Marketing Doctor

Marketing Check-up

Party City

As of January 7, 2025

Condition: Deceased

The party moved to other aisles

Party City was where you went when you had a party to throw: balloons, decorations, costumes and supplies in one trip. In December 2024 it filed for Chapter 11 for the second time in under two years and began closing its nearly 700 stores. This check-up looks at how the chain lost its reasons to visit, why its signature product became a weakness and what growing companies can take from it.

Key takeaways

- Shoppers didn't go to Party City for paper plates. They went to make an event easy, and rivals learned to do that job closer to where people already shop.
- Halloween fell from over 20% of Party City's business to low double digits, as Spirit Halloween and Amazon took the season. 44% of consumers start Halloween shopping on Amazon.
- Balloons were its signature product, and balloons need helium. A global helium shortage hit profits just as inflation squeezed margins.
- Debt from its private equity years left little money for stores and prices. Party City filed for Chapter 11 twice and began closing all its company-owned stores.

Marketing health check

Area	Finding
Reason to visit	Eroded. Rivals made party shopping easy elsewhere.
Seasonal business	Shrinking. Halloween fell from over 20% of sales to low double digits.
Signature product	Exposed. Balloons depend on scarce helium.
Online	Weak. Shoppers start Halloween on Amazon.
Investment	Limited by heavy debt payments.

Timeline

When	What happened
2012	Thomas H. Lee Partners buys most of the company with heavy debt.
2019	Canadian Tire agrees to buy the 65 Canadian stores. Revenue is about $2.35 billion.
Nov 2021	Halloween has fallen to low double digits of annual sales, from over 20%.
2022	A global helium shortage hits balloon profits.
Jan 2023	Party City files for Chapter 11 the first time, with about 823 stores.
2023	The restructuring cuts nearly $1 billion of debt. Halloween City runs about 30 pop-ups against Spirit Halloween's 1,500-plus.
Dec 20, 2024	The CEO tells staff the company will wind down.
Dec 21, 2024	Party City files for Chapter 11 a second time.

What happened: the reasons to visit moved

Shoppers did not visit Party City just for paper plates. They came to make an event easy, a clear job to be done. Rivals learned to do that job closer to where people already shop. GlobalData's Neil Saunders told Retail Dive that Target and Amazon had increased their party offerings while pop-ups such as Spirit Halloween expanded.

Halloween shows it most clearly. In November 2021 Party City's finance chief said: "Halloween is now low double-digit of our annual performance versus over 20%, just a few years ago." A Jungle Scout report found that 44% of consumers turn to Amazon first for Halloween shopping,

while just 10% start on Party City's or Spirit Halloween's websites. By 2023 Party City ran about 30 Halloween City pop-ups, against 250 planned for 2019. Spirit Halloween was set to run more than 1,500.

The diagnosis: three marketing problems

- **A rival owned the biggest occasion.** When Spirit Halloween became the default for costumes, Party City lost its position as the first stop for the biggest party of the year.
- **Convenience beat specialism.** Target's party aisle and Amazon's next-day delivery did the job well enough, closer to where people already were.
- **A signature product tied to a scarce input.** In its first bankruptcy the company told the court a global helium shortage had hurt profits. Management put the cost of higher helium prices at an estimated $7 million in a single quarter.
- **No room to invest.** Net interest expense was $102.6 million in 2022 alone, money a specialist needs for stores, prices and brand building.

The treatment it needed

A specialist that cannot win on price has to win on range, ideas and service: help planning the party, not just supplies for it. That needs investment in stores, staff and an online experience as easy as Amazon's. The 2023 restructuring eliminated nearly $1 billion in debt. It did not bring shoppers back, because the reasons to make the trip had already moved.

The result: the party ended

Between July 2023 and July 2024, comparable store sales fell 9.5%. On December 20, 2024, the CEO told staff it was "necessary to commence a wind down process immediately." The next day Party City filed for Chapter 11 again and began liquidating its company-owned stores.

Some of the name survives: a franchisee said 29 independently owned stores would stay open, and Canadian Tire had already bought the 65 Canadian stores in 2019.

Lessons for your marketing

1. Know the job customers hire you for, and watch who else is learning to do it.
2. Don't let one season carry the brand. If a rival can own your biggest occasion, plan for it.
3. Avoid tying your signature product to one scarce input without a backup.
4. Keep debt at a level that lets you keep investing through a bad year.
5. Match the convenience of big rivals online, or give people a clear reason to make the trip.

The doctor will see you now.

Book a free marketing check-up at marketingdoctor.ca/contact. We'll examine your marketing, show you what's holding growth back and prescribe what to fix first.

Sources

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