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These 5 companies are buying up bankrupt 'zombie brands' like Brooks Brothers, Pier 1, and Anne Klein

Madeline Stone and Catherine LeClair 3 hours ago



pandemic.

A handful of brand management and holding companies are making the most of it, acquiring bankrupt retail brands at low prices.

Sparc, a joint venture between Simon Property Group and Authentic Brands Group, is a key player. It acquired Brooks Brothers and Lucky Brand this summer.

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The coronavirus pandemic has made 2020 a challenging year for all kinds of businesses. The retail industry has been hit particularly hard, [with more than 35 major retailers and restaurant companies](#) filing for bankruptcy protection so far this year.

But a handful of brand management and holding companies are using the difficult environment to their advantage.

Sparc, a joint venture between Authentic Brands Group and mall operator Simon Property Group, has acquired Brooks Brothers and Lucky Brand and plans to keep at least 125 Brooks Brothers locations and "key" Lucky Brand store locations open.

Mall operators are also acquiring distressed retail brands during this period of bankruptcies. Simon and Brookfield Asset Management are set to purchase department store JCPenney, for example.

Read more: [Simon Property Group understands the value of acquiring bankrupt brands 'cheap.' Here's how the US' largest mall operator plans to convert JCPenney and Brooks Brothers into profitable businesses again.](#)



Companies acquiring struggling brands, whether bankrupt or not, generally see potential in brands that customers have felt a connection to over time. They think they can revive these brands and ultimately drive sales by improving their product assortment, amping up their marketing, or, in some cases, rightsizing their store portfolio. In other cases, timing is at play; buyers see potential for certain brands they acquire to have a second act later on, and they bet on the cyclical nature of fashion.

"The opportunity there for the brand management company is to capture the value that is directly associated with the brand," Santiago Gallino, professor of operations, information, and decisions at the Wharton School of the University of Pennsylvania, said to Business Insider.

"There are many things that could go wrong for a company ... But, in some of those cases, the experience from the customer perspective is still intact."

These five companies are buying up struggling brands with plans to bring them back to life:

Retail Ecommerce Ventures





Pier 1 Imports closed all of its stores this year. Jessica Rinaldi / Reuters

Private holding company [Retail Ecommerce Ventures](#) has been on a tear as of late, snatching up Pier 1 Imports, Modell's, and Dressbarn after those brands were set to liquidate this year. Its acquisition efforts are funded by the cofounders' personal capital as well as by investments from a group of high-net-worth individuals.

Tai Lopez, REV's cofounder and executive chairman, said the company outbid private-equity firm Sycamore Partners to buy Pier 1's branding and e-commerce business after the home goods retailer announced plans to close all of its stores in bankruptcy. REV paid \$31 million for it.

Lopez told Business Insider that REV is "looking for deals" and is primarily looking to operate its portfolio brands as e-commerce businesses, though he didn't rule out eventually opening brick-and-mortar stores if the math was right.

Lopez, who lived in the Amish community for a period of time when he was younger and who still owns a farm in Amish country, said that any potential acquisition target has to pass what he calls "the Amish test."

"When I bought Pier 1, [they] were like, 'Oh, we've heard of it. Or we've driven by it on our horse and buggy,' meaning it's really well-known in America," Lopez said. "We're looking for brand awareness."





Robert Alexander/Getty Images)

Founded in 2014, [Marquee Brands' portfolio](#) includes retailers like Sur La Table and Motherhood Maternity as well as personalities like Martha Stewart and Emeril Lagasse.

It teamed up with tech startup CSC Generation to acquire Sur La Table out of bankruptcy for about \$89 million in August.

"We are selective and careful to only add brands to our portfolio that serve a real purpose, bring joy into the lives of our customers, and help them celebrate life's special



Marquee Brands is owned by investor funds that are managed by Neuberger Berman. It said in August that its portfolio accounted for nearly \$3 billion in annual sales.

In September, Marquee Brands announced that Neil Fiske, formerly the CEO of the Gap brand, Billabong, Eddie Bauer, and Bath & Body Works, would be its new CEO.

Authentic Brands Group

Getty

Authentic Brands Group has amassed 50 well-known fashion brands in its 10 years of



[ABG's website](#) describes the company as a "brand development, marketing, and entertainment company" and says its portfolio of brands pulls in \$14 billion retail sales annually. The company is backed by the private equity arm of BlackRock, which bought an \$875 million stake in ABG in 2019.

"My strategy is simple. Buy low, sell high," CEO Jamie Salter [told CNBC](#) in July.

As for retail concerns during the pandemic, Salter said, "people are not necessarily buying less apparel, they are buying different apparel. My guess is Lululemon sales are through the roof right now."

Licensing also makes up part of ABG's business — the company owns the rights to Muhammad Ali, Marilyn Monroe, and Elvis Presley and can reproduce their likenesses on products. ABG also owns the magazine Sports Illustrated, though ABG gave publishing rights over to media company Maven in 2019.

Sparc



Simon Property Group and Authentic Brands Group teamed up to acquire Brooks Brothers this summer. Budrul Chukrut/SOPA Images/LightRocket via Getty Images

This year, Authentic Brands Group and [Simon Property Group](#) entered a more formal partnership called Sparc that makes investments in certain distressed retail brands.

Sparc's portfolio now includes Brooks Brothers, which it acquired out of bankruptcy for [\\$325 million](#) in September, and Lucky Brand, which it bought for \$140 million in August. Sparc also owns Nautica and Volcom.

"There's an opportunity to make a lot of money with a relatively small investment, if they're efficiently managed and they produce merchandise that people want to buy," Rick Sokolov, a senior executive at Simon Property Group, said [in an interview with Business Insider](#).

In an interview [with The New York Times](#), ABG CEO Jamie Salter said that the company previously shut down the stores of brands it had acquired because of concerns over operations costs. But when working with mall operators like Simon, ABG is able to strike rent deals with landlords. It's less risky for ABG, and the landlords keep their malls full of stores that draw in shoppers.

Simon has also teamed up with Brookfield Asset Management for purchases; the two mall operators are [set to purchase](#) JCPenney's retail operations. Simon said ABG [might come on as a partner](#) after the sale, in which case the owners could fill the stores with



for some purchases of bankrupt retail brands. Together, the three companies purchased Aéropostale and Forever 21.

WHP Global

Joseph Abboud attends Joseph Abboud Men's FW19 Runway Show at South Street Seaport on February 04, 2019 in New York City. Sean Zanni/Patrick McMullan via Getty Images

WHP Global [launched in July 2019](#) with a \$200 million investment from Oaktree Capital. The brand management company's first acquisition, which was finalized a month later, was Anne Klein. In March 2020, WHP Global made its second purchase, menswear retailer Joseph Abboud, for \$115 million.



powerful, legacy brands in difficult situations."

Shmidman worked in leadership roles at various brand management companies before founding WHP Global, including as the CEO of Sequential Brands Group, which owns brands like And 1, Jessica Simpson, Gaiam, and Heelys.

WHP Global is interested in acquiring brands similar to those Authentic Brands Group has purchased. The two brand management firms were both vying to buy the bankrupt suiting brand Brooks Brothers this past summer, but WHP Global ended up backing out and ABG won the bid for \$325 million.

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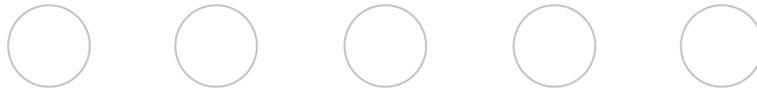
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