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Quincy Apparel (A)

On a cold night in December 2012, Alex Nelson and Christina Wallace, cofounders of New York City–based online retailer Quincy Apparel, had just spent hours debating how to approach tomorrow's board meeting. Their seed-stage startup was running low on cash. To survive, they would require more capital—probably in the form of a bridge loan from existing investors, who would attend the meeting.

Quincy designed, manufactured, and sold work apparel for young professional women that offered the fit and feel of high-end brands, but at a lower price. The company's novel sizing scheme improved fit by providing more measurement dimensions than typical women's clothing. Quincy's value proposition had appeal: sales growth had been strong. However, due to Quincy's sizing scheme, inventory was high and operations were complex. Operational challenges made it difficult to consistently deliver better fit, and merchandise return rates were high.

With more time and capital, the cofounders were confident that they could resolve operational problems. But could they persuade existing investors to provide a bridge loan? Nelson believed that producing a narrower range of sizes—at least temporarily—was the best way to rein in complexity and its associated costs. Wallace felt strongly that offering better-fitting apparel for most women was Quincy's key source of differentiation and was central to the startup's mission; restricting size ranges would compromise that mission. How would the cofounders resolve their debate over strategy? What would they recommend to the board?

Classmates, Friends, Consultants, and Cofounders

Christina Wallace attended high school at the Interlochen Arts Academy in Michigan, excelling as a pianist. After double-majoring in math and theater studies at Emory University, Wallace moved to New York City and worked as an artistic manager at the Metropolitan Opera. In 2008, she enrolled in the MBA program at Harvard Business School (HBS).

Alex Nelson grew up in Minnesota and then studied mechanical engineering at the Massachusetts Institute of Technology (MIT). After college, she worked at the Boston Consulting Group (BCG) in Boston and London, where she focused on the retail industry. Nelson entered the HBS MBA program in 2008, where she and Wallace were assigned to the same section and became close friends.[1]

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During the summer after their first year at HBS, Wallace interned at BCG. Nelson split her summer between Hermès in New York, where she worked on inventory optimization, and Finale Dessert, a Boston restaurant group, where she overhauled the budgeting process. During their second year at HBS, the pair undertook an independent project for academic credit that identified product, marketing, and customer service improvement opportunities for Rent the Runway, a startup that rented designer apparel.

Nelson recalled that as graduation neared, "We loved working together, shared an interest in fashion and technology, and thought that we would team up to launch a startup one day." After business school, both joined BCG—Nelson in London and Wallace in Washington, D.C. But each felt unfulfilled in her job, and the two continued to discuss partnering on an entrepreneurial venture.

Better Women's Work Wear

In April 2011, an idea came to Nelson, who was tall and struggled to find flattering work wear. She asked, "Why is it so hard to find affordable work clothes that I actually feel good in?" Nelson knew that Wallace, who was even taller, shared this problem. The pair began brainstorming solutions. Wallace recalled:

> Soon afterward, Alex and I went shopping for work clothes together and couldn't find much. That brought home the challenge we shared as young businesswomen trying to dress fashionably and, at the same time, professionally. Over dinner, we discussed what working together on a startup would mean. We spoke about how friction between Bonobos' cofounders had eventually led one of them to exit the company. Bonobos, an online retailer of men's apparel, was a relevant model: they focused on better fit and styling, and its cofounders had been roommates at Stanford Business School.[2] Alex was my best friend at HBS, and we promised at dinner that if we started a company, we would never let disagreements over the business threaten our friendship.

That May, the pair attended their one-year reunion at HBS and shared their emerging idea with classmates and professors. "Everyone loved it," Nelson said, adding, "We also met with a patternmaker. To gauge the concept's appeal to undergraduates, we spoke with career services staff at MIT and conducted a focus group at my sorority."

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.[3] Standard sizes—even numbers between 0 and 14—assumed an hourglass figure, which only 8% of U.S. women had.[4] Further, the same size from different brands could vary widely in terms of fit.

The cofounders envisioned a sizing scheme like that used in men's suiting. Men's jacket sizes were generally even numbers between 36 and 46, representing chest measurements, and were qualified as long, regular, and short (e.g., 38R). Men's pants had waist and inseam measures. In addition, many mainstream men's suiting brands offered "big and tall" suits in addition to traditional or trim/slim styles. Wallace said, "While there are sizes for petite and tall women, they are not always available, and no big brand recognized that variations in bust size can drastically change a garment's fit."

Nelson and Wallace both transferred to BCG's New York City office. This made it easier to work nights and weekends on their venture, which they named Quincy Apparel. Wallace said, "We split the founders' equity 50-50. Effectively, we functioned like co-CEOs, even though we eventually agreed that I would be CEO and Alex would be COO. We used those titles to deflect investors' concerns about how two MBAs who were co-CEOs would resolve disputes, but we made decisions together. If we didn't agree, we didn't move forward." In September, Wallace left BCG to work full-time on Quincy; Nelson did the same in December.

