Journal of Strategic Management Education 13: 1-36.
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Using Live and Real-Time Cases to Enhance Student Engagement and Learning in Strategic Management

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Abstract. While case study remains the primary pedagogy for teaching strategic management due to the benefits it provides, there remain some shortcomings, limitations and potential problems with its use. This manuscript discusses two modified approaches to case studies – "live" and "real-time" cases which can help to overcome many of the problems associated with cases without diminishing the positive learning outcomes they provide.

Keywords: strategic management, active learning, case studies, case method, pedagogy

1. Context and Use of Cases

The case study method originated at Harvard Business School in 1912 and one hundred years later it remains the primary teaching method at most business schools, particularly top-ranked business schools (Levy, 2015). This is particularly true in the strategic management curricula as even though some faculty supplement cases with simulations, guest speakers and various projects, case studies remain the prominent means of instruction in both undergraduate and graduate courses in strategic management (David, 2003). The fact that Harvard Business Publishing sold more than 12 million cases in 2014, accounting for roughly $30 million dollars in sales (Levy, 2015), is testament to the popularity of cases.

Given the lucrative market for business school case publishing it is not surprising that many other top-ranked business schools, including those at the University of Virginia (Darden), Stanford University, the University of Western Ontario (Ivey), the University of California, Berkeley (Haas), Columbia University, the Massachusetts Institute of Technology (Sloan), the University of Michigan (Ross), the Asian Institute of Management and the Indian Institute of Management, have entered the case-publishing industry. Similarly, a number of academic journals, such as the Case Research Journal, and related academic associations, such as the Case Research Institute, have been launched to support the development of case-based pedagogy which is now being viewed within the business school academy as a legitimate means of academic scholarship.

Much has been written about the relative advantages and disadvantages of the case study method relative to other pedagogies in general (summary in Roth & Smith, 2009) as well as in the teaching of strategic management (Siciliano & McAleer, 1997). In sum, cases are viewed as a means of helping students understand the realities of a manager's job as well as providing a substitute for actual work experience (Chang, et. al., 2001). They have been found to aid in the development of a variety of skills, including oral and written communication skills, analytical skills, interpersonal skills and critical thinking skills in integrating concepts and functional knowledge learned across the entire business curriculum (David, 2003; Chang, et. al., 2001). Indeed, the strategic management course is one of the few areas of the business school curriculum which allows and facilitates the development of integrative, cross-functional skills.

Ideally, cases present material which facilitates the development of decision making skills by simulating the management of a company (Bocker, 1987). The extent to which cases DO actually simulate the true nature of managerial work has been questioned. Robert Dammon, Dean of the Tepper School of Business at Carnegie Mellon University, has argued that while a case presents a relevant and select set of facts, business problems in the real world don't come with the neat organization and structure of a case (Levy, 2015). In addition, cases can't always capture the interpersonal and political dynamics being faced by key decision makers which can often only be fully understood and appreciated through actual experience.

In addition to the criticism of the means by which cases present and summarize information, case material can quickly become outdated (Chang, et. al., 2001). This is particularly evident given the rapidly changing nature of the larger environments in which businesses operate and critical in industries in which change in the norm, such as technology-based industries or industries which utilize newer technology. Given the rates of change in the environments in which many organizations operate, cases can become completely dated within six months of initial publication or even sooner. While it is possible to have students analyze a case at the time of publication, without considering events which have since transpired, information is readily available on the internet as to what choices decision makers in the organization being studied made and whether these choices were successful. Hence, students aren't afforded the full opportunity to develop their analytical skills. It is imperative that cases used in the strategic management course be both current and of high quality (David, 2003).

In addition to the obsolescence factor, once a new case has been used, its analysis immediately becomes readily available to others. Within a given institution, if faculty do not change cases every semester, the age-old problem of students handing down their notes and analysis to their classmates taking the course in a subsequent semester or year materializes. In addition, the advent of e-portfolios and open access posting has resulted in the analysis of a case done by students at other institutions making their way to the internet and being easily accessible to anyone via a basic search. Because most published cases come with well-defined teaching objectives and strategies, as outlined in accompanying teaching notes, the focus of a published case tends to remain constant across institutions. Hence, there is an incentive to engage in academic dishonesty by discovering existing case analyses both from the same and other institutions.

This is a potential grave limitation of the use of cases given the research on academic dishonesty. One landmark study of academic dishonesty in graduate business programs found that self-reported cheating is more common in graduate business programs than in non-business programs and the internet enables such cheating. 56% of graduate students self-reported their own academic dishonesty and 33% of graduate business student used the internet to facilitate this dishonesty (McCabe, Butterfield & Trevino, 2006). Given that self-reported deviant behavior is often not disclosed, it is reasonable to assume the actual percentages are even higher than those reported by the authors (Athanasou & Olabisi, 2002). Not surprisingly, the authors suggest that faculty not use the same assignment twice to mitigate the potential for cheating (McCabe, Butterfield & Trevino, 2006). This certainly creates a quandary for faculty who believe in the value and benefits of the case study method in teaching strategic management.

2. Enhancing the Use of Traditional Cases

It has been recommended that student learning can be aided by using case examples of organizations which are currently in the news rather than "classic cases" (David, 2003). While such older cases can well-illustrate a particular challenge and/or issue within a given time and context, current examples allow students to better understand the current realities which challenge organizations, particularly as they try to anticipate changes to external forces and design a strategy for the future. Indeed, older cases were often centered on a narrow decision which needed to be made by a key executive whereas cases today are, by necessity, more comprehensive and include information related to all areas of the industry and the organization's operations, finances, marketing and overall strategy and positioning (David, 2003).

Students can also benefit from using a case of a company of which they are familiar as customers. College-age students and certainly graduate students are consumers in a variety of dynamic industries, including retail, fashion, publishing, technology, dining and entertainment. Allowing them to integrate their experiences as consumers, and to possibly survey peers and family members to learn about their experiences and perceptions, with strategy recommendations within their strategic analysis can heighten their learning outcomes.

It has been suggested that secondary data can be more useful than primary data in constructing new cases (David, 2003). Toward this end, the proliferation of information available on the internet facilitates the development of "real-time" teaching rather than using material which was gleaned from interviews which took place in past years with executives who may no longer be in leadership roles in their organizations. Press releases, industry analyst and stock reports, annual reports, company profiles obtained from Standard and Poor's, Moody's and similar reporting agencies, and information reported about an organization in both the popular and business presses, both print and online, provide both current information and perceptions and further represent the communications challenges to which contemporary organizations must respond. While it may be more difficult to get detailed information about privately held and nonprofit organizations than it is for publically traded companies, a plethora of public information is available about most organizations which does not require the permission of the organization to access or use and which can be easily updated.

3. A Better Way? – "Live" cases and "Real-time" cases

"Live" cases have been suggested as a means of overcoming some of the shortcomings of the traditional, published case approach (Roth & Smith, 2009; Singh & Eischen 2007). Live cases involve having students visit an actual organization to analyze either a specific, defined, strategic problem or the entire organization's strategy. In this pedagogy, the organization itself is a partner, in providing information and/or access to information, as well as a client who receives an analysis and recommendations from a team of students who are assigned to the organization. Such experiential learning methodologies have been growing in popularity and allow a level of development of data collection and analysis skills not possible with a published case. Live cases also facilitate the study of organizations and industries about which there is limited public information, such as privately-held companies and non-profit organizations.

There are numerous benefits of live cases which transcend the benefits available from the use of written cases. Students report an enhanced understanding of the strategy process as well as the ability to apply strategy concepts to a real organization (Roth & Smith, 2009). Organizations report learning about potential new or improved ideas and processes from an outside, objective perspective as well as strategic opportunities and choices which may have been overlooked by senior management (Roth & Smith, 2009). Live cases also allow an institution to establish and develop mutually beneficial partnerships with local area businesses.

However, there are downsides to the use of live cases. Students have reported frustration about limited or insufficient organization commitment, availability or information made available to them (Roth & Smith, 2009). Executives in client organizations report of the time-consuming process of participation in meeting and working with students (Roth & Smith, 2009) as well as requests for proprietary or confidential information (Schlee & Van Duzer, 2007). The latter can be of particular concern in privately-held organizations. Faculty members who use the live case approach cite the time-consuming process in selecting and coming to agreement with client organizations as well as managing client organization executives' expectations concerning the scope and depth of the project, given time and resources (Roth & Smith, 2009).

