**Quincy Apparel**

Case Writeup

**Using the Meyer Framework, what does the venture strategy, value proposition, and business model look like for Quincy Apparel?**

*Value proposition*

By buying Quincy's modern-fit apparel, with customizable sizing for a competitive price, Quincy will provide better-fitting garments that helps women feel and look great in their outfit.

*Strategy*

Quincy is focused on the apparel industry, and will be looking at narrower segments of the industry including, business & business casual wear for women. This narrow segmentation creates a well-defined target customer; young & professional women who are in the workforce or entering the workforce. They offered simple-outfit solutions to their customers with complex fitting options. Quincy decided to take disruptive strategy by offering fewer garment selections, but more sizing options. This mean they are positioning themselves as a differentiation-focus firm; they innovate and differentiate themselves with their sizing options, and are focusing on a much narrower target market. Although Quincy focuses on differentiation through they keep prices comparable to traditional-sizing competitors.

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| ***Target Market*** | • Business + business casual apparel<br>• young + professional females<br>• Narrow market |
| ***Target Consumers*** | • Females who are irritated with poorly-fit clothing<br>• Young + professional females<br>• Some spending power |
| ***Product/service*** | • Business casual outfits<br>• Custom size scheme |
| ***Positioning*** | • Customization, cost, competition-pricing |

*Business Model*

Quincy's business model is vertically integrated so they retain full control of research, development, production and distribution of their product.

Quincy's revenue model uses a traditional form of revenue for the apparel industry. It has transactional sales that take place on an E-commerce platform (in this case, Shopify is the platform). Revenue is collected once throughout the interaction with the customer during the point of sale. This revenue model allows Quincy to focus their competencies on differentiating their apparel from competitors. This confirms Quincy's positioning of differentiation focus.

R&D is vital for Quincy Apparel and provides a strategic advantage against its competitors. This means all of their R&D is done in house. It is important for Quincy to find the right material for its garments that will stay true-to-size. Developing this material is an on-going effort that generates significant expenses. Quincy constantly iterates on its sizing options which takes significant investment every time a change is made. The nature of the apparel industry also requires new garments, so investment in the development of new collections is an ongoing and important expense for Quincy. Results of R&D should provide high-quality garments that are true-to-size.

Quincy's production process is much more complex than traditional garment production. Their unique process provides competitive advantage because it allows for much more custom-garment production. Their production has multiple processes, with the first one starting with bulk ordering of partially finished garments. These garments are then shipped to smaller factories which store the unfinished inventory until needed. Then, the smaller factory finishes the production in small-batch orders which are then shipped to the customer from the factory. Because Quincy is vertically integrated, they own all aspects of production so the entire production process is in-house, contrary to many smaller apparel brands.

Quincy's go-to-market strategy focuses on providing better sizing options than current apparel stores. Because Quincy owns aspects of production, they are able to keep their prices comparable to the market, while providing much more sizing options. They aim to target the smaller, young professional female market through an E-commerce sales channel. Most sales will be through the E-commerce platform, with little investment in other direct-sales channels, as direct sales only accounts for 15% of Quincy's revenue. Their customer service also aides with their go-to-market image. Providing free shipping and returns proves that Quincy's value proposition is meant to provide more flexible options for shoppers.

The main resource requirement for this industry is large investments in plant & equipment. Vertically integrating is extremely complex and requires purchasing of land and machinery for the firm. There is also a significant requirement for investment in logistics & inventory management.

**Meyer Business Model**

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| **Revenue Model** | • Business-to-consumer<br>• Quincy Apparel uses an E-commerce platform with Shopify to sell apparel. The type of revenue is traditional sale<br>• Revenue from purchases are collected once throughout each transaction (point-of-sale).<br>• Quincy is positioning their firm as differentiation-focus. Focusing on a narrower market, with a differentiation in their offering. |
| **R&D** | • R&D efforts are a big factor for the success of Quincy<br>• Constant research in sizing, transactions, materials etc.<br>• Constant development of new garments + new fashion shows<br>• R&D should provide better quality clothing & experience for customers<br>• R&D is a key player in Quincy's **Value Proposition** |

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| | • All R&D was done in house. (Quincy is vertically integrated). |
| **Production** | • **Process 1:** Bulk ordering of partially finished products<br>• **Process 2:** Shipping & logistics to smaller factory<br>• **Process 3:** custom finishing of garments depending on individual order<br>• **Process 4:** shipping to customer<br>• The processes of production are all internal for Quincy Apparel |
| **Go-to-market** | • Provide better sizing options than current apparel stores<br>• Target smaller markets, young/professional females are Quincy's target market<br>• Main channel is E-commerce (Selling phase) |
| **Customer Service** | • Free returns<br>• Resources for customers to figure out their size<br>• Free shipping |
| **Current Resource Requirements** | • Extremely expensive to successfully vertically integrate<br>• Large investments in plant & equipment<br>• Investment in logistics & inventory management for such a complex offering |

**Does Quincy's customer value proposition address a strong unmet need in the market? How do you know?**

Quincy's CVP attempts to address a large problem in the current fashion industry. Quincy realized that measurements for women's garments were based on calculations from the 1940's. Because sizing remained unchanged for 60 + years, they did not accurately represent the sizing of a present-female. In fact, Quincy determined that the 1940's sizing guide only appealed to about 8% of the women population (those with hourglass figures).

