

HOW SAM PROCHAZKA GOT HIS SLEEP BACK

by OMAR MOUALLEM
photography by COOPER & O'HARA



Ask Sam Prochazka, the CEO of the online mattress retailer GoodMorning.com, whether there's been a time in his life when he lost sleep, and he'll say twice — neither of which had to do with the quality of his bed.

The first time was during the Great Recession in 2008. His first company, RealpageMaker, a real-estate data firm, got into a head-on collision with the subprime mortgage meltdown. It left him scrambling to meet payroll when he should have been giving Christmas bonuses. Then 28, Sam needed his parents to co-sign a letter of credit to keep the company alive. “Our future was taken away from us,” says Sam about the company, which he cofounded with twin brother, Andy.

He managed to give the company a safe landing, but the Great Recession shook the serial entrepreneur's faith in the free market. “I naively believed that if you just think a little harder, there's always another option,” he says. “I now believe in a smartly regulated free market.”

Most of all, the experience prepared him for round two of sleepless nights a few years later. Now the head of his promising new “bed-in-a-box” venture, Sam was kept awake by a stampede of Silicon Valley unicorns that pounced into the very industry that he'd helped pioneer.

Let's back up a bit. To understand GoodMorning.com's wild ride, you have to first understand the man in the driver's seat.

Sam Prochazka inherited the best of both left and right brain from neurophysiologist and cellist parents. Raised in Mill Creek, he and his identical twin brother, Andy, learned how to code at 10, build computers at 13 and, by 17 had their first enterprise, selling unsanctioned junk food in high school. After completing computer engineering degrees together, they collaboratively founded two separately run tech companies — RealpageMaker, which sold “big data” to real estate, and Rehabtronics, which creates gamified gear for brain injury and stroke patients.

By 30, the Brothers Prochazka added to their family's repertoire, GoodMorning.com, which they cofounded with sister Helenka Popiel, and Article, which Andy cofounded with two others, now one of the most popular furniture designers in North America. Both online furniture brands ranked just 15 spots apart on the *Globe and Mail's* 2020 list of Canada's 400 fastest growing companies. As of last year, they've whittled their responsibilities down to the two furniture brands, with Sam chairing GoodMorning.com in Edmonton and Andy as COO of Article in Vancouver. (Helenka left the mattress brand to start a chemical company.) “What I've learned is that you have to know when to move on,” says Sam, “but it's really tough for an entrepreneur to move on.”

“Sam has more patience for the details than I do,” admits Andy. “I just want to get going on things. I'm more tolerant of uncertainty. Sam is more meticulous than me.”

“This is another key to learning,” Sam says, “question assumptions, think deeply and improve the truth.” These served him well in the aftermath of the Great Recession, when Sam, searching for a new ship to sail, discovered one amid the coffee breath and aggressive and unpleasant sales tactics found in a mattress store. →





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“It was mind-blowing,” he says about the revelation that followed him back to his car. “Walking in, dealing with this person who you don’t want to deal with, trying to convince you with pseudoscience, laying on these extortionately priced products with massive margins because of supply-chain inefficiency.”

Is this the refined origin story of a tech-age mattress salesman or the vivid memory of a traumatized entrepreneur? Hard to say. Regardless, Sam did not end up buying a mattress that summer, or ever again.

He and his siblings investigated how they might create a luxury mattress without the inconvenience or overhead costs of, say, a Sleep Country, which produced or sold a quarter of Canadian mattresses. “We recognized TempurPedic as a competitor. A \$3,000 mattress for under \$1,000, that was the goal,” says Sam. He found it in China, where a couple of upstart companies had figured out how to smooch a foam mattress into a 3.5-foot-tall box.

There was just one problem: Who in their right mind would spend \$1,000 on a mattress they’ve never lied down on? “You’ve got to remove risk,” he says.

Behold, the 120-night-sleep-trial was born.

You’ve heard of the sleep trial even if you’ve never heard of its creator. By now, your favourite podcast told you about it in order to sell you a Casper, Endy or Purple mattress. It originated with Novosbed, the Edmonton company’s original model and name, in January 2010, mere months after Sam’s unpleasant mattress shopping experience.

With neither middlemen, salesmen nor landlords, the Novosbed quickly sold out of its first run. The company (renamed GoodMorning.com in 2018) has since designed six other models and sold 160,000 of them over the past decade. Half of the orders are from 2020, due in part to the spread of Pandemic E-shopping and Nesting Syndrome. (Article also enjoyed a staggering rise in year-over-year sales.)

Yet, GoodMorning.com products comprise only a fraction of Canada’s \$1.5 billion mattress industry. The company struggles to stand out even amongst its direct competitors in the fastest growing slice of that market.



“I’m sure people will dispute

this claim, but this little company in Edmonton, the offices of which we’re currently sitting in, are the reason podcasts were dominated by mattress companies, even though you never heard about us on those podcasts,” says Sam, sounding uncharacteristically boastful. “There are two innovations that changed the mattress universe, and they both came from us.”