The disadvantages of live cases can be easily overcome. Communication to, among and between students and employers is critical to establish the parameters of the live case. Faculty members can similarly find their overall time commitment reduced once the projects start if important points are clarified and agreed upon prior. These include outcomes and scope (exactly what students be analyzing and what will they produce as part of the assignment); access (whether key executives will be available to students for questions, clarification and feedback); time (the time period over which the project will be pursued and when students may visit the organization and/or meet with key executives); and information (the information which will be made available to students and any necessary confidentiality agreements). Faculty members using the live case approach can prepare standard information and expectation statements for organizations which can be fine-tuned to meet the particular needs of the organization and project prior to commencement of the project. Similar processes are followed in most management consulting courses and, indeed, the live case is essentially a consulting project where students work on a project that is central to strategy or, ideally, on the entire organization strategy itself.

The proliferation of information available about, particularly, publically-held organizations on the internet facilitates the development of "real-time" cases. Borrowing from the principles of just-in-time inventory management, real-time cases involve using the most current information available about an organization as the text and focus of the case study. Typically, this can consist of a publically-held organization's most recent 10-K (annual) filing with the United States Securities and Exchange Commission (SEC). 10-K reports are required of organizations with more than $10 million in assets and any class of equity securities which are held by more than 500 owners, regardless of whether such securities are traded publically or privately. 10-K filings are public documents which are available online through the SEC website and/or the filing organization's website free of charge.

10-K reports contain information organized under four "parts" (Company overview and description; Business discussion and financial data; Insiders and related parties; and Full financial statements and footnotes) into fifteen distinct "items" as identified in Appendix A. Depending on the nature and level of the course, faculty may wish to edit a 10-K report down into a more traditional case format as 10-K reports can be very lengthy, often exceeding 100 pages. Many of these items included in the 10-K may not be relevant to the analysis students will be required to conduct yet the standard organization of the items facilitates easy editing out of extraneous material by a faculty member. Appendix B presents an example of a condensed 10-K for Coach, Inc. which was recently used successfully by the author. Quarterly 10-Q reports filed with the SEC can also be used by themselves or in tandem with 10-K reports for more updated financials, permitting trend analysis, but these reports are less detailed than 10-K reports and include unaudited, albeit more current, financial data.

In addition to 10-K reports, real-time cases can be facilitated by the use of information and data available online, including that available in the business press, published by financial analysts and investment firms and in the popular press. A caveat, though, is ensuring the credibility of the author and/or publishing source of any organizational information found online. Regardless though, such a search of readily available information about an organization can allow students to learn more about the roles of image management and branding as an overall part of strategy.

Real-time cases help to overcome many of the potential problems associated with traditional cases while still providing the benefits associated with the use of cases. The obvious limitation of them is that information may not be readily available about smaller, privately held organizations or nonprofits and government agencies. These types of organizations, however, can be studied as live cases and a course in strategic management might incorporate the use of both live and real-time cases as different skills are developed in each.

4. Conclusion

While some alternative approaches to teaching strategic management exist, case studies remain the dominant pedagogy employed at all levels of study and will likely remain as such for the foreseeable future, given the ever-increasing inventory of cases being produced and the elevation of case research into the ranks of acceptable scholarly research. Traditional cases, particularly those which are set in volatile industries, suffer from the problem of obsolescence. Other cases present issues which have been resolved since publication with detailed reports of resolutions readily available online. Live and real-time cases represent means of continuing the tradition of using case studies, given the many benefits they provide, while simultaneously requiring students to deal with issues in the present, much as they will need to do in their managerial careers. While both live and real-time cases have their limitations, they can greatly help to overcome the noted shortcomings of traditional cases.

Appendix A

Organization of a 10-K Report

Part I

Item 1 Business
Item 1A Risk Factors
Item 1B Unresolved Staff Comments
Item 2 Properties
Item 3 Legal Proceedings
Item 4 Mine Safety Disclosures

Part II

Item 5 Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities
Item 6 Selected Financial Data
Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations
Item 7A Quantitative and Qualitative Disclosures About Market Risk
Item 8 Financial Statements and Supplementary Data
Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure
Item 9A Controls and Procedures
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Part III

Item 10 Directors, Executive Officers and Corporate Governance
Item 11 Executive Compensation
Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters
Item 13 Certain Relationships and Related Transaction and Director Independence
Item 14 Principal Accounting Fees and Services

Part IV

Item 15 Exhibits, Financial Statement Schedules

Appendix B

Coach, Inc.
FORM 10-K for the fiscal year ended June 27, 2015

Coach, Inc. is a leading New York design house of modern luxury accessories and lifestyle brands. The Coach brand was established in New York City in 1941, and has a rich heritage of pairing exceptional leathers and materials with innovative design. Coach Inc. was acquired by Sara Lee Corporation ("Sara Lee") in 1985. In June 2000, Coach was incorporated in the state of Maryland. In October 2000, Coach was listed on the New York Stock Exchange and sold approximately 68 million shares of common stock, split adjusted, representing 19.5% of the then outstanding shares. In April 2001, Sara Lee completed a distribution of its remaining ownership in Coach via an exchange offer, which allowed Sara Lee stockholders to tender Sara Lee common stock for Coach common stock.

Coach, Inc. operates in three segments: North America, International and Other (which includes the Stuart Weitzman brand acquired by the Company in the fourth quarter of fiscal 2015). The North America segment includes sales to North American customers through Coach-operated stores (including the Internet) and sales to North American wholesale customers. The International segment includes sales to customers through Coach-operated stores (including the Internet) and concession shop-in-shops in Japan and mainland China, Coach-operated stores and concession shop-in-shops in Hong Kong, Macau, Singapore, Taiwan, Malaysia, South Korea, the United Kingdom, France, Ireland, Spain, Portugal, Germany, Italy, Belgium and the Netherlands, as well as sales to wholesale customers and distributors in approximately 45 countries. Other, consists of sales and expenses generated by the Coach brand in other ancillary channels, including licensing and disposition. Other also consists of sales and expenses generated by the Stuart Weitzman brand during the final two months of fiscal 2015. As the Company's business model is based on multi-channel global distribution, our success does not depend solely on the performance of a single channel or geographic area.

COACH BRAND

The Coach brand is one of the most recognized fine accessories brands in both North America and in targeted international markets, and has a rich heritage of pairing exceptional leathers and materials with innovative design.

We offer premium lifestyle accessories to a loyal and engaged customer base and provide consumers with fresh, compelling and innovative products that are extremely well made, at an attractive price. Our product offering uses a broad range of high quality leathers, fabrics and materials. In response to our customer's demands for both fashion and function, Coach offers updated styles and multiple product categories which address an increasing share of our customer's accessory wardrobe. Coach presents a sophisticated, modern and inviting environment to showcase our product assortment and reinforce a consistent brand positioning wherever the consumer may shop. We utilize a flexible, cost-effective global sourcing model, in which independent manufacturers supply our products, allowing us to bring our broad range of products to market rapidly and efficiently.

We offer a number of key differentiating elements that set us apart from the competition, including:

A Distinctive Brand — The Coach brand represents a blend of classic American style with a distinctive New York spirit, offering a design that is known for a distinctive combination of style and function. Coach offers lifestyle products that are relevant, extremely well made and provide excellent value.

A Market Leadership Position With Growing International Recognition — The Coach brand is a global leader in premium handbags and lifestyle accessories. Our long-standing reputation and distinctive image have been consistently developed across an expanding number of products, sales channels and international markets, including within North America and Japan. Coach also continues to gain traction in mainland China and other Asian markets, Europe and Latin America.

A Loyal and Involved Consumer — Consumers have a strong emotional connection with the Coach brand. Part of our everyday mission is to cultivate consumer relationships by strengthening this sentiment and brand loyalty.

A Multi-Channel Global Distribution Model — Products are available in image-enhancing environments globally wherever our consumer chooses to shop including: retail and outlet stores, directly operated concession shop-in-shops, online, and department and specialty stores. This allows us to maintain a dynamic balance as results do not depend solely on the performance of a single channel or geographic area. Our stores showcase the world of our products and enhance the shopping experience while reinforcing the image of our brand. The modern store design creates a distinctive environment to display our products. We continue to be committed to the elevation and enhancement of our in-store imagery through strategic investments in Coach branded stores and wholesale locations. Furthermore, store associates are trained to maintain high standards of visual presentation, merchandising and customer service.

Innovation With A Consumer-Centric Focus — Coach listens to its consumer through rigorous consumer research and strong consumer orientation. To truly understand globalization and its related impact, we also need to understand the local context in each market, learning about our consumer wherever our products are sold. The Coach brand also works to anticipate the consumer's changing needs by keeping the product assortment fresh and compelling.

