

Managed
VoIP solution
provides the
foundation
for FloBeds'

SUCCESS

- **Business Needs** - A better, more reliable way to connect with customers
- **Networking Solution** - AT&T Dedicated Internet with AT&T IP Flexible Reach delivers dependable, stable and consistent voice quality
- **Business Value** - Enhanced customer support, improved bottom line
- **Industry Focus** - Custom mattress manufacturer
- **Size** - \$3 million in annual sales

About FloBeds, Inc.

FloBeds, the original personally-crafted mattress company, designs and builds each mattress to a customer's precise specifications. Founder and president Dave Turner, who got into the mattress business just to pay for college, has owned and operated the company for more than four decades. FloBeds has become a leader in the high-end sleep market. Headquartered in tiny Ft. Bragg, California, the company ships its custom mattresses to happy customers across the globe.

The situation

FloBeds built the DreamMaker, an online tool to help people design their perfect mattress. Personal service has always been a big part of the FloBeds model, so they incorporated it into the process. Many customers, especially first-timers, want to speak with a member of the staff to be sure they're getting the exact comfort and support they desire. Employees are well prepared to help people build their mattresses, but the company's phone system was not. When the company tried to save a little money by switching to a local internet service

provider (ISP), callers had to put up with outages, poor sound quality, and latency issues. During the months when phones weren't working well, FloBeds documented a 20% drop in sales. The company needed a reliable phone system to support the personalized customer service that has made FloBeds an international success.

Solution

AT&T IP Flexible Reach, a consolidated voice and data solution, enables FloBeds legendary customer service operation, providing the reliability and clarity that customers need to design the bed of their dreams. FloBeds also uses an AT&T Dedicated Internet Service to provide network stability and consistency.

A better way to make the bed

The U.S. saw some significant developments in 1971. The first microprocessor was introduced that year, which led to the computer revolution. The first wave of Baby Boomers came of age, and their sheer numbers empowered a youth movement that gave 18-year-olds the right to vote.

A sophomore at Stanford University was looking for summer work in that year. He eventually took a job at a waterbed store – which led to the creation of the nation's first personally crafted luxury mattress company. This sophomore was Dave Turner, a political science major just looking to pay for college. He ended up buying the business and revolutionizing the mattress industry as he became founder and CEO of the company now known as FloBeds, Inc.



Turner grew FloBeds into a multimillion dollar company that launched the custom-made mattress market, but the business began back in the days when waterbeds were the most comfortable sleep systems available. Turner recognized the therapeutic possibilities of flotation sleep systems, and developed products designed to help people in hospitals and long-term care facilities. National companies like Sears and JC Penney contracted with Turner's company (then known as FloCare National) to provide specialized home delivery and warranty service for their mattresses. Flo-Care soon began manufacturing its own high-quality, soft-sided flotation sleep systems, which it sold to major retailers.

Turner was among the first wave of entrepreneurs to recognize the possibilities of doing business on the World Wide Web, and customers across the globe responded. "We were a pioneer in selling mattresses on the Internet," he said. "For over 15 years we pretty much had the field to ourselves and a couple of others."

Over the years the company listened carefully to its customers and used the internet to introduce new products based on feedback. Today, FloBeds uses the web to market its natural Tayalay Latex mattresses, which are derived from the rubber tree to provide the ultimate comfort and support. “A good portion of our customers like that latex foam rubber comes from nature,” Turner said. “They want something natural and clean, rather than mattresses made from a petroleum byproduct.”

Each FloBeds mattress is custom built to the customer’s exact specifications – thanks to FloBeds’ DreamMaker, an online tool that helps people create the perfect sleep system. Each side of the mattress is constructed independently, so couples can get a mattress as firm or soft as each partner likes. “They can enter their age, height, weight, gender, sleeping position and whether they like firm or soft mattresses,” he said, “But two-thirds of our customers still call us to place the order; most people need that ‘warm and fuzzy’ interaction before ordering a \$3,000 mattress.”

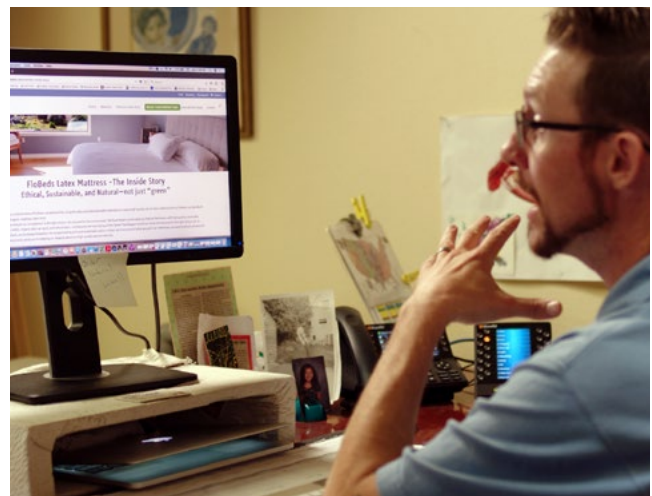
Since day one, the company has been committed to helping its customers to sleep. “If the firmness is not just right, we can adjust it and make it just right,” Turner said. “Our Dream Team is available to talk to customers who have questions. Our customer service is second to none.”

The company also offers a “Goldilocks Guarantee” that lets customers change the firmness of their mattresses at any time during the 20-year life of the mattress. “Life happens”, Flobeds’ website proclaims. “Change is inevitable, make sure your mattress can change with you.”