A Trim Business Model

Wallace and Nelson wrote in their August 2011 business plan that more affordable women's suits from companies such as Ann Taylor and Banana Republic—in the $250 to $450 range—"gape and hang like ill-fitting boxes." High-end brands, including St. John, MaxMara, Armani, and Theory, offered more fashionable suits at prices between $700 and $1,500. The plan concluded that there was a white space in the market for a stylish suit that offered the fit and feel of the high-fashion brands at a lower price. (See **Exhibit 1** for Quincy's target market positioning.)

The cofounders modeled Quincy after two vertically integrated online fashion startups: Bonobos and Warby Parker, which sold eyewear. These firms had shown that, by cutting out wholesalers and traditional retailers, they could sell high-quality goods—designed and manufactured in-house—at a fraction of the usual price. Further, selling online allowed the firms to quickly incorporate customer feedback into their design processes. The pair met with Bonobos executives, who recommended a factory. "We thought we had the golden ticket. We knew exactly how to start, because Bonobos had been so successful—they had raised $26 million in capital in their first three years," said Nelson, adding, "Following Bonobos' example, we decided to design our own garments."

Product Testing

The cofounders 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. (See **Exhibit 2** for a summary of survey findings.)

While the survey responses were encouraging, the cofounders 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. (See **Exhibit 3** for a description of 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. Instead of standard dress sizes, jackets were sized based on bra measurement (e.g., 34A/B) and sleeve lengths (short/medium/long); pants and skirts were sized by inch measurements (24" to 32"), hip-to-waist ratio (straight or curvy), and length (standard or unhemmed). Women could try on sample garments—one for each size option—that had been hand-sewn by Quincy's patternmaker. 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.

The pair tweaked their sizing scheme using trunk-show data. In addition to bra size (with band sizes of 32 to 40 inches and cup sizes of either A/B or C/D), Quincy's jackets would also be sized by torso length (petite, regular, and tall), resulting in 30 possible bra size/length combinations. (See **Exhibit 4** for Quincy's sizing.) Sizing for pants and skirts would reflect waist measurements; "straight," "hourglass," or "curvy" styles (based on hip-to-waist ratios); and five length options for pants, including unhemmed, with three for skirts. With these options, Quincy could offer apparel for a large fraction of women who otherwise would have difficulty finding clothing that fit them well. Over time, when they could manage the inventory complexity, the founders expected to expand their range of sizing options further (e.g., bust sizes up to F/G), with the goal of offering apparel for all women.

Production, Distribution, and Sales

The cofounders 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 a nightmare, both in managing inventory in decentralized 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 to 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 cofounders had bootstrapped their venture, each contributing a few thousand dollars from personal savings. After the trunk-show trials, they aimed to raise $1.2–$1.5 million in seed funding. By January 2012, they had secured an additional $30,000 in capital from friends and family. The team rented space for $1,100 per month at the New York headquarters of Birchbox, an online subscription service for beauty products founded by HBS classmates.

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. Nelson said, "We couldn't find the same fabric that we had used for the trunk-show samples. I didn't know this at the time, but nearly identical fabrics can have different elasticity, which impacts fit. We also ran into inconsistencies with our measurements. The clothes that we shipped fit a bit tighter than the samples." However, customers were forgiving. Nelson said, "They were willing to try multiple sizes. We worked hard to establish a personal relationship. We sent handwritten notes with every order, which went a long way toward building goodwill."

The cofounders originally had believed they could manage design and production themselves until the company matured. Nelson said, "When we started, we thought that designing business formal wear—classic suiting—would be reasonably straightforward." Wallace added, "We had decided which factories to contact first based on whether or not they had e-mail. We soon learned that apparel factories don't do anything in the digital world." Production was highly dependent on personal relationships. Wallace said, "We'd ask factory managers, 'When will you have this ready?' and they would tell us two weeks. Then we'd show up, and nothing was ready. We'd ask, 'How much will this cost?' and they'd quote 50% more than their original bid. Or they'd tell us they no longer had room in their production cycle because a bigger account had placed a rushed order."

After their first production run, the cofounders formalized their roles. Wallace would primarily manage investors, human resources, marketing, press, and business development. Nelson would handle production, procurement, and e-commerce. The cofounders would share responsibility for decisions about brand identity, the product line, and overall strategy.