COACH PRODUCTS

Coach brand's primary product offerings, manufactured by third-party suppliers, include women's and men's bags, small leather goods, footwear, business cases, ready-to-wear including outerwear, watches, weekend and travel accessories, scarves, sunwear, fragrance, jewelry, travel bags and other lifestyle products. The following table shows net sales for each product category represented for the Coach brand (in millions):

	Fiscal Year Ended					
	June 27, 2015		June 28, 2014		June 29, 2013	
	Amount	**% of total net sales**	Amount	% of total net sales	Amount	% of total net sales
Women's Handbags	**$ 2,389.6**	**58 %**	$ 2,826.1	59 %	$ 3,177.2	62 %
Women's Accessories	**709.4**	**17**	860.3	18	954.2	19
Men's	**680.4**	**16**	691.8	14	599.5	12
All Other Products	**369.2**	**9**	428.0	9	344.5	7
Total Sales	**$ 4,148.6**	**100 %**	$ 4,806.2	100 %	$ 5,075.4	100 %

During fiscal 2015, the Company reevaluated its product categories and determined that small accessory handbags and travel bags, which were previously classified as "Women's Accessories" and "All Other Products," respectively, are viewed by management to be part of its "Women's Handbag" product category. Prior periods have been adjusted to reflect the current period classification.

Women's Handbags — Women's handbag collections feature classically inspired designs as well as fashion designs. Typically, there are three to four collections per quarter and four to seven styles per collection. These collections are designed to meet the fashion and functional requirements of our broad and diverse consumer base.

Women's Accessories — Women's accessories include small leather goods and novelty accessories. Women's small leather goods, which complement our handbags, include money pieces, wristlets and cosmetic cases. Key rings and charms are also included in this category.

Men's — Men's bag collections include business cases, computer bags, messenger-style bags and totes. Men's small leather goods consist primarily of wallets, card cases and belts. Novelty accessories include time management and electronic accessories.

All Other Products (excluding the Stuart Weitzman brand) consist of the following:

Footwear — Jimlar Corporation ("Jimlar") has been Coach brand's footwear licensee since 1999. Footwear is distributed through select Coach retail stores our Internet sales sites and U.S. department stores and military locations. Footwear sales are comprised primarily of women's styles.

Wearables — This category is comprised of certain seasonal lifestyle apparel collections, including outerwear, ready-to-wear and cold weather accessories, such as gloves, scarves and hats. These products are primarily women's and contain a fashion assortment in all components of this category.

Jewelry — This category is comprised of bracelets, necklaces, rings and earrings offered in sterling silver, leather and non-precious metals.

Sunwear — Luxottica Group SPA ("Luxottica") has been Coach's eyewear licensee since 2012. This collection is a collaborative effort that combines the Coach aesthetic for fashion accessories with the latest fashion directions, primarily in sunglasses. Our sunglasses are sold in retail stores and on our Internet sales sites, department stores worldwide, select sunglass retailers and optical retailers in major global markets.

Watches — Movado Group, Inc. ("Movado") has been Coach's watch licensee since 1998 and has developed a distinctive collection of watches inspired primarily by women's collections with select men's styles. The Coach watch collection is currently sold in Coach retail stores and on our Internet sales sites, department stores worldwide, and select watch retailers in major global markets.

Fragrance — Upon the expiration of Estée Lauder Companies Inc. ("Estée Lauder") contract in June 2015, Coach entered into a new licensing agreement with Interparfums, which will expire in June 2026. Fragrance is distributed through Coach retail stores, our Internet sales sites, department and specialty stores worldwide, and select perfumeries in major global markets. Coach offers women's fragrance collections which include eau de perfume spray, eau de toilette spray, purse spray, and body lotion. Coach also offers men's fragrance collections.

STUART WEITZMAN BRAND

Stuart Weitzman Intermediate LLC ("Stuart Weitzman") is a global leader in designer footwear, and is built upon the concept of crafting a beautifully-constructed shoe, merging fashion and function. Stuart Weitzman is a leading women's premium footwear brand in North America, with a strong opportunity for growth both within North America and international markets. The design team, under Mr. Stuart Weitzman, is responsible for conceptualizing and directing the design of all products, and works closely with its manufacturing partners, primarily in Spain, to construct a broad mix of footwear styles. These manufacturers in aggregate support a broad mix of materials and seasonal influx of new, fashion oriented styles, which allows the Stuart Weitzman brand to quickly meet marketplace demands and changing consumer preferences.

Stuart Weitzman products, which substantially consist of footwear, are sold primarily through wholesale concepts (including shop-in-shops) as well as through retail concepts (including directly operated stores and e-commerce sites). As of June 27, 2015, Stuart Weitzman employed approximately 500 people globally, including both full and part time employees, but excluding seasonal and temporary employees. Of these employees, approximately 300 were retail employees in the global retail field. The Company owns all of the material worldwide trademark rights (including the Stuart Weitzman trademark) used in connection with the production, marketing and distribution of Stuart Weitzman products. In addition, the Company owns registrations for design patents and applications for utility patents for Stuart Weitzman products.

DESIGN AND MERCHANDISING

Coach brand's design team, led by the Executive Creative Director, Stuart Vevers, is responsible for conceptualizing and directing the design of all products. Designers have access to Coach's extensive archives of product designs created since Coach's inception, which are a valuable resource for new product concepts. Our designers are also supported by a strong merchandising team that analyzes sales, market trends and consumer preferences to identify market opportunities that help guide each season's design process and create a globally relevant product assortment. Merchandisers also manage the product life cycle to maximize sales and profitability across all channels. The product category teams, each comprised of design, merchandising/product development and sourcing specialists help the Coach brand execute design concepts that are consistent with the brand's strategic direction.

Our design and merchandising teams work in close collaboration with all of our licensing partners to ensure that the licensed products (watches, footwear, eyewear and fragrance) are conceptualized and designed to address the intended market opportunity and convey the distinctive perspective and lifestyle associated with our brands.

SEGMENTS

In fiscal 2015, the Company has three reportable segments:

- North America, which includes sales to North American consumers through Coach-branded stores (including the Internet) and sales to wholesale customers. This segment represented approximately 59% of Coach's total net sales in fiscal 2015.
- International, which includes sales to consumers through Coach-branded stores (including the Internet) and concession shop-in-shops in Japan and mainland China, Coach-operated stores and concession shop-in-shops in Hong Kong, Macau, Singapore, Taiwan, Malaysia, South Korea, the United Kingdom, France, Ireland, Spain, Portugal, Germany, Italy, Belgium and the Netherlands as well as sales to wholesale customers and distributors in approximately 45 countries. This segment represented approximately 39% of total net sales in fiscal 2015.
- Other, which consists of sales and expenses generated by the Coach brand in other ancillary channels, including licensing and disposition. Other also consists of sales and expenses generated by the Stuart Weitzman brand during the final two months of fiscal 2015. This segment represented approximately 2% of total net sales in fiscal 2015.

North America Segment

North American Retail Stores — Coach retail stores are located in regional shopping centers and metropolitan areas throughout the U.S. and Canada. The retail stores carry an assortment of products depending on their size, location and customer preferences. Our flagship stores, which offer the broadest assortment of Coach products, are located in high-visibility locations.

In fiscal 2015, we have reduced the number of retail stores and total square footage, as we continue to optimize our real estate position. We expect this trend to continue in the next fiscal year with the anticipated closure of approximately 15-20 North America retail stores in the fiscal year ending July 2, 2016 ("fiscal 2016"), attributable to our Transformation Plan, as described in Note 3, "Transformation and Other Actions."

	Fiscal Year Ended		
	June 27, 2015	June 28, 2014	June 29, 2013
Retail stores	**258**	332	351
Net decrease vs. prior year	**(74)**	(19)	(3)
% decrease vs. prior year	**(22.3)%**	(5.4)%	(0.8)%
Retail square footage	**728,833**	910,003	952,422
Net decrease vs. prior year	**(181,170)**	(42,419)	(6,677)
% decrease vs. prior year	**(19.9)%**	(4.5)%	(0.7)%
Average square footage	**2,825**	2,741	2,713

North American Outlet Stores — Coach's outlet stores serve as an efficient means to sell manufactured-for-outlet product, including outlet exclusives, and to a lesser extent, discontinued inventory outside the retail channel. These stores operate under the Coach name and are geographically positioned primarily in established outlet centers that are generally in close proximity to major markets.

