Like our original bedspring, Leggett & Platt has gone through major changes over 132 years, but our core values and spirit of partnership remain resilient.
“I was trying to figure out how I was going to pass the ball to myself,” said my daughter as we drove home from the worst and weirdest game in her high school basketball career.

Attending a small school with just five players on the team has its advantages: everyone counts and gets a lot of game time. But it has disadvantages, too, especially if anyone gets injured or fouls out. That’s exactly what had happened in this game.

The competition was fierce. Emotions ran high, sportsmanship ran a bit low, and by the end, only my daughter and one other player were still in the game. That’s right: two versus five. And if her teammate had gotten just one more foul, it would have been one versus five. So, my daughter’s comment about passing the ball to herself wasn’t just a joke.

I’ve thought about that game as I prepare to receive the most important pass in my career. In January, our CEO Dave Haffner will retire, and I’ll take on that role. It’s an enormous privilege and obligation.

On one hand, I’ve never felt more personally responsible for the company’s success. On the other hand, I’ve never felt more relieved that winning doesn’t depend just on me, or on any one of us. It depends on all of us. Our whole team of people. It always has.

From our founding, we’ve been Leggett and Platt. Not a sole proprietorship, but a partnership. Each founder recognized his own limitations and respected what the other could bring to the company. It was their teamwork, not their individual brilliance, which turned a good idea into a real product and, ultimately, a lasting business.

That same spirit of partnership drives Leggett & Platt’s success today—just on a much larger scale. Every day, thousands of our people in different jobs, industries, and geographies join together and support one another to get the job done. And to do it smarter, better and safer than the day before.

I’m incredibly proud of this team, and as I take my new position, I want to thank you—all 20,000 of you—that I don’t have to figure out how to pass the ball to myself.
Leggett & Platt has been in bedding since the company began in 1883. After that long, you’d think we would have reached our full potential, but not even close. Our oldest business is experiencing brand-new growth, particularly with Comfort Core. In recent years, sales have grown more than 30% a year and show no signs of slowing.

Comfort Core is the latest installment in a long history of innovative and collaborative product developments to answer the needs of customers and the challenges of competitors.

“At times, we can think of product innovation as a good thing,” said CEO David Haffner. “But in a competitive market, innovation is an absolute necessity. For a number of years, we saw real threats to our profitability as foam, latex and air mattresses made significant inroads, especially in the premium categories.

“With Comfort Core, we’ve met and overtaken the competition, and the sales figures show how much the market values this product line.”

**Core Advantages**

Comfort Core is our line of fabric-encased innersprings. According to Bedding Group President Eric Rhea, “Each coil gets its own fabric pocket so it can move independently from others and conform individually to a person’s shape. This makes the bed more comfortable and also reduces motion transfer. That’s a technical way of saying that when your partner’s tossing and turning, you feel it much less on Comfort Core.”

For the consumer, a Comfort Core bed is all about the feel and a good night’s sleep. But the product offers many benefits for Leggett’s customers—the bedding manufacturers. By providing a mattress core that’s supportive, but also comfortable to lay on without extra padding, they reduce costs by needing less foam and other top layers to achieve a similar feel.

Adds Eric, “Our manufacturing capabilities and variety of Comfort Core styles give bedding customers a wide range of choices on features like height, firmness, durability and price. In turn, they can offer those same options to the consumer to find exactly the right fit.”

**Comfort to the Core, Edge, Top and Beyond**

The Bedding Group has developed innovative coils and configurations to replace and outdo foam in every part of a mattress, and our products are gaining popularity outside of the bedding industry, too.

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**Core**

Comfort Core makes zoning possible. Instead of having the same firmness across the entire bed, it can be divided into zones, positioned to provide the right support to different areas of the body. Our top-of-the-line product, Combi-Zone, has five zones with differing coils and densities to provide extra support for shoulders, hips and thighs.

In 2012, Leggett dealt a steely blow to foam beds with the introduction of the Hybrid Mattress. It combines Comfort Core with a top layer of memory foam, latex or gel, offering the benefits of both instead of requiring a choice between them. Consumers clearly saw the advantages, and it’s a key reason that innersprings have outperformed foam during the past three years.
Introduced in 2014, the Quantum Edge Steel Perimeter uses our narrow-diameter Quantum coils to form the mattress edge. It lasts longer and supports better than typical foam edges, keeping a person from feeling like they’re going to roll off the side. Quantum Edge also bends easier than foam, making it work better with adjustable beds.

Partnerships at the Core
Comfort Core is a shared success story between the Bedding Group and the Leggett businesses that support it. Because our operations perform every step of the manufacturing process—making the steel rod, wire, manufacturing machinery and innersprings—we have total control over design, quality and testing.

