In April 2011, an idea came to Nelson, who was tall and struggled to find flattering workwear. Nelson knew that Wallace, who was even taller, shared this problem. The pair began brainstorming solutions. That May, the pair attended their one year reunion at HBS and shared their emerging idea with classmates and professors.
“Their subsequent research revealed that sizing for women’s clothing was based on dress measurements from the 1940s, when ready-to-wear clothing was becoming more prevalent, there had been widespread problems with fit ever since. Wallace and Nelson wrote in their business plan (August 2011) that there is a gap in the market for a stylish suit offering the fit and feel of the high-fashion brands at a lower price. The co-founders modelled Quincy after two vertically integrated online fashion startups: Bonobos and Warby Parker, which sold eyewear.

Idea Testing: The co-founders were committed to understanding customers’ problems before pursuing a specific solution. Survey research supported the cofounders’ hypotheses about fit: 57% of respondents considered a garment’s fit to be the most important factor when making purchase decisions for work apparel; 81% of respondents had difficulty finding work apparel that fit well. While the survey responses were encouraging, the co-founders wanted to gauge demand by customer segment. To do this, in early fall 2011, they held six “trunk shows”-invitation-only sales events-at three universities (Harvard, MIT, and Boston University) and in New York City. The trunk shows targeted three customer segments, with two shows per segment: undergraduates, recent college graduates (less than one year out), and young professional women and/or graduate students. The trunk shows would help validate a hypothesis that Quincy could sell college women their first business suit and then track those women through their careers, selling them higher-end apparel from different Quincy collections. Attendees could pay upfront to pre-order Quincy’s “minimum viable products”: one style of jacket, a matching pair of pants, and a pencil skirt, all available only in black. Delivery was promised in late November, which gave Quincy about eight weeks to order fabric and contract with a New York City sampling factory to produce the garments. The trunk-show trial results were encouraging: 25% of the 200 attendees made a purchase. Conversion rates exceeded 50% for young professional women, whose average order was $350.

Production, Distribution, and Sales: The co-founders understood that their sizing innovations would add complexity and cost in production. However, they reasoned that their online distribution model would allow them to manage a large number of stock-keeping units better than traditional retailers could, thus conferring a competitive advantage. Their business plan stated “For any brand with brick-and-mortar stores, such a proliferation of sizes would be nightmare, both in managing inventory in decentralised locations and also in allocating additional floor space to a category that typically has lower margins and fewer turns than casual categories like jeans, sweaters, and dresses.” To reduce inventory, Nelson and Wallace envisioned a two-step production model. The first step would entail production of big batches in larger factories that would take garments 80% of the way to completion. Unfinished garments would then be stored as work-in-progress inventory at Quincy's New York City warehouse--which also would serve as a showroom and the venture's office—until a customer placed an order. In step two, garments would be sent to smaller, local finishing factories for additional sewing—for example, adding trim or hems—based on a specific customer's order. Finished garments would then be sent back to Quincy's warehouse for shipping to the customer. This staged approach, coupled with a direct-to-consumer model, would facilitate a more rapid response to demand trends. Producing actual demand would reduce markdowns, helping offset higher costs resulting from operational complexity. The plan assumed that e-commerce would account for 85% of sales. First-time customers would be encouraged to order two sizes so that they could try both and return whichever size did not fit; free shipping would be included for both orders and returns. Direct, in-person sales at college campus trunk shows were projected to account for the remaining 15% of revenues

Suiting Up: Through November, when Nelson's mother invested $25,000, the co-founders had bootstrapped their venture, each contributing a few thousand dollars from personal savings. After the trunk-show trials, they aimed to raise $l.2-$1.5 million in seed funding. By January 2012, they had secured an additional $30,000 in capital from friends and family. . With help from their patternmaker, the pair contracted out Quincy's first production run to fulfill the trunk-show orders. The production process brought some unpleasant surprises. They couldn't find the same fabric that we had used for the trunk-show samples. They were not aware about that nearly identical fabrics can have different elasticity, which impacts fit The clothes that they shipped fit a bit tighter than the samples." However, customers were forgiving. They were willing to try multiple sizes. The cofounders originally had believed they could manage design and production themselves until the company matured. They had decided which factories to contact first based on whether or not they had email. Soon they learned that apparel factories don't do anything in the digital world." Production was highly dependent on personal relationships. Factory managers were not delivering the product in time or quoting 50% more than their original bid. Or they'd tell they no longer had room in their production cycle because a bigger account had placed a rushed order." After their first production run, the co-founders formalised their roles. Wallace would primarily manage investors, human resources, marketing, press, and business development. Nelson would handle production, procurement, and e-commerce. The co-founders would share responsibility for decisions about brand identity, the product line, and overall strategy.