Coach's outlet store design, visual presentations and customer service levels support and reinforce the brand's image. Through these outlet stores, Coach targets value-oriented customers.

The change in the number of North America Coach outlet stores and their total and average square footage is shown in the following table:

	Fiscal Year Ended		
	June 27, 2015	June 28, 2014	June 29, 2013
Outlet stores	**204**	207	193
Net (decrease) increase vs. prior year	**(3)**	14	24
% (decrease) increase vs. prior year	**(1.4)%**	7.3 %	14.2 %
Outlet square footage	**1,189,018**	1,132,714	982,202
Net increase vs. prior year	**56,304**	150,512	192,503
% increase vs. prior year	**5.0 %**	15.3 %	24.4 %
Average square footage	**5,829**	5,472	5,089

Over the next few years, we expect to continue to see modest to no growth in outlet store square footage as we continue to optimize our real estate position across channels by expanding our most productive stores to accommodate a broader expression of lifestyle assortment while continuing to assess opportunities to close under-performing stores.

Internet — Coach views its www.coach.com website as a key communications vehicle for the brand to promote traffic in Coach retail stores and department store locations and build brand awareness, as well as an additional channel to sell Coach brand products directly to customers. With approximately 64 million unique visits to www.coach.com in fiscal 2015, our online store provides a showcase environment where consumers can browse through a selected offering of the latest styles and colors. Our e-commerce programs also include our invitation-only outlet Internet sales site, where we have considerably reduced the number of promotional events since fiscal 2014.

North America Wholesale — Coach began as a U.S. wholesaler to department stores and this channel continues to remain a part of our overall consumer reach. Today, we work closely with our partners to ensure a clear and consistent product presentation. Coach enhances its presentation through the creation of shop-in-shops with proprietary Coach fixtures within the department store environment. Coach custom tailors its assortments through wholesale product planning and allocation processes to match the attributes of our department store consumers in each local market. Coach continues to closely manage inventories in this channel given the highly promotional environment at point-of-sale. Coach utilizes automatic replenishment with major accounts in an effort to optimize inventory across wholesale doors. Over the next year, we expect to continue investing in the elevation of shop-in-shop environments.

Coach brand's products are sold in approximately 1,000 wholesale locations in the U.S. and Canada. Our most significant U.S. wholesale customers are Macy's (including Bloomingdale's), Dillard's, Nordstrom, Lord & Taylor, The Bay, Bon Ton, Belk and Von Maur. Coach products are also available on these customers' websites.

International Segment

Our International Markets operate department store concession shop-in-shop locations and freestanding flagship, retail and outlet stores as well as e-commerce websites. Flagship stores, which offer the broadest assortment of Coach products, are located in select high-visibility shopping districts.

The following table shows the number of international directly-operated locations and their total and average square footage:

	Fiscal Year Ended		
	June 27, 2015	June 28, 2014	June 29, 2013
Coach International:			
Locations:	**503**	475	409
Net increase vs. prior year	**28**	66	41
% increase vs. prior year	**5.9 %**	16.1 %	11.1 %
Square footage:	**1,030,695**	918,995	768,567
Net increase vs. prior year	**111,700**	150,428	103,171
% increase vs. prior year	**12.2 %**	19.6 %	15.5 %
Average square footage	**2,049**	1,935	1,879

We expect our International segment to reflect modest growth in store count over the next few years, particularly within mainland China and Europe.

International Wholesale — In addition to our company-operated stores, this channel includes sales to international wholesale distributors and authorized retailers. Travel retail represents the largest portion of our customers' sales in this channel. However, we continue to drive growth by expanding our distribution to reach local consumers in new markets. Coach has developed relationships with a select group of distributors who sell Coach products through department stores and freestanding retail locations in approximately 45 countries. Coach's current network of international distributors serve the following domestic and/or travel retail markets: Argentina, Australia, Austria, Bahamas, Bahrain, Benelux, Brazil, Canada, Chile, Greater China, Colombia, Denmark, Dominican Republic, Finland, France, Germany, Indonesia, Italy, Japan, South Korea, Kuwait, Lebanon, Malaysia, Mexico, New Zealand, Norway, Panama, Peru, Philippines, Portugal, Qatar, Saudi Arabia, Singapore, Spain, Sweden, Switzerland, Taiwan, Thailand, the United Arab Emirates, the United Kingdom, Uruguay, U.S. & Territories, Venezuela and Vietnam.

For locations not in freestanding stores, Coach has created shop-in-shops and other image enhancing environments to increase brand appeal and stimulate growth. Coach continues to improve productivity in this channel by opening larger image-enhancing locations, expanding existing stores and closing less productive stores. Coach's most significant international wholesale customers are the DFS Group, Everrich DFS Corp, Lotte Group, Shilla Group and Vantage Point. Coach's products are sold in approximately 430 wholesale locations.

Other Segments

Stuart Weitzman — The Stuart Weitzman brand is sold primarily through department stores in North America and international distributors, including approximately 600 wholesale locations, and within numerous independent third party distributors. Its most significant wholesale customers include Nordstrom, Saks, and Neiman Marcus. Furthermore, Stuart Weitzman products are also sold in freestanding flagship and retail stores, and e-commerce websites. As of June 27, 2015, Stuart Weitzman had 54 directly operated stores with a total square footage of 91,101 and an average square footage of 1,687.

Licensing — In our worldwide licensing relationships, Coach takes an active role in the design process and controls the marketing and distribution of products under the Coach brand. Licensing revenue was approximately $31.9 million and $27.9 million in fiscal 2015 and fiscal 2014, respectively. Our key licensing relationships as of June 27, 2015 are as follows:

		Date	
Category	Partner	Introduction	Expiration
Footwear	Jimlar Corporation	1999	2017
Eyewear	Luxottica[(1)]	2012	2016
Watches	Movado	1998	2020
Fragrance	Estee Lauder[(2)]	2010	2015
Fragrance	Interparfums[(2)]	2015	2026

(1) The Luxottica licensing relationship is expected to automatically renew in June 2016 with a new expiration date in calendar year 2020.

(2) The Estee Lauder licensing relationship expired on June 30, 2015. Coach entered into a new licensing agreement with Interparfums in April 2015, expiring in June 2026.

Products made under license are, in most cases, sold through all of the channels discussed above and, with the Company's approval, these licensees have the right to distribute products selectively through several other channels, including: shoes in department store salons, watches in selected jewelry stores and eyewear and sunwear in selected optical retailers. These venues provide additional, yet controlled, exposure of our brands. Our licensing partners pay royalties on their net sales of our branded products. However, such royalties are not material to our business as they currently comprise less than 1% of the Company's total net sales. The licensing agreements generally give Coach the right to terminate the license if specified sales targets are not achieved.

MARKETING

Coach brand's global marketing strategy is to deliver a consistent, relevant and multi-layered message every time the consumer comes in contact with our brands through our communications and visual merchandising. Coach's image is created and executed by our creative marketing, visual merchandising and public relations teams, as well as with outside creative agencies. Coach also has a sophisticated consumer and market research capability, which helps us assess consumer attitudes and trends.

In conjunction with promoting a consistent global image, Coach uses its extensive customer database and consumer knowledge to target specific products and communications to specific consumers to efficiently stimulate sales across all distribution channels.

Coach engages in several consumer communication initiatives, including direct marketing activities and national, regional and local advertising. Total expenses attributable to Coach brand marketing-related events in fiscal 2015 were

$158.9 million, or approximately 4% of net sales, compared to $130.1 million in fiscal 2014, or approximately 3% of net sales.

Coach's wide range of direct marketing activities includes email contacts and catalogs targeted to promote sales to consumers in their preferred shopping venue. In addition to building brand awareness and driving online revenue, Coach's websites serve as an effective brand communication vehicle by providing a showcase environment where consumers can browse through a strategic offering of the latest styles and colors, which drives store traffic and enables the collection of customer data.

As part of the Coach's direct marketing strategy, we use databases primarily consisting of approximately 28 million households in North America, approximately 11 million households in Asia and approximately 380,000 households in Europe. Email contacts and direct mail pieces are an important part of Coach's communication and are sent to selected households to stimulate consumer purchases and build brand awareness. Visitors to Coach's e-commerce sites in the U.S., Canada, Japan and China provide an opportunity to increase the size of these databases, as well as point of sale transactions globally except where restricted.

