customers. This design allowed Casper to alter the main distribution channels of the mattress industry, selling their mattresses mainly online and shipping them to anywhere in the country within five business days. To accommodate

for the lack of customer experience before purchasing, Casper offered a free trial lasting 100 nights, and if customers were dissatisfied they could contact Casper for a full refund and mattress-retrieval service. The implication of such an innovative distribution model as most mattress firms were selling mainly in brick-and-mortar stores at the time, was vital for Casper in terms of maintaining touchpoints with their customers and receiving feedback. Although it was Casper's intention to create a market disruption, it was not the company's intention to solely introduce a cheaper product to the market and disregard other aspects of customer satisfaction. Always focused on increasing brand equity, Luke Sherwin commented, "We want you to love us even if you ship it back." The effective and customer-first distribution model paired with the universal mattress product positioned Casper to grow its brand equity while capturing a large segment of the luxury mattress industry. Now the company needed to decipher a successful marketing strategy for its market disruption.

Although major mattress firms emulated Casper's universal mattress business model, it was the ingenious marketing strategy that allowed Casper Sleep to maintain its competitive advantage over other mattress firms. Television was the number one advertising channel used by big mattress companies. However, Casper realized that TV advertising did create the brand personality that the company was after. Always focused on not just brand awareness but in Sherwin's words "brand love", Casper was in need of a unique marketing strategy to capture their target market's attention while still increasing their brand equity. The mattress firm lacks the number of touchpoints compared to its competitors due to its primarily virtual selling channels, thus the company relied on SEM to effectively capture its target markets. Casper is a DTC firm emerging in a time period where consumers were still transitioning from brick-and-mortar selling channels to virtual options. Sherwin emphasized the importance of creating the right brand personality around the firm through its advertising, as communication channels were vital in accommodating the lack of touchpoints within Casper's business model.

The idea of SEO-based marketing emerged just prior to the 21st century with the increasing sophistication of digital marketing. Although the company also invested in radio/podcast advertising with celebrity endorsements and print advertising in subways, it was their SEO-based article advertising that generated the highest ROI out of all communication channels. Even with such niche advertising, Casper saw a large amount of success as conversion rates were high and the type of communication channels generated a large amount of positive word-of-mouth advertising. The most valuable type of advertising is word of mouth, as there is an invaluable level of trust built; and it's free. Casper strategically focused on SEO-based marketing that would generate the largest rate of word-of-mouth advertising, ultimately gaining a high level of brand awareness while building global brand equity. For Sherwin and Casper Sleep, their main goal was never just to create a market disruption and obtain short gains, but to build an understanding of why people love Casper Sleep, thus focusing on the end game of brand equity.

Moving forward, Casper Sleep should continue to focus on SEM, to generate the highest ROI within its communication channels. Although in the past television ads demoted the brand

personality of Casper as a direct result of its competitor's advertisements, TV ads have become much more diverse and complex in the last eight years. Simultaneously, the effectiveness of radio advertising has declined. As more companies transition to the use of TV advertising, Casper has the potential to do the same. Continuing their same level of investment in internet-based advertising, Casper can utilize some of the funding originally allocated for radio advertising and invest in short TV ads that promote the brand personality Sherwin desires. For example, instead of the usual informational ads associated with big mattress commercials, Casper can take a different approach that highlights the positive user experience associated with their product. Although no other communication channel produced the same level of ROI as internet advertising did for Casper, radio and outdoor advertising were still successful and should not be mitigated from their future advertising strategy. Casper should reallocate their funding across the different communication channels to accurately reflect the ROI for each channel and create a space for TV advertising. Casper should spend the same level of funding on internet advertising while cutting from outdoor and radio to fund Television ads. The addition of a promotion code associated with TV advertising is possible, but uncommon amongst most television commercials.

Overall, Casper's success was not purely from educational-based brand awareness or the explanation of its value proposition; it was the implication of both of these key factors within Casper's communication channels. SEO-based articles and realistic podcast conversations explained Casper's UVP while simultaneously promoting brand awareness. The subway ads mainly focused on Casper's brand awareness, however, this communication channel is much cheaper compared to other channels. With strategic marketing, it 100% is possible for Casper to create a 15-second advertisement that introduces its UVP while educating its target markets about the brand. As our technological world advances, the addition of a QR that leads to a promotion code may be appealing. Introducing the idea of a QR on the TV ad allows for an additional customer touchpoint where potential customers can learn more about the company and find the promotion code. There is potential to link SEO-based articles to the QR code as well, reinforcing the brand equity Sherwin is cautious to lose with TV advertising. There is potential for TV advertisement "the Casper way", as the audience is much larger than other communication channels and due to the fact that television media has become much more diversified in the past decade.