Quincy's execution of their CVP is not quite as successful. Quincy's new sizing options created new complexities in both the customers experience and Quincy's operation. Quincy offered suit-like sizes for their pieces, however increased number of options also increased the return rate, which is what Quincy wanted to prevent. This meant customers still had no idea what size they are. The issue is that the Quincy sizing model isn't popular enough for customers to actually know their size. Customers are still ordering pieces of clothing without knowing their size, and their E-commerce sales channel, prevented customers from seeing and trying on the pieces before ordering.

**Did Quincy have a solid plan for technology and operations management? Why or Why not?**

No, Quincy was not well equipped for technology and operations management. Their E-commerce platform was well-implemented, primarily because they partnered with Shopify, but this meant that Quincy had to manage all the operations behind production, distribution, point-of-sales, and R&D. The founders believed they could handle the operations, but it was apparent they could not. For example, they lost what type of material they made their clothing on for a fashion show, an operations mistake that could have lead to the death of Quincy Apparel. The founders were ill-equipped and hadn't hired enough people to help with operations. They had a tough time finding factories because they had no knowledge about apparel production. They hired their fabric-quality employees only after the fabric debacle. They only formalized their roles after the first production run. Their plan did not plan ahead, and caused the founders to be playing catch-up with the firm's operations.

**Where in Quincy Apparel's operating model are they innovating and can that create value for the firm?**

Quincy is innovating in the R&D operations of the firm. They are investing resources to create different sizing schemes from competitors which can create value for the firm. Quincy believed these new styles would better-fit customers and would be a more attractive option. However, Quincy's sizing added complexities and confusion, so their new scheme added very little value to the firm. It added more value in marketing than it did in the actual product.

Quincy is innovating in the production operations of the firm. They have a 2-step process for production of their garments, which they believe creates value by lowering static-inventory. Their first step created the bulk-order of the clothing, which wasn't size-specific, meaning all pieces of clothing could be made into any size from their current form. The next step was the small-batch order which used smaller factories to finish the custom sizing for each garment. These were then packaged and individually shipped directly to consumers. This created value for Quincy, because it did reduce the amount of unused inventory, however, it added complexities in distribution & logistics. It added 2 points of shipping which didn't otherwise exist, and increased the number of factories per product to 2.

**How much of a bridge loan is required to sustain Quincy Apparel? Which approach should the founders take at Quincy's December Board Meeting? Why?**

| **Calculations (taking into account payment timing)** | **Calculations (not taking into account payment timing)** |
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| Quincy received their initial capital in May of 2012 ($950,000).<br><br>Quincy receives the amount in 3 payments. If we assume these payments are even they receive 316,666.67 in each installment. The dates include May, October, December. The current conversation is occurring sometime in December. We assume the date is December 15th. They received the December installment of 316,666.67 on December first. This payment is spread over the 2 previous weeks and the 7 weeks of overhead that remains. This means they are burning 35,185.18 per week. That means their remaining overhead amount is 246,296.33. | Quincy received their initial capital in May of 2012 ($950,000).<br><br>The current conversation is occurring sometime in December of 2012. This means 30 weeks have gone by and Quincy has 7 more weeks of overhead. We can divide the initial investment by 37 weeks to determine Quincy's weekly burn rate. $ 25,675.69 / week. With 7 weeks left, Quincy has 179,729 dollars of their initial capital.<br><br>We can assume that it takes 670,000 dollars for Quincy to be able to operate through its next season. With 200,000 dollars |

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| We can assume that it takes 670,000 dollars for Quincy to be able to operate through its next year (from financial statement). With 246,300 dollars remaining, Quincy would need a bridge loan of **423,700** dollars to release its next collection of clothing. | remaining, Quincy would need a bridge loan of 4**70,000** dollars to release its next collection of clothing. |

Quincy should attempt to gather the bridge-loan from it's existing investors. This will ensure operability for the next year, and increases the amount of time before funds have run out. If the founders are able to secure the funding, they should re-evaluate the complexity of their operations. The founders should continue with their target market, however, they need to re-focus on their original CVP and follow Nelson's idea of cutting operational costs. There is an obvious gap that their CVP should be addressing in apparel, however their current sizing adds complexities to both the customer and the operations of the firm. It's quite apparent that Quincy's current sizing doesn't effectively solve the sizing problem in the apparel industry, because return rates are still comparable with competitors. Re-structuring sizing options may be necessary in order to cut down on operational costs & logistical complexity.