In fiscal 2015, Coach had informational websites in Brazil, Chile, Colombia, Mexico, Panama, Peru, Venezuela, Australia, Hong Kong, Indonesia, Korea, Malaysia, New Zealand, Singapore, Taiwan, Thailand, Vietnam, France, Ireland, Portugal, Spain, United Kingdom, United Arab Emirates, Saudi Arabia, Kuwait and Bahrain. In addition, the Company utilizes and continues to explore digital technologies such as blogs and social media websites, including Twitter, Facebook, Instagram, Pinterest, WeChat and Sina Weibo, as a cost effective consumer communication opportunity to increase on-line and store sales, acquire new customers and build brand awareness.

The Coach brand also runs national, regional and local marketing campaigns in support of its major selling seasons. In fiscal 2014, Coach refreshed its strategy to expand its marketing campaigns to more clearly message its brand and products under an effortless New York style positioning. We plan to continue to support this strategy in the future through an increased presence in relevant fashion, media events and publications.

MANUFACTURING

Coach carefully balances its commitments to a limited number of "better brand" partners with demonstrated integrity, quality and reliable delivery. Our manufacturers are located in many countries, including Vietnam, mainland China, the Philippines, India, Thailand, Italy, Hong Kong, Myanmar and the United States. Coach continues to evaluate new manufacturing sources and geographies to deliver the finest quality products at the lowest cost and help limit the impact of manufacturing in inflationary markets. During fiscal 2015, the Coach brand had two vendors who each provided slightly over 10% of the

Company's total units. These two vendors are geographically dispersed and have multiple locations in different countries. No other individual vendor currently provides more than approximately 10% of Coach's total units. Before partnering with a vendor, Coach evaluates each facility by conducting a quality and business practice standards audit. Periodic evaluations of existing, previously approved facilities are conducted on a random basis. We believe that all of our manufacturing partners are in material compliance with Coach's integrity standards.

These independent manufacturers each or in aggregate support a broad mix of product types, materials and a seasonal influx of new, fashion oriented styles, which allows us to meet shifts in marketplace demand and changes in consumer preferences.

Our raw material suppliers, independent manufacturers and licensing partners, must achieve and maintain high quality standards, which are an integral part of our identity. One of Coach's keys to success lies in the rigorous selection of raw materials. Coach has longstanding relationships with purveyors of fine leathers and hardware. Although Coach products are manufactured by independent manufacturers, we maintain a level of oversight in the selection of the raw materials that are used in all of our products. Compliance with quality control standards is monitored through on-site quality inspections at all independent manufacturing facilities.

We maintain control of the supply chain process from design through manufacture. We are able to do this by qualifying raw material suppliers and by maintaining sourcing management offices in Vietnam, Greater China, Hong Kong and the Philippines that work closely with our independent manufacturers. This broad-based, global manufacturing strategy is designed to optimize the mix of cost, lead times and construction capabilities.

DISTRIBUTION

In North America, the Company operates an 850,000 square foot distribution and consumer service facility in Jacksonville, Florida for Coach brand products. This automated facility uses a bar code scanning warehouse management system. Coach's distribution center employees use handheld scanners to read product bar codes, which allow them to more accurately process and pack orders, track shipments, manage inventory and generally provide excellent service to our customers. Coach brand products are primarily shipped to Coach retail stores and wholesale customers via express delivery providers and common carriers, and direct to consumers via express delivery providers.

Outside of North America, the Company has established regional distribution centers, through third-parties, in Shanghai, China and Oldenzaal, The Netherlands for Coach brand products. Coach also operates local distribution centers, through third-parties, in Japan, China, Hong Kong, South Korea, Taiwan, Malaysia, Singapore and Macau for Coach brand products.

SEASONALITY

Because Coach brand's products are frequently given as gifts, we experience seasonal variations in net sales, operating cash flows and working capital requirements, primarily related to seasonal holiday shopping. During the first fiscal quarter, we build inventory for the holiday selling season. In the second fiscal quarter, working capital requirements are reduced substantially as we generate higher net sales and operating income, especially during the holiday months of November and December. Fluctuations in net sales, operating income and operating cash flows in any fiscal quarter may be affected by other events affecting retail sales, including adverse weather conditions.

COMPETITION

The premium handbag, footwear and accessories industry is highly competitive. Coach competes primarily with European and American luxury and accessible luxury brands as well as private label retailers, including some of Coach's wholesale customers. Over the last several years these categories have grown, encouraging the entry of new competitors as well as increasing the competition from existing competitors. This increased competition drives consumer interest in this brand loyal category.

EMPLOYEES

As of June 27, 2015, Coach brand employed approximately 15,800 globally, including both full and part time employees, but excluding seasonal and temporary employees. Of these employees, approximately 7,400 and 5,700 were full time and part time employees, respectively, in the global retail field. Coach believes that its relations with its employees are good, and has never encountered a strike or work stoppage.

PROPERTIES

The following table sets forth the location, use and size of the Company's key distribution, corporate and product development facilities as of June 27, 2015. The majority of the properties are leased, with the leases expiring at various times through 2028, subject to renewal options.

Location	Use	Approximate Square Footage
Jacksonville, Florida	North America distribution and consumer service	850,000
New York, New York	Corporate, design, sourcing and product development	429,000[1]
Carlstadt, New Jersey	Corporate offices	65,000
New York, New York	Stuart Weitzman corporate, design, sourcing and product development	37,500

Tokyo, Japan	Coach Japan regional management	32,300
Shanghai, China	Greater China regional management	23,000
Hong Kong	Coach Hong Kong regional management	18,100
South Korea	Coach South Korea regional management	18,000
Shanghai, China	Coach Asia shared service center	17,700
Hong Kong	Corporate sourcing and quality control	17,000(2)
Dongguan, China	Corporate sourcing, quality control and product development	16,700
Ho Chi Minh City, Vietnam	Corporate sourcing and quality control	10,200
Fort Lauderdale, Florida	Stuart Weitzman corporate management	9,400
London	Coach Europe regional management	8,000
Taipei City, Taiwan	Coach Taiwan regional management	6,400
Malaysia	Coach Malaysia regional management	3,800
Singapore	Coach Singapore regional management	2,900
Beijing, China	Greater China regional management	2,800
Clark, Philippines	Corporate sourcing and quality control	2,400

(1) Includes approximately 285,000 square feet related to Coach-owned buildings.

(2) Represents a Coach-owned location.

As of June 27, 2015, the Company also occupied 258 Coach retail and 204 Coach outlet leased stores located in North America, 503 Coach-operated concession shop-in-shops within department stores, Coach retail and outlet stores in our international locations, and 54 Stuart Weitzman stores globally. These leases expire at various times through 2036. Coach considers these properties to be in generally good condition and believes that its facilities are adequate for its operations and provide sufficient capacity to meet its anticipated requirements.

Refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 3, "Transformation and Other Actions," for further information regarding the Transformation Plan, and its impact on future store trends.

Performance Graph

The following graph compares the cumulative total stockholder return (assuming reinvestment of dividends) of the Company's common stock with the cumulative total return of the S&P 500 Stock Index and the “former peer set” and "revised peer set" companies listed below over the five-fiscal-year period ending June 27, 2015, the last trading day of Coach’s most recent fiscal year. The graph assumes that $100 was invested on July 3, 2010 at the per share closing price in each of Coach’s common stock, the S&P 500 Stock Index and a peer set index compiled by us tracking the peer group companies listed above, and that all dividends were reinvested. The stock performance shown in the graph is not intended to forecast or be indicative of future performance.

The Company's former peer set consisted of:

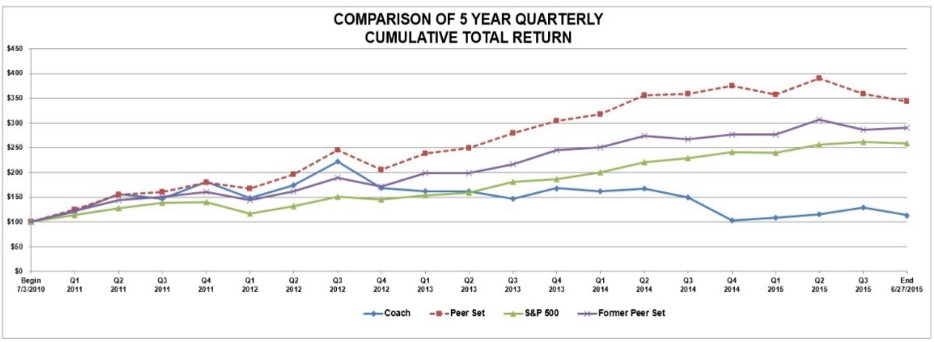
- The Gap, Inc.,
- Guess?, Inc.,
- L Brands, Inc.,
- PVH Corp.,
- Ralph Lauren Corporation,
- Tiffany & Co.,
- V.F. Corporation, and
- Williams-Sonoma, Inc.