The Spring Collection: The co-founders decided that launching a small spring collection could demonstrate traction and help with fundraising. Based on trunk-show trial results, the co-founders narrowed their focus in terms of target customers for the spring collection. Compared to young professionals, college students were inexperienced suiting consumers; they were not as likely to see a need for stylish, affordable, good fitting professional apparel. College students were also more price-sensitive. Further, supplying dozens of campus ambassadors—students who would organise trunk shows at their colleges—with kits of samples in all styles and sizes would be cost-prohibitive. Wallace and Nelson concluded that Quincy could target college students in the future with a brand extension.

Soft Launch: For its soft launch, Quincy built an c-commerce site on Shopify, which provided software and hosting services for online retailers. Visitors to the site could take the "Fit Quiz" to determine their Quincy size. During March 2012, Quincy made $5,400 in sales and raised over $75,000 from angel investors. Sales increased to $9,100 in April and $10,400 in May. However, the team was still honing production capabilities. Wallace recalled, "We had bad pink jacket lining that stained your shirt if you sweated. We didn't know enough to ask, 'Does this lining bleed?' Our production team, which in theory had experience in these matters, should have seen the problem coming. Dry cleaning the garments in advance fixed the problem, but added to our costs." Quincy also continued to struggle to deliver a good fit. Neither our designer nor patternmaker had noticed this problem." The co-founders gradually became more familiar with the roles and responsibilities of workers who designed and produced apparel. For example, they learned that quality assurance was crucial, but their part-time production consultant had never held this responsibility. The co-founders also felt that the production consultant sometimes valued her relationships with factories more than what was best for Quincy. Nelson said, "Initially, Christina and I thought that our head of production would manage the factory, and that would be all we needed. We were surprised to learn how specialised everyone's job is in the fashion industry." Wallace elaborated, "A technical designer is in charge of the garment's fit. The patternmaker, who makes a paper pattern, is different from the sample maker, who creates an actual garment. Then there's the fabric cutter and marker and the people who sew— there are a lot of steps." The co-founders eventually hired a technical designer, a quality assurance professional, and a product developer. The product developer took ideas from the designer and technical designer and shepherded concepts through completion, including fabric purchasing.

Marketing: To acquire customers, Quincy depended on word of mouth, incentivized referrals (offering a $50 credit per referral), social media promotion, trunk shows and showroom events, conference appearances by the founders, and press coverage. The company did not invest in paid search or other advertising. "We had a story that the media loved. It was democratic: our affordable product was designed to fit all women. We got lots of media coverage because we were challenging the conventions of fashion, which is an industry people love to hate. With help from a freelance public relations professional, Quincy secured coverage in fashion trade periodicals. The company also was featured on NBC and Bravo television programs. To attract customers through "inbound marketing," the cofounders hired an editorial director to blog on fashion trends and styling for professional environments, general business etiquette, and interviewing and other job search topics. The editorial director doubled as a stylist--as did the cofounders—answering customers' questions about fashion and garment fit.

