



Verlo's vision: Wisconsin mattress company aims to bounce back from sales slump

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FORT ATKINSON -- Sales have slowed, some workers have been laid off and others at the VyMac Corp. are working 32-hour weeks.

The economic downturn has reared its depressed head in the mattress industry, too, but the long-term outlook for VyMac, parent company of the Verlo Mattress Factory Stores, is one of growth.

The privately owned company, headquartered on the fifth floor of a restored historic building in this city's downtown, plans to add more stores, bring back a high-end mattress line and increase its sales of mattress components and kits.

Leading the way is Dave Young, a cowboy-boot-wearing, motorcycle-driving, 41-year-old who skipped college and now has more than 20 years of experience in the custom-crafted mattress industry.

Young, a Woodstock, Ill., native, learned the business under the guidance of Verlo co-founder Dale Williams who retired in October.

"He's always looking way ahead," Williams, 83, said of his protege. "I feel that we're on the bottom of a steep hill and that it's going to go a long ways up. I wish I could be around to see it. We've got a real foundation here."

VyMac is best known for its Verlo brand of mattresses. Franchised stores are independently owned with each franchisee building its own mattresses from components and kits supplied from VyMac.

The company purchases mattress parts in bulk and assembles and sews coverings. About 75 percent of the pieces are shipped to Verlo stores where customers can choose from a variety of colors, styles and sizes and then have

their mattress custom-built in the store. The remainder go to other independent manufacturers, something VyMac started doing about two years ago.

"We do provide a tremendous value to some of those guys because they're out there on their own," said Young, who was named chief executive officer in 2000. "It's really very specialized, which is why the Verlo works so well."

Sales fall

According to the International Sleep Products Association, consumers in 2007 spent about \$6.8 billion on mattresses and box springs, a 1.4 percent increase from 2006. But the number of units shipped decreased by 2.1 percent. That will likely be mild when compared to 2008.

The ISPA predicted last month in a revised forecast, that 2008 units shipped and their dollar value will fall by 11.5 and 11 percent, respectively, compared to 2007.

Declines are predicted to continue for the first half of this year with a slow recovery beginning in the second half.

The ISPA expects that both 2009 units and dollar values will decline by 7 percent compared to 2008 but it predicts a return to growth in 2010, with increases in both units and value of 2.2 percent and 4.2 percent, respectively.

"We certainly took our lumps," said Young, whose VyMac company had annual revenue of about \$14 million. "It's just a matter of being smart and getting the message out to the customer."

But growth is being eyed.

Verlo has revenues of about \$45 million per year with 60 locations in nine states, 28 of them in Wisconsin and some as far south as Florida and as far west as Colorado.

Over the next five years, the company would like to add more than 40 stores and in 10 years have 180 locations, which could push revenues for Verlo over \$200 million, said Keith Mackey, Verlo's vice president.

"We have a lot of room for growth and a lot of opportunity," Mackey said. "Right now the challenge is reaching out to people that are willing to take the money and invest in the business. Although, we are still a phenomenal bargain in the franchising industry."

Company's start

Verlo got its start from Williams and Guy Day, who in 1958 opened Wheeling Furniture Co. in Wheeling, Ill.

When furniture sales slowed in the late 1960s, they began making custom mattresses. In 1975 they moved the company to Whitewater and, by 1985, four years after starting to offer franchises, had four stores.

The company grew to 41 stores by 1993 with the VyMac Corp. being formed in 1999. VyMac also makes Everloft pillows, which are made from synthetic down and are designed to keep their shape.

It takes about \$300,000 to start a Verlo franchise store. A comprehensive training program means that owners do not need mattress manufacturing experience, Mackey said.

Madison has had a Verlo store since 1987. The West Side store moved in July into an 8,750-square-foot location on the Beltline near Todd Drive. A second location, that opened in 1992, is at 4100 E. Washington Ave.

Owns three stores

Adel Salameh owns the Verlo store in Fort Atkinson. It's on the first floor of the building that is home to VyMac.

Salameh, who came to this country from Jordan when he was 16, also owns stores in Delafield and Watertown but the mattresses sold at his three stores are built in the back of his Fort Atkinson store.

At one time, he had five stores in southeastern Wisconsin and northern Illinois but sold those stores after 10 years. He opened his three latest stores in the last five years.

"For me, starting my own business was too complicated, so I went the franchise way," Salameh said. "I really follow the system to the T. It's less headache for me."

Salameh, who learned how to make mattresses from Young, said business in 2008 was good until September but that the past four months "have been tough."

He has had to cut back on hours for his 12 employees but said that 2009 is off to a good start.

"January is normally a good month for us and February we go back down, with March kicking off our busy season," Salameh said.

Corporate offices

VyMac has a 60,000-square-foot manufacturing and warehouse campus just north of Whitewater. It employs about 35 people. Wages range from \$12 to \$15 per hour but over the last few months, due to slow sales, hours have been trimmed and about six people have been laid off. During a tour of the facilities, Young acknowledged employees by name.

The corporate offices employ about 30 people and moved last year from Whitewater to the corner of Sherman Avenue and Highway 12 in the former Creamery Package Manufacturing building.

The brick building, now on the National Register of Historic Places, was constructed in the early 1920s but had been vacant since about 2002.

In 2003, Young pumped more than \$8 million into the building's restoration. VyMac occupies the fifth floor that features large windows to bathe offices in natural light, providing an idyllic setting for the company's "Therapeutic Thursdays" where musicians, artisans and other guests are brought in and where employees can mingle and relax.

The company also hosts a company luncheon every six weeks at the Whitewater campus. The events are open to employees at both locations.

"I've got to get talent, design people, that could work at any firm in Madison to come to Fort Atkinson," Young said. "So to do that, I better have a much cooler place to work."

Premium mattresses

Another addition to the cool factor will come this year when VyMac uses the fourth floor of the creamery building to begin making Ostermoor & Co. mattresses, a premium line dating back to 1853 but which went out of production in the 1980s.

The mattresses, which will also be built in San Francisco and Connecticut, will sell for more than \$8,000 apiece. A 1,200-square-foot prototype showroom for the Ostermoor line is being constructed across the street from the creamery building.

"We're always looking for acquisitions and ways to grow our core focuses," Young said. "Anything that's sort of old school and old artisanry is really what we're looking for. The building is a great example and if it sort of fits in here, then we're kind of interested in it. That kind of stuff speaks to us."