Rod and Wire Groups
Comfort Core literally starts as recycled steel scrap, which our Sterling Steel mill melts down and forms into rod. It then goes to our wire mills to be drawn into the various thicknesses of wire needed.

“These two groups push the limits every day of what we can do with raw materials, particularly wire,” said Eric Rhea. In fact, the mills’ fine-wire production enabled the development of Quantum and NanoCoils. Sales of these and other Comfort Core products have, in turn, generated more volume for the mills and even obliged them to add new drawing equipment, capabilities and capacity.

Spuhl
Our partners at Spuhl in Switzerland make machines that work wonders with wire. From forming individual coils to arranging them all precisely together, their equipment is the best, fastest and most adaptable in the world, and it’s exclusive to Comfort Core.

Commenting on the joint efforts that produced Comfort Core, COO Karl Glassman said, “At the core of every Leggett & Platt success story is a combination—you could even say a hybrid—of innovation and partnership. When our people work together to meet a need or overcome a challenge, we accomplish great things.”

A Core Team Member, Guido Eigenmann
Longtime Leggett partner and Chief Engineer for the Bedding Group, Guido Eigenmann, has been at the center of Comfort Core’s development.

He began his 20-year engineering career with Leggett by improving innerspring machinery, and later, by improving innersprings. Two of his most recognized contributions were thinking up the original concept for our popular VertiCoil innerspring and inventing machinery to efficiently produce the Joey product line, which features one coil inside of another.

In recent years, he’s played a central role in advancing Comfort Core, acting as the vital link between machinery development at Spuhl and product development in Bedding.

Always a team player, Guido commented, “My success was only possible with the help and support from my co-workers at Branch 7, the product development team, the people at our manufacturing facilities and Spuhl, and management.”
Updating Today and Preparing for Tomorrow with Microsoft Dynamics AX

Leggett & Platt is working on a major project to replace some of our oldest but most important technology with Microsoft Dynamics AX—a system that will modernize and support many daily activities now, but also grow with our business in the future.

The Problem and Solution
The 20-year-old transactional systems we use to buy goods, pay suppliers, manage fixed assets, bill customers, receive payments and record financial transactions had become outdated, inefficient and costly to maintain.

While the problem was obvious, the solution wasn’t immediately clear. We evaluated several options, looking for a product that could be tailored to fit Leggett now, but grow with us, too.

We also needed a trusted software provider that would fully support us as we engaged in the systems equivalent of an organ transplant.

Considering these needs (and, of course, price), we found the right features, future capabilities and support in Microsoft Dynamics AX.

Our People
While AX is the right product, this project would go wrong if not for the enormous contributions and collaboration of our people.

- A steering committee of senior leaders is guiding the overall implementation.
- Teams from each affected business area and IT are working with Microsoft to make AX work precisely as needed.
- A transition team is handling communications and helping other teams create trainings to teach people how to use the new system.

The Future Possibilities
We’re scheduled to finish moving the transactional systems to AX in 2017, but the benefits and possibilities don’t end there. At a minimum, it will be much easier to update and adapt to serve the differing needs of our increasingly global operations.

Beyond that, AX offers many capabilities yet to be fully explored and decided on, including the possibility of replacing our existing manufacturing systems (LPCS and iScala). To whatever extent we utilize these capabilities, it’s exciting to have a modern, sustainable technology that will support Leggett for years to come.

Along with upgrading technology, our teams from each area are improving and better integrating the four main business processes that AX will support:

- **Order to Cash** is the process of delivering finished goods to customers and getting paid for those goods—from receiving an order, to shipping the product, sending an invoice and collecting payment.
- **Record to Report** is the process of accurately recording financial transactions to the general ledger.
- **Procure to Pay** is the process of purchasing the goods and services we need to run the business.
- **Acquire to Retire** is the process of buying and tracking assets.

“The time and efforts from everyone involved exemplifies our truly unique Leggett culture. Representatives from Microsoft have mentioned how impressed they are with both the extraordinary talent and genuine passion of our people, yet another reminder that our Company’s greatest strength is all of the wonderful folks who work for Leggett & Platt throughout the world.

“Our wholehearted thanks goes to everyone involved with making sure that this Microsoft Dynamics project is successful, and even more so, for all of the ways in which each of you make Leggett & Platt such a truly special place to be.”

– Matt Flanigan, CFO
When John Case joined Leggett as President of the Consumer Products Group in 2014, the business needed a new identity. “Customers were confused about exactly who we were, and to some degree, so were we,” said John.

From his previous experience as an executive at Electrolux and La-Z-Boy, John knew that a business’ identity is more than just branding—it goes to the very core of the operation and sets the course. “We needed to choose who to be and then hold ourselves accountable to make it happen. Pick an identity and be it,” he said.

