

# JCPenney merges with Forever 21 owner Sparc Group to form Catalyst Brands

Article

**The news:** JCPenney has merged with Sparc Group—owner of brands such as Lucky, Aeropostale, Eddie Bauer, and Brooks Brothers—to form a company called Catalyst Brands.

- The joint venture was created in an all-equity deal between JCPenney, Sparc, and its shareholders, which include mall operators **Simon Property Group** and **Brookfield Corp.**, **Authentic Brands Group**, and **Shein**.
- Catalyst says it has sold the US operations of **Reebok**, which is a subsidiary of Authentic Brands, and is exploring strategic options for **Forever 21**, which is operated by Authentic Brands and Simon Property.

The company generated more than \$9 billion in revenues last year, operates 1,800 stores, and has \$1 billion of liquidity.

**Why is this happening?** Catalyst aims to pool together data from roughly 60 million customers to create an entity that's greater than the sum of its parts.

- Catalyst plans to harness those insights to develop personalized shopping experiences, offer unified loyalty and credit card programs, and cross-sell across brands.
- For this vision to succeed, the company's brands must share a common customer base. While mid-priced retailers like Aeropostale and JCPenney may share some customers, it's unlikely those shoppers also frequent an upscale merchant like Brooks Brothers.
- Creating a link between dissimilar brands with distinct customer bases, such as Brooks Brothers and JCPenney, could create a negative halo effect.

**Our take:** With JCPenney's shaky footing—Q3 sales fell 8% YoY—a new approach makes sense. However, turning its fortunes around will require bold vision and sound execution.

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