Summer and Fall of 2012: Prior to May, Quincy had raised about a quarter of a million dollars from angel investors. That month, after ongoing conversations through the winter and spring, Quincy finally secured funding from two venture capital (VC) firms that focused on early-stage technology startups: New York- based Great Oaks Venture Capital (Great Oaks), which had raised its first institutional fund of $40 million in 2011, and Launch Capital, founded in 2008. Great Oaks was the lead investor, contributing $400,000. Nelson said, "Great Oaks' partners had previously invested in Warby Parker, Bonobos, and ModCloth. We believed they were the right investor for us." Ken Landis, the Bobbi Brown Cosmetics cofounder, also funded Quincy and joined Wallace and Nelson on the company's three-member board. Quincy's founders had the option to appoint two additional outside directors, subject to approval by the lead investors, but had not yet filled those board seats. In total, the startup raised $950,000 in convertible debt. Funds from the VC investors would be released in three tranches in May, October, and December. They were conditioned on Quincy reaching its net sales targets. Quincy launched its 18-piece fall/winter collection in September. Sales were strong, reaching $42,400 in October and $62,000 in November. Of 491 customers through November, 17% had made repeat purchases; the repeat rate was 39% for the 118 customers who had purchased spring collection apparel. The gross margin in October was 25%, below the 53% targeted. Quincy's average return rate was 35%, on par with other online retailers that offered free shipping and returns, but well above Quincy's target of 20%. First-time customers returned 38% of purchases; repeat customers returned 25%. Sixty-eight percent of returns related to fit concerns. Quincy offered full refunds or exchanges upon returning merchandise. "Return rates increased as our collection grew more complicated," said Nelson. Quincy's co-founders had refined their customer segmentation based on purchase pattern data. Three segments were deemed economically attractive to serve: "Affluent Traditionalists" (14% of customers), "Rising Stars" (32%), and "Trend Seekers" (32%). However, a fourth segment, "Fit Skeptics" (22%) was unprofitable due to very high return rates. Operational challenges were overshadowed in November, as Hurricane Sandy ravaged the New York metropolitan area, leaving over 100 people dead, public transportation disabled, and long lasting power outages. "I was sleeping at the office and showering at the gym because there were no trains into Jersey City, where I lived, and the ferries were unreliable," said Wallace, She continued, "Luckily, our office was just above 34th Street. Everything south of that lost power." The women temporarily offered their workspace to other less fortunate startups. Quincy was on shaky ground for other reasons. Nelson said, "We were still having trouble delivering on our promises to customers. Until that fall, we were thinking, 'Oh, these are just growing pains.' But even after we hired new people, things were still a mess." In November, besides the cofounders, Quincy had five employees, only two of whom had worked for Quincy in February. The co-founders tried to keep their disagreements discreet, but this was difficult in a small, open office space. Wallace said, "We went to a nearby Starbucks to have more private conversations, and that's where we went to fire people, too. Everyone learned that 'Do you want to get a coffee?' meant something bad was happening." She added, "There were times when one founder made a decision that she thought was wholly in her wheelhouse, and then the other would ask, 'Why wasn't I consulted? I completely disagree!' We had to undo some decisions, which took a lot of energy." Also in November, Wallace's personal life demanded her attention. Her grandmother, who had raised her, fell critically ill. Wallace flew home in mid-November to spend time with her grandmother during her last days. After an emotionally wrenching funeral and Thanksgiving, Wallace returned to the task at hand: Quincy needed more capital to fund the new spring collection. In early December, Wallace went to Silicon Valley to raise more funds from tech investors. "We'd had three Months of strong revenue growth, but our returns were high, Our costs were also higher than we'd budgeted. But this wasn't the first time a startup had mixed performance going into fundraising." Nelson recalled, "I kept the team focused on our daily operations and remained optimistic despite the fact that we were running out of cash. Christina had meetings scheduled with great investors, and we'd managed to cut it close before."

End of Season Markdown?: Each of the investors that Wallace met in Silicon Valley wanted to stay in touch, but declined to invest at that time. After her last pitch, she sat in silence in a Palo Alto café coming to terms with what the end of 2012 might bring. Wallace then booked an emergency meeting in San Francisco with two mentors: Kristen Green, founder and managing director of the consumer tech-focused VC firm, Forerunner Ventures; and Allison Pincus, cofounder of online home decor retailer One Kings Lane, The three convened, and Wallace recalled, "I laid out the story and said, 'Honestly, what do you think?' And they said, 'It's not going to happen.' I was crushed." Green and Pincus told Wallace to pull together the case for a bridge loan from existing investors. If the loan wasn't forthcoming, the mentors advised that Quincy should be shut down as soon as possible to meet payroll and other obligations and return any remaining capital to investors. Wallace's mentors said that if failure was inevitable, it was important to wind things down in a responsible manner in order to protect the co-founders' professional reputations and relationships. They advised Wallace to speak to Quincy's lawyer right away about how to manage the process.

A. What was the main driving gap they focused on in this particular Industry during that time?
B. What were there major Innovation that they focused while establishing the Company
C. What point do you think they innovated in product testing and how they might have benefited?
D. Despite all these innovations, ideas and strategies, why do the above startup failed? Write in detail.
E. Write down the details Story of any Failed Startup in any Sector of your choice and analyse the reason for failure.
F. Write in detail " Douglas Theories X and Y" or "The Adair Model of Leadership"