

Tapestry, Capri Holdings respond to FTC lawsuit opposing merger

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The FTC is the only U.S. regulatory body that has yet to approve the merger. Image credit: Tapestry Inc.

By LUXURY DAILY NEWS SERVICE

U.S. fashion groups **Tapestry** and **Capri Holdings** are in talks over an attempt from the U.S. Federal Trade Commission (FTC) to stop a major fashion merger.

A lawsuit filed by the agency on April 22 alleges that if approved, the acquisition of Versace, Jimmy Choo and Michael Kors owner Capri Holdings by Tapestry, which owns Coach, Kate Spade and Stuart Weitzman, would “eliminate competition” between members of both company’s portfolios. In the motion, the agency states that the deal could negatively impact nearly 33,000 combined employees, as well as American consumers, citing factors including lowered wages and product quality.

“There is no question that this is a pro-competitive, pro-consumer deal and that the FTC fundamentally misunderstands both the marketplace and the way in which consumers shop,” said Tapestry, in a statement issued by the company.

“We have full confidence in the merits and pro-competitive nature of this transaction,” it said. “It will bring significant benefits to the combined company’s customers, employees, partners, and shareholders in the U.S. and around the world.

“We have strong legal arguments in defense of this transaction and look forward to presenting them in court and working expeditiously to close the transaction in calendar year 2024.”

Consumer complaint

The FTC is pursuing legal action due to the acquisition creating what it says is an unjust position of power in the handbag space, stating that Tapestry would command “a dominant share of the accessible luxury’ handbag market,” potentially leading to price inflation, among other issues.

The FTC stands as the only U.S. regulatory body to have not approved the merger, with its members voting unanimously to block the deal.

“With the goal to become a serial acquirer, Tapestry seeks to acquire Capri to further entrench its stronghold in the fashion industry,” said Henry Liu, director of the Bureau of Competition at the FTC, in a statement.

“This deal threatens to deprive consumers of the competition for affordable handbags, while hourly workers stand to lose the benefits of higher wages and more favorable workplace conditions.”



Both Tapestry and Capri Holdings have released statements on the matter, disagreeing with the motion. Image credit: Capri Holdings

The FTC alleges that Tapestry's acquisition of Capri Holdings is merely the latest in a long line of purchases, as the parent company has engaged in a 10-year M&A strategy, furthering its status within the fashion landscape and maintaining its dominance over any potential competition.

"Capri Holdings strongly disagrees with the FTC's decision," said Capri Holdings, in a statement issued by the company.

"The market realities, which the government's challenge ignores, overwhelmingly demonstrate that this transaction will not limit, reduce, or constrain competition," it said. "Consumers have hundreds of handbag choices at every price point across all channels, and barriers to entry are low.

"Capri intends to vigorously defend this case in court alongside Tapestry and complete the pending acquisition."

Tapestry announced its \$8.5 billion purchase of Capri Holdings last August ([see story](#)).

"Tapestry and Capri operate in an intensely competitive and highly fragmented industry alongside hundreds of rival brands, including both established players and new entrants," Capri Holdings said, in a statement.

"The reality is that consumers have a host of choices when shopping for luxury handbags and accessories, footwear, and apparel, and they are exercising them," it said. "The bottom line is that Tapestry and Capri face competitive pressures from both lower- and higher-priced products.

"In bringing this case, the FTC has chosen to ignore the reality of today's dynamic and expanding \$200 billion global luxury industry."