The personal connection is critical

The combination of a custom-crafted mattress and world-class customer service has created steady growth for FloBeds. “The secret of our success is starting with a really great product that is designed to be adjustable, and then really listening to our customers and adjusting the bed to meet their needs,” Turner said.

Employees are friendly, knowledgeable and experienced in helping people configure a comfortable mattress. Because FloBeds’ customers are scattered around the globe, most customer service takes place over the telephone. “The personal connection is critical,” Turner said.



“The personal connection is critical. Nothing is more important than our ability to connect with our customers.”

Dave Turner

Founder and President, FloBeds, Inc.

This wasn't a problem until the company saw an opportunity to save money by switching its phone service from AT&T to a local cable provider. According to Turner, the "old phone system was hard to program, and they'd spend hours just trying to change the voice message, because it required a lot of strange inputs."

He says he had long ago sworn to stay with AT&T forever, because "my business is customers on the phone." But when FloBeds needed a new phone system and the costs seemed prohibitive, he decided to give the local ISP a try.

"We switched last year and saved 50% in monthly charges," Turner said. His pleasure with the savings was short-lived, though. "We experienced outages, poor quality sound and latency issues," he said. "We also had issues of not being able to talk at the same time; it was very frustrating. I just said, 'That's no way to talk to customers.'"

During its time with the local ISP, FloBeds documented a 20% percent drop in business. Turner wondered if it was a coincidence, but had a feeling he knew what one of the main reasons for the decline was. "We know there are lots of possible causes, and it's probably not as simple as switching back to AT&T to pick up \$500,000 in sales," he said. "But we know we made a mistake. Nothing is more important than our ability to connect with our customers."

Turner said he can pick up subtle clues during phone calls that provide valuable insight into a customer's mindset. "We need to be able to understand their mood as well as their words," he said. The company

needed a quality, reliable connection that would support its personalized approach to sleep. FloBeds contacted AT&T for a recommendation.

Clear, concise and reliable

Turner told his former account team how important communication with customers was and they helped him find the best solution. Since most of its business is conducted online and over the phone, FloBeds needed a dedicated circuit to ensure stability and consistency. AT&T installed AT&T IP Flexible Reach, a managed Voice over IP communication solution that supports inbound and outbound calling on FloBeds' data network. The service supplies international reach to accommodate FloBeds' customers around the globe.

Since they have a VoIP based system with 99.9% reliability the quality of service on the voice is clear, concise and the voice segment will not go down. "We came home to AT&T," Turner said. "We came back because the quality of our calls was not good enough."

The AT&T solution also includes Managed Internet Service and an Ethernet Fiber Loop, which delivers the stability and reliability of FloBeds' voice networks and gives employees network and Internet access without compromising speed. "We got the internet to boot,"

**"We came home to AT&T.
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Turner said. “Faster fiber to the building. The service has been great, and most importantly, the quality of the calls is what we need.”

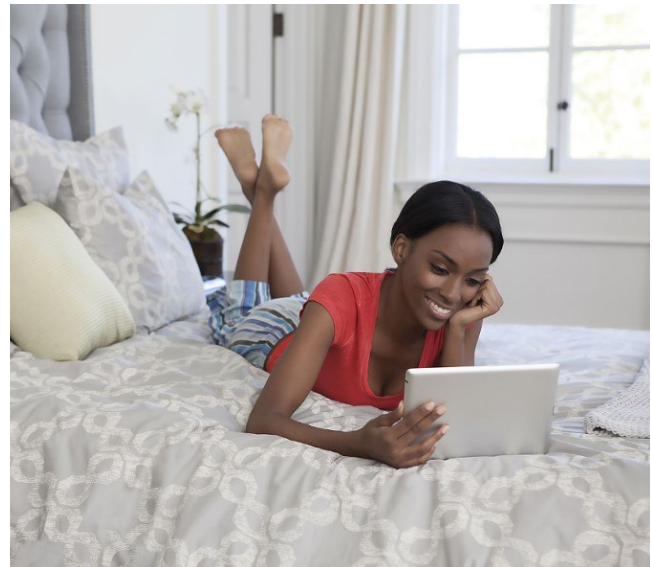
Impressive every step of the way

Agility has been a hallmark of FloBeds’ operations over the years. The company moved from selling and installing other retailers’ waterbeds to creating and marketing their own flotation mattress. Most recently, it introduced natural, supremely comfortable Talalay Latex mattresses.

Turner credits his customers with suggesting many of the innovations that FloBeds has introduced over the years. “We listen to our customers, so that’s why our phones are so important,” he said. “That’s why we’re back at AT&T – so I can hear my customers.”

He sees a bright future for the company. “We always try to under-promise and over-deliver. We want to pleasantly surprise people every step along the way,” he said. “I’ve learned that’s just a good way to do business.”

According to Turner, his account team has been very helpful in supporting his business. “When we had the issues with delays, and then the wrong piece of equipment was delivered, our account rep got the right guy on the phone to fix the problem right away,” he said. “It’s been impressive every step of the way.”



Turner said his company will likely begin videoconferencing with customers, to make it even easier for them to see the benefits of a FloBeds mattress. “I suspect someday it’ll make more sense to videoconference, but I don’t think we’re there yet,” he said. “When we take that step, I’m sure AT&T will be ready to help us.”

Buying any mattress – especially a custom crafted one – can be an expensive proposition. Turner and his staff understand that customers are more likely to buy from someone they trust. “I’ve always tried to put myself in the customer’s shoes,” he said. “They’re buying a mattress sight unseen, so I’ve got to remove any obstacles that might be in the way. With AT&T I get crystal clear communications. I can listen to my customers.”