During fiscal 2015, the Company established a revised peer set consisting of:

- L Brands, Inc.,
- PVH Corp.,

- Ralph Lauren Corporation,
- Tiffany & Co.,
- V.F. Corporation,
- Estee Lauder, Inc.,
- Kate Spade & Company,
- Abercrombie & Fitch Co., and
- Michael Kors Holdings Limited

Coach management selected the "revised peer set" on an industry/line-of-business basis and believes this updated set of companies represent good faith comparables based on their history, size, and business models in relation to Coach, Inc.



FINANCIAL DATA (dollars and shares in millions, except per share data)
The selected historical financial data presented below as of and for each of the fiscal years in the five-year period ended June 27, 2015 has been derived from Coach's audited Consolidated Financial Statements. The financial data should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," the Consolidated Financial Statements and Notes thereto and other financial data included elsewhere herein.

	Fiscal Year Ended[1]				
	June 27, 2015[2][4]	June 28, 2014 [3][4]	June 29, 2013 [3][4]	June 30, 2012 [3][4]	July 2, 2011 [4]
Consolidated Statements of Income:					
Net sales	**$ 4,191.6**	$ 4,806.2	$ 5,075.4	$ 4,763.2	$ 4,158.5
Gross profit	**2,908.6**	3,297.0	3,698.1	3,466.1	3,023.5
Selling, general and administrative ("SG&A") expenses	**2,290.6**	2,176.9	2,173.6	1,954.1	1,718.6
Operating income	**618.0**	1,120.1	1,524.5	1,512.0	1,304.9
Net income	**402.4**	781.3	1,034.4	1,038.9	880.8
Net income:					
Per basic share	**$ 1.46**	$ 2.81	$ 3.66	$ 3.60	$ 2.99
Per diluted share	**1.45**	2.79	3.61	3.53	2.92
Weighted-average basic shares outstanding	**275.7**	277.8	282.5	288.3	294.9
Weighted-average diluted shares outstanding	**277.2**	280.4	286.3	294.1	301.6
Dividends declared per common share	**$ 1.350**	$ 1.350	$ 1.238	$ 0.975	$ 0.675
Consolidated Balance Sheet Data:					
Working capital	**$ 1,671.8**	$ 1,042.1	$ 1,348.4	$ 1,086.4	$ 859.4
Total assets	**4,666.9**	3,663.1	3,531.9	3,104.3	2,635.1
Cash, cash equivalents and investments	**1,931.8**	1,353.1	1,332.2	923.2	712.8
Inventory	**485.1**	526.2	524.7	504.5	421.8
Total debt	**890.4**	140.5	1.0	23.4	24.2

Stockholders' equity	**2,489.9**	2,420.6	2,409.2	1,992.9	1,612.6

	Fiscal Year Ended[1]				
	June 27, 2015 [2]	June 28, 2014 [3]	June 29, 2013 [3]	June 30, 2012 [3]	July 2, 2011
Coach Operated Store Data:					
Stores open at fiscal year-end:					
North American retail stores	**258**	332	351	354	345
North American outlet stores	**204**	207	193	169	143
Coach International	**503**	475	409	368	311
Stuart Weitzman stores	**54**	—	—	—	—
Total stores open at fiscal year-end	**1,019**	1,014	953	891	799
Store square footage at fiscal year-end:					
North American retail stores	**728,833**	910,003	952,422	959,099	936,277
North American outlet stores	**1,189,018**	1,132,714	982,202	789,699	649,094
Coach International	**1,030,695**	918,995	768,567	665,396	544,798
Stuart Weitzman stores	**91,101**	—	—	—	—
Total store square footage at fiscal year-end	**3,039,647**	2,961,712	2,703,191	2,414,194	2,130,169
Average store square footage at fiscal year-end:					
North American retail stores	**2,825**	2,741	2,713	2,709	2,714
North American outlet stores	**5,829**	5,472	5,089	4,673	4,539
Coach International	**2,049**	1,935	1,879	1,808	1,752

Stuart Weitzman stores	**1,687**	—	—	—	—

(1) The Company's fiscal year ends on the Saturday closest to June 30. Fiscal years 2015, 2014, 2013, 2012 and 2011 were each 52-week years.

(2) The Company acquired Stuart Weitzman in the fourth quarter of fiscal 2015.

(3) The Company acquired its international businesses from its former distributors as follows: fiscal 2014 — the remaining 50% interest in Europe; fiscal 2013 — Malaysia and South Korea; fiscal 2012 — Singapore and Taiwan.

(4) For all fiscal years presented below, the Company recorded certain items which affect the comparability of our results. See item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," for further information on the items related to fiscal 2015, fiscal 2014, and fiscal 2013. During Fiscal 2012, the Company decreased its provision for income taxes by $23.9 million, primarily as a result of recording the effect of a revaluation of certain deferred tax asset balances due to a change in Japan's corporate tax laws and the favorable settlement of a multi-year transfer pricing agreement within Japan. The Company used the net income favorability to contribute an aggregate $39.2 million to the Coach Foundation. Fiscal 2011 was impacted by the result of a favorable settlement of a multi-year tax return examination and charitable contributions.

SUMMARY — FISCAL 2015

In fiscal 2015, Coach, Inc. reported net sales of $4.19 billion (including $43.0 million attributable to the Stuart Weitzman brand), net income of $402.4 million and net income per diluted share of $1.45. This compares to net sales of $4.81 billion, net income of $781.3 million, and net income per diluted share of $2.79 in fiscal 2014.

In fiscal 2015, the comparability of our operating results has been affected by $145.9 million of pretax charges ($107.8 million after tax, or $0.39 per diluted share) related to our Transformation Plan, $24.6 million of pretax charges ($21.0 million after tax, or $0.08 per diluted share) related to acquisition charges associated with the Stuart Weitzman brand. These fiscal 2015 actions taken together increased the Company's selling, general and administrative ("SG&A") expenses by $160.8 million and cost of sales by $9.7 million, negatively impacting net income by $128.8 million, or $0.47 per diluted share.

In fiscal 2014, the comparability of our operating results was affected by $131.5 million of pretax charges ($88.3 million after tax or $0.31 per diluted share) related to our Transformation Plan. These fiscal 2014 actions increased the Company's SG&A expenses by $49.3 million and cost of sales by $82.2 million, negatively impacting net income by $88.3 million, or $0.31 per diluted share.

Our operating performance for fiscal 2015 reflected a decline in net sales of 12.8%, primarily due to our North America business partially offset by a $43.0

million contribution from the Stuart Weitzman brand. Excluding the effects of foreign currency, net sales decreased 10.6%. Our gross profit decreased by 11.8% to $2.91 billion during fiscal 2015 which included the negative impact of charges under our Transformation Plan of $5.0 million and Stuart Weitzman purchase accounting related items of $4.7 million. Excluding our Transformation Plan and acquisition-related charges in fiscal 2015 and fiscal 2014, gross profit decreased by 13.6%, to $2.92 billion. SG&A expenses increased by 5.2% to $2.29 billion during fiscal 2015. Excluding charges under our Transformation Plan and acquisition-related charges in fiscal 2015 and fiscal 2014, SG&A expenses remained fairly consistent.

Net income decreased in fiscal 2015 as compared to fiscal 2014, due to a decrease in operating income of $502.1 million, partially offset by a $131.8 million decrease in our provision for income taxes. Net income per diluted share decreased primarily due to lower net income. Excluding charges under our Transformation Plan and acquisition-related charges in fiscal 2015 and charges under our Transformation Plan in fiscal 2014, net income and net income per diluted share decreased 38.9% and 38.2%, respectively.

FISCAL 2015 COMPARED TO FISCAL 2014

The following table summarizes results of operations for fiscal 2015 compared to fiscal 2014. All percentages shown in the table below and the discussion that follows have been calculated using unrounded numbers.