The first, he says, was the sleep trial, though it was a few years before competitors were bold enough to duplicate it. They waited to see if the rate of return would sink the Edmonton company. Casper was one of the first to follow. “They claimed that they invented it,” says Sam. “That’s when it went mainstream.”

The second innovation, claims Sam, was in fact the one that led to “peak mattress.”

In 2011, the company, looking for a better quality memory foam that cools the body, moved production to Pennsylvania, where it partnered with a world-leading polyurethane foam factory. But Sam’s company had no exclusivity over the invention, and the invention itself was easily imitated by other factories.

Sam was not worried, even as the number of bed-in-a-box brands multiplied. As Novosbed, the company had 10 staff and \$8 million in sales in under six years. “Customers were happy, the company was growing,” he recalls. They were being compared to Warby Parker glasses in *Fast Company*.

Sam took note after Casper launched with heavy capital in 2014, followed by Endy in Toronto. He felt downright “blindsided” by Leesa, an unabashed Casper knock-off, down to the logo font, followed by Purple, Nectar, and so on.

“Anybody in North America could start a mattress company with a credit card,” says Sam, likening bed-in-a-box to drop-shipping. Mattress brands will duplicate the same claims about duplicated products, yet claim to be the one mattress to rule them all.

Novosbed tried setting itself apart with a variety of models, but it only added to customer confusion. Meanwhile, the cost of some Google advertisements soared to \$12 per click. As the company’s margins contracted to zero, Sam could feel his employees losing faith in him. “When you perceive that they’re getting ahead, it erodes confidence in leadership.”

As Sam, ever patient, waited for a market correction, he knew there was a bigger picture he wasn’t seeing. In hindsight, he was right. Casper was flooding the zone, trying to clear out its competitors. It lured investors from media companies who helped boost its profile, provided inducements for positive reviews, acquired mattress review sites to give itself preferential treatment, and, according to a 2020 class action lawsuit, allegedly misrepresented its worth to shareholders.

Little of this was known in March 2017, when Novosbed’s advertising margins dipped below zero.

“That was the only other time I didn’t sleep well,” Sam says.

The timing couldn’t be worse. The company was about to launch Douglas, an economical, environmental, and proudly Canadian brand to go head-to-head with Endy. Sam couldn’t wait for clarity. He overrode his meticulous nature with the help of his brother, Andy. He flew to Vancouver, got a crash course in online advertising from the Article COO, and returned to Edmonton the same night. “If you were to demarcate a day when the ship turned around, that was it.”

Sam restructured the company and refocused it on the national market with a variety of beds catering to different body types. “We felt that the best way to outmanoeuvre was to offer customers more choice,” he says. Eventually, the various mattress models and brands were corralled under the name GoodMorning.com, which guides customers using a sophisticated quiz with 20,000 data points. He believes the quiz gives better results than laying on an in-store mattress for a couple minutes, while a salesman watches you. Unlike the sleep trial and cooling high-density memory foam, Sam doesn’t claim to have invented it, only perfected it.

More controversially, GoodMorning.com created Mattress-Reviews.com, which alleges to offer objective reviews by third-party engineers. In fact, the engineering company he calls “true arm’s length” is a local firm with long-standing business relations, and the reviews themselves are written by GoodMorning.com’s copy team. A cursory look shows that its own brands top its “best mattress” lists, while some of its direct online competitors rank amongst the worst.

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Michael Magnuson, who founded the independent reviewer Good Bed years before “peak mattress,” keeps a close eye on brand-owned competition to his media company. He calls them the modern-day version of a “skeezy” mattress salesman. “I actually think they’re much worse. At least you knew the skeezy mattress salesman,” he says.

He says the Edmonton’s company’s site is the most ethical he’s seen, in that it discloses its corporate ties in the logo and at the very top of the front page. “But,” he says, “I do find the very premise of brands owning review sites to be fraught with peril and consumer confusion. If there’s a good way to do it, I’m yet to see it.” Magnuson says federal trade commissions have been “asleep at the wheel” and need to intervene. “Bad behaviour is being rewarded.”

Sam agrees, to a point. “Regulation exists, yet there are still people breaking the rules.” It won’t change until a case is instigated by either a powerful consumer group or corporation, and he’s loath to pick a fight. “If we focus any of our energy away from serving our customer better, and providing them with more value, we distract from the value proposition. We distract ourselves.”

There’s a maxim that Sam lives by: “glow brighter.” It informed the company’s early innovations, survival and reinvention, and, he says, it will guide its future. But, despite its gains, GoodMorning.com might need floodlights to win the Canadian mattress war now that Endy has been acquired by Sleep Country.

It’s reasonable to wonder if GoodMorning.com must stake its future on an acquisition — perhaps from his partner Article, which has become the Casper of online furniture. “I don’t think there’s need for consolidation,” says Sam, who takes issue with the term “mattress war.”

“There is no ‘war’ to win as long as we continue to compete and innovate,” he says. “That means the customers are winning. That’s what’s important. That’s how *we* win.” **ED**