After taking a year to carefully study the business, they made their choice this last March: the Fashion Bed Group (FBG). “Fashion Bed was a long-time sub-brand with lots of consumer appeal and recognition,” said John. “It meshed with our products and history, so we made it the umbrella for the entire business. We want to burn that name onto everything we do.”

“Pick it and be it”

-- John Case, President, Consumer Products Group

**Competitive Advantages**

Along with an identity, John and his team defined distinct missions and competitive advantages, boiled down to one word, for each product category. For ornamental beds and casual seating, which sell based on design, the word is “Fashion.” For adjustable beds, which had many slightly different products, the mission is to “Simplify.” And for bed frames and bedding textiles, which have sometimes been indistinguishable from our competitors’, the goal is “Innovation.”

“With the competitive advantage defined for each product line, we asked ourselves if we had the skills, resources, and personnel to achieve them,” said John. “In some areas, we needed to bring in people with different skillsets.”

In other areas, John challenged the team to “unleash the creative side.” In bed frames, for example, the goal is innovation, but FBG hadn’t produced a really new product in many years, so the category was becoming a commodity.

Stepping up to the challenge, the team turned an existing frame into a highly versatile new product: the Spectrum. This unit assembles and adjusts from twin to king size and between two different heights without tools or loose parts. The product’s simplicity greatly reduces the number of SKUs and set-up time required for bedding stores, and is already seeing great success. In fact, one of FBG’s largest customers, which consolidated its bed frame SKUs to include the Spectrum, has already increased its business by 54% since the program launched this year.

**Data Analysis**

In addition to creating new products, the FBG team examined—and, you might even say, dissected—their existing products. They “re-sliced” their four product families and four channels into 15 product categories and 10 channels, allowing them to analyze sales and profitability much more precisely.

John and his team are also using existing tools like Customer Product & Profitability (CPP) to identify opportunities for growth. “When I came to Leggett, I was thrilled to see CPP’s database,” said John. “We can view sales and profitability by region and by customer. It helps us set goals to raise profitability and track our progress.”

The efforts are beginning to bear fruit. FBG’s trade sales are up over 13% year to date and EBIT is up over 50%. FBG is forecasting continued growth next year, as much as 80% for some products. “‘Pick it and be it’ really sums it up,” said John. “We have to stay focused and continue to hold ourselves accountable. Don’t just talk about what you want to be—become it.”
After three decades of exceptional service and leadership, our Chief Executive Officer, Dave Haffner, is retiring at year-end. Since joining Leggett in 1983, Dave has served in key leadership roles—first for our office and furniture components businesses and later for the overall company.

Since 2006, he’s set the Company’s course as CEO, and has been Chairman of the Board since 2013. Under Dave’s leadership, Leggett has reached new heights in profits and stock price. As we look forward to the future, Dave offers these insights on his career and the company’s finest attributes:

I’ve spent more than half my life at Leggett & Platt, and have devoted myself to optimizing its performance. I love this company and its people. It will be hard to leave. But, it would be much more difficult if we, as a team, hadn’t performed at such stellar levels these past few years. The Company is in an excellent position—arguably, it’s never been in better shape.

I’d like to share my thoughts on resilience with you. I am a very resilient person. And, in my opinion, the Company is an extraordinarily resilient enterprise. We’ve come through some tough times, had to make some very difficult decisions, but always for the betterment of the Company and its shareholders.

Now, bear with me as I switch into engineering mode for a moment. **Resiliency** is a function of several variables which include strength, durability, and malleability (or what we engineers refer to as “yield”).

**Durability** is the resistance to constant, chronic exterior forces and factors. The more exposed we are, the more these forces affect us. It’s crucial that we use our individual and collective strengths to fend these forces off and not let them weaken our substance.

**Malleability** deals with blunt force trauma (those things that hit you unexpectedly and without notice). To be able to bend with the punches and recover to a steady state is vital to resiliency.

And **strength**, that all-important variable, is a function of true integrity, whether it is the molecular/atomic bond of a material, or the philosophical substance of a person.

**Integrity** deals with the integral—the whole span, from start to finish, from point A to point B. Not just some portion of the whole, or periodic sub-segments of time. A person of integrity maintains his or her bond at all times.

Many of you have heard me speak about honesty and integrity. It’s what’s most important to me (and I hope to you). It’s okay to be tough, but be honest and fair.

Stand firmly on what you believe is the best solution, even if it is difficult, or opposed by others. Sometimes direct honesty and transparency can result in unintended and unjustifiable consequences, but it always preserves your integrity.

To each and every one of Leggett’s employee-partners around the world, I considered it a privilege to have served as your leader the past several years. I very sincerely thank you for your efforts. It’s been an honor to be your co-worker, and even more, your friend.

– Dave Haffner, CEO