

Tapestry - Integrating Capri Without Flattening Its Brands

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Decision scope: Design of Capri's post-close operating model while the acquisition is pending

Case convention: This is an author-created management decision exercise. The role and recommendations are hypothetical; company disclosures and forecasts are historical. The transaction remains subject to approvals and closing conditions at the cutoff.

The decision

On 10 August 2023, Tapestry announced an agreement to acquire Capri Holdings for \$57 per share in cash, at an enterprise value of approximately \$8.5 billion. The companies expected closing in calendar 2024, subject to shareholder and regulatory approvals and customary conditions. One week later, Tapestry filed its FY2023 results and annual report. The acquisition was still pending. [P2], lines 18-20, 66-72; [P1], filing date.

Tapestry forecast more than \$200 million of annual run-rate cost synergies within three fiscal years after closing, mainly from operating-cost savings and supply-chain efficiencies. This was a management estimate, not an achieved saving. The public materials did not provide an initiative-level bridge, implementation cost, risk adjustment or brand-level timeline. Tapestry also identified opportunities to apply its direct-to-consumer (DTC), digital and data capabilities to Capri. [P2], lines 45-49; [P3], slides 13 and 15.

Assignment: Assume you are on a hypothetical joint integration-design team preparing options for the period after closing. Recommend how the combined company should integrate Capri's Versace, Jimmy Choo and Michael Kors businesses. Which activities should be shared, which should remain brand-led, and in what sequence? Define decision rights, safeguards and measures that can deliver operational value while preserving each brand's customer proposition. The assignment assumes the deal closes substantially on announced terms; it does not ask whether to complete the transaction.

A portfolio with different scales and identities

Tapestry described Coach, Kate Spade and Stuart Weitzman as unique and independent brands, while also describing platform capabilities across the group. It maintained dedicated design and merchandising teams for each brand; data and analytics and some product-category teams supported cross-brand work. This is an existing example of shared and brand-specific activities coexisting. It does not prove the model can be transferred to Capri. [P1], Item 1, pp. 2-3, 8-9.

The businesses also differed substantially in scale. Tapestry reported FY2023 revenue of \$4.960 billion for Coach, \$1.419 billion for Kate Spade and \$281.6 million for Stuart Weitzman. Operating profit was \$1.530 billion, \$115 million and a \$6.7 million loss, respectively. Capri

reported FY2023 revenue of \$3.880 billion for Michael Kors, \$1.106 billion for Versace and \$633 million for Jimmy Choo. The fiscal years ended 1 July 2023 for Tapestry and 1 April 2023 for Capri, so these figures are not perfectly synchronous. Different brand scale does not by itself establish where integration will create value. [P1], Note 17; [P4], Note 18.

Capri's reported product mix was 50.3% accessories, 21.7% footwear and 19.7% apparel. Capri management said it could apply Michael Kors' accessories capabilities and group e-commerce and omnichannel expertise across its portfolio. It identified supply chain, information systems, back-office support and manufacturing as potential synergy areas. These statements identify candidate capabilities and processes; they do not disclose the planned initiatives, savings by brand or customer response. [P4], Item 1, pp. 5-6, Note 19.

Scale opportunity and its limits

Tapestry's acquisition presentation compared DTC as 88% of Tapestry FY2023 revenue, 68% of Capri revenue for the twelve months through 1 July 2023, and 79% pro forma. Those periods differ, and the presentation's DTC measure does not reveal profitability, customer overlap, acquisition cost, retention or channel incrementality. Treat the comparison as management's directional opportunity, not a controlled measure of superior capability. [P3], slide 13.

The companies' stated opportunity was to use scale and capabilities to improve operations and customer reach. But Tapestry's annual report warned that integration could be complex, more costly than expected, disruptive to operations and less beneficial if business practices and operations were aligned ineffectively. Integration design therefore involved a risk of disrupting value-producing routines, not only the opportunity to remove duplication. [P1], Item 1A, pp. 19-20.

Exhibit 1. Brand scale reported for each company

Revenue in USD millions; company fiscal years differ.

Company / brand	FY2023 revenue	Share of company total
Tapestry - Coach	4,960.4	74.5%
Tapestry - Kate Spade	1,418.9	21.3%
Tapestry - Stuart Weitzman	281.6	4.2%
Capri - Michael Kors	3,880	69.0%
Capri - Versace	1,106	19.7%
Capri - Jimmy Choo	633	11.3%

Sources: [P1], Note 17; [P4], Note 18. Percentages are calculated from reported brand revenue and rounded. Tapestry FY ended 1 July 2023; Capri FY ended 1 April 2023. Revenue share is not a measure of brand equity, profitability or integration potential.

Exhibit 2. Candidate operating-model choices

Design	Potential benefit	Principal risk or cost
Broad and rapid integration: combine most feasible functions, systems, sourcing and customer-data processes on an accelerated timetable	Captures scale and standardization opportunities quickly; may speed capability transfer	High execution load; disruption, customer confusion, talent loss or standardization that ignores brand-specific requirements
Federated portfolio: preserve separate brand operations with a small corporate center and limited common services	Protects local knowledge, accountability and brand autonomy	Leaves duplication in place; may slow learning, DTC capability transfer and supply-chain coordination
Selective integration: share defined platforms and services while reserving creative, product, pricing and customer-facing choices to brand teams where differentiation matters	Targets scale while protecting brand-specific decisions; allows pilots and staged transfers	Interfaces and decision rights can become complex; savings may arrive more slowly and ownership gaps may persist

These are classroom designs, not management's announced integration plan. Students may recommend another design or different boundaries. They should specify the activities, decision rights, order of changes and measures that would support their recommendation.

Questions for discussion

1. Which activities are most likely to benefit from scale or capability transfer? Which depend most on brand-specific knowledge or customer response?
2. Which operating-model design should Tapestry prepare, and what is the strongest argument against it?
3. How should the combined company test whether DTC, data, sourcing or systems capabilities transfer across brands before expanding them?
4. What would count as realized synergy? How should management account for implementation cost, dis-synergies and changes in customer or brand outcomes?
5. Propose the first-year sequence, decision rights and stop/go conditions. What evidence would cause you to revise the design?

Sources and conventions

P1. Tapestry, Inc., **FY2023 Form 10-K**, filed 17 August 2023; year ended 1 July 2023. Item 1, pp. 2-9; Item 1A, pp. 19-20; Note 17.

P2. Tapestry, **"Tapestry to Acquire Capri Holdings Limited"**, 10 August 2023, Form 8-K Exhibit 99.1. Transaction terms, synergies and closing conditions.

P3. Tapestry, **"Acquisition of Capri Holdings" investor presentation**, 10 August 2023, Form 8-K Exhibit 99.2, slides 13, 15 and 23.

P4. Capri Holdings Limited, **FY2023 Form 10-K**, filed 31 May 2023; year ended 1 April 2023. Item 1, pp. 5-6; Notes 18-19, pp. 110-112.

All amounts are USD. Management descriptions, estimates and proposed capabilities are attributed as such. DTC percentages and brand revenues have differing scopes and periods. No post-cutoff transaction developments or outcomes are included. The integration designs and proposed measures are student recommendations, not announced plans.