	Fiscal Year Ended					
	June 27, 2015		June 28, 2014		Variance	
	(dollars in millions, except per share data)					
	Amount	**% of net sales**	Amount	% of net sales	Amount	%
Net sales	**$ 4,191.6**	**100.0 %**	$ 4,806.2	100.0 %	$ (614.6)	(12.8)%
Gross profit	**2,908.6**	**69.4**	3,297.0	68.6	(388.4)	(11.8)
Selling, general and administrative expenses	**2,290.6**	**54.6**	2,176.9	45.3	113.7	5.2
Operating income	**618.0**	**14.7**	1,120.1	23.3	(502.1)	(44.8)
Interest (expense) income, net	**(6.4)**	**(0.2)**	2.2	—	(8.6)	NM
Provision for income taxes	**209.2**	**5.0**	341.0	7.1	(131.8)	(38.7)
Net income	**402.4**	**9.6**	781.3	16.3	(378.9)	(48.5)

Net income per share:			
Basic	**$ 1.46**	$ 2.81	$ (1.35)	(48.1)%
Diluted	**$ 1.45**	$ 2.79	$ (1.33)	(47.9)%

NM - Not meaningful

Net Sales

Net sales decreased 12.8% or $614.6 million to $4.19 billion in fiscal 2015. Excluding the effects of foreign currency, net sales decreased 10.6% or $511.3 million. This decrease was driven by lower sales in the North America business partially offset by gains in the International business, and a $43.0 million contribution due to the acquisition of Stuart Weitzman. The following table presents net sales by reportable segment for fiscal 2015 compared to fiscal 2014:

	Fiscal Year Ended				
	Total Net Sales		**Rate of Change**	**Percentage of Total Net Sales**	
	June 27, 2015	June 28, 2014		**June 27, 2015**	June 28, 2014
	(dollars in millions)				
North America	**$ 2,467.5**	$ 3,100.5	(20.4) %	**58.9** %	64.5 %
International	**1,622.0**	1,644.2	(1.3)	**38.7**	34.2
Other[(1)]	**102.1**	61.5	66.0	**2.4**	1.3
Total net sales	**$ 4,191.6**	$ 4,806.2	(12.8) %	**100.0** %	100.0 %

(1) Net sales in the Other category consists of Coach brand ancillary channels in fiscal 2015, including licensing and disposition, and sales generated by the Stuart Weitzman brand during the final two months of fiscal 2015.

Comparable store sales measure sales performance at stores that have been open for at least 12 months, and includes sales from the Internet. Coach excludes new locations from the comparable store base for the first twelve months of operation. Comparable store sales have not been adjusted for store expansions.

North America Net Sales decreased 20.4% or $633.0 million to $2.47 billion in fiscal 2015. Excluding the unfavorable impact of foreign currency due to the Canadian dollar, net sales decreased $622.5 million or 20.1%. This decrease was primarily driven by lower comparable store sales of $613.4 million or 22%, due to lower traffic as a result of a decrease in promotional activity, partially offset by higher transaction size. The Internet business had a negative impact of approximately 740 basis points on comparable store sales which is attributable to the Company's decision to both limit access and reduce the promotional cadence on our outlet Internet sales site. North America sales were also negatively impacted by lower wholesale sales of approximately $53.9 million due to lower shipments. These decreases were partially offset by a net increase of $32.4 million related to net sales generated by new store openings which were partially offset by the absence of net sales for those stores that have closed since fiscal 2014. Since the end of fiscal 2014, Coach closed a net 74 retail stores and a net three outlet stores, including the closure of 11 Men's outlet stores.

International Net Sales decreased 1.3% or $22.2 million to $1.62 billion in fiscal 2015. Excluding the unfavorable impact of foreign currency, primarily due to the Japanese yen, net sales increased $70.8 million or 4.3%. This increase was primarily due to growth in Greater China (which includes Hong Kong and Macau) reflecting an increase of $50.5 million primarily due to net new stores and positive comparable store sales, an increase of $36.7 million related to net new store openings and positive comparable store sales of our business in Europe and an increase of $15.7 million in our international wholesale business partially due to higher shipments. These increases were partially offset by a decrease in net sales in Japan of $37.4 million due to lower traffic as a result of lapping the pull forward in demand in advance of the April 2014 consumption tax increase. Since the end of fiscal 2014, we opened 28 net new stores, with 16 net new stores in mainland China, Hong Kong and Macau and Japan, and 12 net new stores in the other regions.

Other Net Sales increased 66.0% or $40.6 million to $102.1 million, primarily due to the impact of the Stuart Weitzman acquisition.

Gross Profit

Gross profit decreased 11.8% or $388.4 million to $2.91 billion in fiscal 2015 from $3.30 billion in fiscal 2014. Gross margin for fiscal 2015 was 69.4% as compared to 68.6% in fiscal 2014. Excluding items affecting comparability of $9.7 million in fiscal 2015 and $82.2 million in fiscal 2014, gross profit decreased 13.6% or $460.9 million to $2.92 billion from $3.38 billion in fiscal 2014, and gross margin was 69.6% in fiscal 2015 as compared to 70.3% in fiscal 2014. Excluding items affecting comparability, the gross margin decreased 70 basis points, as described below.

North America Gross Profit decreased 21.0% or $418.1 million to $1.57 billion in fiscal 2015. Gross margin decreased 50 basis points from 64.3% in fiscal 2014 to 63.8% in fiscal 2015. The decrease in gross margin is primarily attributable to the impact of decreased promotional activity on an elevated product assortment. Specifically, the impact of a higher mix of elevated product sales primarily in our outlet stores, which contained higher average unit costs, negatively impacted gross margin by 120 basis points. This decrease was mostly offset by lower promotional activity, mainly as a result of the scale-back of promotional events within our outlet channel which favorably impacted gross margin by 90 basis points.

International Gross Profit decreased 3.6% or $46.5 million to $1.25 billion in fiscal 2015. Gross margin decreased 180 basis points from 78.8% in fiscal 2014 to 77.0% in fiscal 2015. The decrease in gross margin is primarily due to a less favorable geographic mix of our sales and unfavorable effects of foreign currency, which in aggregate negatively impacted gross margin by 110 basis points, particularly as a result of a decline in net sales in Japan, coupled with the growth of our international wholesale business, as well as the impact of stronger elevated product sales which carry higher average unit costs, negatively impacting gross margin by 60 basis points and to a lesser extent increased promotional activity.

Other Gross Profit increased 57.2% or $21.1 million to $58.0 million in fiscal 2015. This increase is substantially attributable to the acquisition of the Stuart Weitzman brand during the fourth quarter of fiscal 2015.

Corporate Unallocated Gross Profit increased $55.1 million from a loss of $27.9 million in fiscal 2014 to a profit of $27.2 million in fiscal 2015. Excluding items affecting comparability of $9.7 million in fiscal 2015 and $82.2 million in fiscal 2014, corporate unallocated gross profit decreased by $17.4 million from $54.3 million in fiscal 2014 to $36.9 million in fiscal 2015, primarily due to increased inventory reserves and less favorable production variances.

Selling, General and Administrative Expenses

SG&A expenses are comprised of four categories: (i) selling; (ii) advertising, marketing and design; (iii) distribution and customer service; and (iv) administrative. Selling expenses include store employee compensation, occupancy costs and supply costs, wholesale and retail account administration compensation globally and international operating expenses. These expenses are affected by the number of Company-operated stores open during any fiscal period and store performance, as compensation and rent expenses vary with sales. Advertising, marketing and design expenses include employee compensation, media space and production, advertising agency fees, new product design costs, public relations and market research expenses. Distribution and customer service expenses include warehousing, order fulfillment, shipping and handling, customer service, employee compensation and bag repair costs. Administrative expenses include compensation costs for "corporate" functions including: executive, finance, human resources, legal and information systems departments, as well as corporate headquarters occupancy costs, consulting fees and software expenses. Administrative expenses also include global equity compensation expense.

The Company includes inbound product-related transportation costs from our service providers within cost of sales. The Company, similar to some companies, includes certain transportation-related costs related to our distribution network in selling, general and administrative expenses rather than in cost of sales; for this reason, our gross margins may not be comparable to that of entities that include all costs related to their distribution network in cost of sales.

SG&A expenses increased 5.2% or $113.7 million to $2.29 billion in fiscal 2015 as compared to $2.18 billion in fiscal 2014. As a percentage of net sales, SG&A expenses increased to 54.6% during fiscal 2015 as compared to 45.3% during fiscal 2014. Excluding items affecting comparability of $160.8 million in fiscal 2015 and $49.3 million in fiscal 2014, SG&A expenses increased $2.2 million from fiscal 2014; and SG&A expenses as a percentage of net sales increased, due to deleveraging as net sales have declined, to 50.8% in fiscal 2015 from 44.3% in fiscal 2014.

Selling expenses were $1.53 billion, or 36.6% of net sales, in fiscal 2015 compared to $1.55 billion, or 32.2% of net sales, in fiscal 2014. The $16.5 million decrease represents slightly lower selling expenses related to our North America stores and Internet business, which were partially offset by increases to support growth in our International business (primarily in Europe and Greater China) as well as incremental Stuart Weitzman selling expenses. Excluding items affecting comparability of $4.1 million in fiscal 2015, selling expenses were 36.5% of net sales.

Advertising, marketing, and design costs were $246.8 million, or 5.9% of net sales, in fiscal 2015, compared to $242.3 million, or 5.0% of net sales, during fiscal 2014. The increase was the result of higher costs for marketing-related events which increased by $28.8 million as compared to fiscal 2014, partially offset by fewer promotional events made by the Company, primarily as a result of the Company's decision to limit access to our outlet Internet sales site.

Distribution and consumer service expenses were $69.6 million, or 1.7% of net sales, in fiscal 2015, compared to fiscal 2014 expenses of $87.2 million, or 1.8% of net sales. The decrease was primarily due to lower variable costs as a result of lower sales associated with the Company's decision to limit access to our outlet Internet sales site.

Administrative expenses were $441.5 million, or 10.5% of net sales, in fiscal 2015 compared to $300.5 million, or 6.3% of net sales, during fiscal 2014. Excluding items affecting comparability of $156.7 million in fiscal 2015 and $49.3 million in fiscal 2014, administrative expenses were $284.8 million, or 6.8% of net sales, in fiscal 2015 and $251.2 million, or 5.2% of net sales, in fiscal 2014. The increase is primarily due to higher incentive compensation costs and additional costs incurred particularly related to information technology.

Operating Income

Operating income decreased 44.8% or $502.1 million to $618.0 million during fiscal 2015 as compared to $1.12 billion in fiscal 2014. Operating margin decreased to 14.7% as compared to 23.3% in fiscal 2014. Excluding items affecting comparability of $170.5 million in fiscal 2015 and $131.5 million in fiscal 2014, operating income decreased 37.0% or $463.1 million to $788.5 million from $1.25 billion in fiscal 2014; and operating margin was 18.8%, in fiscal 2015 as compared to 26.0% in fiscal 2014.

The following table presents operating income by reportable segment for fiscal 2015 compared to fiscal 2014:

	(dollars in millions)			
	June 27, 2015	June 28, 2014	Variance	
			Amount	%
North America	**$ 820.5**	$ 1,164.1	$ (343.6)	(29.5)%
International	**480.6**	555.7	(75.1)	(13.5)
Other[1]	**25.5**	34.2	(8.7)	(25.4)
Corporate unallocated	**(708.6)**	(633.9)	(74.7)	11.8
Total operating income	**$ 618.0**	$ 1,120.1	$ (502.1)	(44.8)%

(1) Operating income in the Other category consists of sales and expenses in Coach brand ancillary channels in fiscal 2015, including licensing and disposition, and sales and expenses generated by the Stuart Weitzman brand during the final two months of fiscal 2015.

North America Operating Income decreased 29.5% or $343.6 million to $820.5 million in fiscal 2015 reflecting the decrease in gross profit of $418.1 million which was partially offset by lower SG&A expenses of $74.5 million. The decrease in SG&A expenses was due to lower variable selling costs as a result of lower sales in our stores and Internet business. Operating margin decreased 420 basis points to 33.3% in fiscal 2015 from 37.5% during the same period in the prior year due to higher SG&A expense as a percentage of net sales of 390 basis points, primarily due to deleveraging of selling expenses as net sales have declined, and lower gross margin of 50 basis points.

International Operating Income decreased 13.5% or $75.1 million to $480.6 million in fiscal 2015, primarily reflecting a decrease in gross profit of $46.5

million as well as higher SG&A expenses of $28.6 million. The increase in SG&A expenses is related to a $30.8 million increase in Greater China and Asia, excluding Japan, related to new store openings and a $24.9 million increase in Europe to support growth in the business. The increase in SG&A costs were partially offset by foreign currency effects in Japan of $32.2 million. Operating margin decreased 420 basis points to 29.6% in fiscal 2015 from 33.8% during the same period in the prior year primarily due to higher overall SG&A as a percentage of net sales which increased by 240 basis points and lower gross margin of 180 basis points.

Corporate Unallocated Operating Expense increased $74.7 million to $708.6 million in fiscal 2015, an increase of 11.8%. This increase was primarily attributable to higher charges incurred by the Company in fiscal 2015 as part of its Transformation Plan. Excluding items affecting comparability, unallocated operating expenses increased by 8.9% or $44.6 million to $547.0 million from $502.4 million. This increase is primarily due to higher incentive compensation costs and additional costs incurred particularly related to information technology.

Provision for Income Taxes

The effective tax rate was 34.2% in fiscal 2015, as compared to 30.4% in fiscal 2014. Excluding the items affecting comparability, the effective tax rate was 32.1% in fiscal 2015, as compared to 30.6% in fiscal 2014. The increase in our effective tax rate was primarily attributable to the loss of certain foreign tax benefits that expired at the end of fiscal 2014, as well as the acquisition-related impact attributable to Stuart Weitzman. We expect our rate to be lower in fiscal 2016 primarily attributable to the geographic mix of earnings, the expiration of certain statutes, the settlement of audits and the ongoing benefit of available foreign tax credits.

Net Income

Net income decreased 48.5% or $378.9 million to $402.4 million in fiscal 2015 as compared to $781.3 million in fiscal 2014. Excluding items of comparability, net income decreased 38.9% or $338.4 million to $531.2 million in fiscal 2015 from $869.6 million in fiscal 2014. This decrease was primarily due to lower operating income partially offset by lower provision for income taxes.

Earnings per Share

Net income per diluted share decreased 47.9% to $1.45 in fiscal 2015 as compared to $2.79 in fiscal 2014. Excluding items of comparability, net income per diluted share decreased 38.2% or $1.18 to $1.92 in fiscal 2015 from $3.10 in fiscal 2014, due to lower net income.

	North America	International	Other(1)	Corporate Unallocated	Total
Fiscal 2015					
Net sales	**$ 2,467.5**	**$ 1,622.0**	**$ 102.1**	$ —	**$ 4,191.6**
Gross profit	**1,574.6**	**1,248.8**	**58.0**	**27.2**	**2,908.6**
Operating income (loss)	**820.5**	**480.6**	**25.5**	**(708.6)**	**618.0**
Income (loss) before provision for income taxes	**820.5**	**480.6**	**25.5**	**(715.0)**	**611.6**
Depreciation and amortization expense (2)	**61.8**	**63.1**	**5.2**	**110.5**	**240.6**
Total assets	**385.1**	**1,057.6**	**610.0**	**2,614.2**	**4,666.9**
Additions to long-lived assets	**89.9**	**73.9**	**1.5**	**34.0**	**199.3**
Fiscal 2014					
Net sales	$ 3,100.5	$ 1,644.2	$ 61.5	$ —	$ 4,806.2
Gross profit	1,992.7	1,295.3	36.9	(27.9)	3,297.0
Operating income (loss)	1,164.1	555.7	34.2	(633.9)	1,120.1
Income (loss) before provision for income taxes	1,164.1	555.7	34.2	(631.7)	1,122.3
Depreciation and amortization expense	72.9	58.8	—	57.7	189.4
Total assets	432.6	1,128.5	5.6	2,096.4	3,663.1
Additions to long-lived assets	102.2	71.5	—	45.9	219.6
Fiscal 2013					
Net sales	$ 3,478.2	$ 1,558.1	$ 39.1	$ —	$ 5,075.4
Gross profit	2,345.8	1,255.2	32.4	64.7	3,698.1
Operating income (loss)	1,460.0	582.2	30.0	(547.7)	1,524.5

Income (loss) before provision for income taxes	1,460.0	582.2	30.0	(551.7)	1,520.5
Depreciation and amortization expense	72.3	45.7	—	45.0	163.0
Total assets	459.8	894.8	34.8	2,142.5	3,531.9
Additions to long-lived assets	98.7	60.9	—	81.8	241.4

(1) Other consists of sales and expenses generated by the Coach brand in other ancillary channels, including licensing and disposition, and sales and expenses generated by the Stuart Weitzman brand during the final two months of fiscal 2015.

(2) Depreciation and amortization expense includes $48.8 million of transformation-related charges, for the fiscal year ended June 27, 2015. These charges are recorded as corporate unallocated expenses.

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