Investors that Wallace was courting were calling for a professional designer. In response, the cofounders hired a freelance designer who previously had appeared on the television series, *Project Runway*.[5] By February, they had also hired a vice president of brand strategy; a merchandising associate who worked on a range of tasks; a part-time production consultant; and a software developer (who was Nelson's brother). They found a new finishing factory and replaced their patternmaker. Nelson noted, "Our first patternmaker was disorganized and difficult to work with."

The Spring Collection

The cofounders decided that launching a small spring collection could demonstrate traction and help with fundraising. In designing the 11-piece collection, the team heeded customer feedback that called for more stylish business apparel, not just black suiting. Nelson recalled, "People really wanted fun, modern stuff. We decided to refocus on more fashionable pieces." For the spring collection in March, which doubled as the company's soft launch, Quincy produced jackets, blouses, and dresses. "We wanted to prove the bust/length sizing for tops and then develop better fits for bottoms after raising additional funding," said Nelson.

Armed with customer feedback and fresh ideas from their designer, Nelson said, "We basically started from scratch with new fabrics, fit, and style. We created new garments that weren't built from our trunk-show prototypes." Operations had changed, too. Wallace said, "For spring production, we now were manufacturing at scale, which meant working with larger factories in addition to local sampling factories. That required more planning and forecasting."

Based on trunk-show trial results, the cofounders 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 organize 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.

For now, Quincy would focus on young professionals—women who were metropolitan, fashionable, and acutely aware of the lack of affordable options for their work wardrobes. The cofounders estimated that Quincy's total addressable market in the U.S. would be 5 million young professional women who spent $1.9 billion per year on work apparel. In February fundraising documents, Quincy's sales were projected to reach $52 million in 2016, with 57% gross margins and EBITDA of $18 million.

Soft Launch

For its soft launch, Quincy built an e-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. Nelson recalled, "We understood customer needs and had a value proposition that met them. Without handling our product, women were willing to spend hundreds of dollars on apparel from an unknown, online brand."

However, the team was still honing production capabilities. Wallace recalled, "We had 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 good fit. Nelson said, "In fashion design, a garment is said to be 'in balance' when it stays put on your body. Sometimes our skirts and jackets would flump forward or back, or shift in funny ways. We once made a blouse for which I was the fit model. I have really small wrists. When we got to the photo shoot, the models couldn't get the cuffs over their hands. Neither our designer nor patternmaker had noticed this problem."

The cofounders 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 cofounders 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 specialized 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 cofounders 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. And the fact that Quincy was made in the U.S.A. helped. It was a feel-good story," Nelson recalled.

With help from a freelance public relations professional, Quincy secured coverage in fashion trade periodicals such as *Women's Wear Daily*; technology news publications such as *All Things D, Business Insider,* and *Xconomy*; mainstream news outlets including *Bloomberg BusinessWeek*, *Crain's New York Business*, *Financial Times*, *New York Times,* and *Wall Street Journal*; and consumer magazines such as *Cosmopolitan*, *InStyle*, *Lucky*, *Marie Claire*, and *People.* 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. (See **Exhibit 5** for a sample of Quincy marketing.) 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.[6] 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. (See **Exhibit 6** for the actual profit and loss (P&L) statement for October 2012 and P&L projections for 2012 through 2016.)

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 cofounders 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. (See **Exhibits 7a** and **7b** for descriptions and projected economics of customer segments.)

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.[7] "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. (See **Exhibit 8** for team member backgrounds.) Wallace added:

> In an established apparel company, people rely on a well-understood process to move a garment step-by-step from design through production. That process varies somewhat from company to company, but people in any given company have mastered their own process and they know how to work together to get things done.
>
> An apparel startup has to create that process from scratch. We did that, but our employees had never worked together before, and they didn't work well together. Every hand-off they made was an issue, and they often lacked a sense of urgency about getting things right. There was friction, and people resisted taking on tasks that they didn't think should be their responsibility. I didn't push the team hard enough. Alex became the bad cop, demanding results. I'd try to calm things down after she came down hard on someone. But Alex's authority was undermined once employees learned that they could complain to me.
>
> We hired some people who seemed to think that they were doing us a favor by working for an underfunded startup. We did not find enough people who thought this was the best opportunity of their lives—a way to get in on the ground floor of the next big thing. As a result, I managed in a way that said, "Thank you so much for doing us this favor."

The cofounders 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. “We had seven weeks of cash left,” said Wallace. “That wasn’t enough to create the spring collection.” Wallace called Nelson and told her the news. They agreed to sit down when Wallace returned to review their options.

Wallace then booked an emergency meeting in San Francisco with two mentors: Kirsten Green, founder and managing director of the consumer tech-focused VC firm, Forerunner Ventures; and Allison Pincus, cofounder of online home décor 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 cofounders’ professional reputations and relationships. They advised Wallace to speak to Quincy’s lawyer right away about how to manage the process.

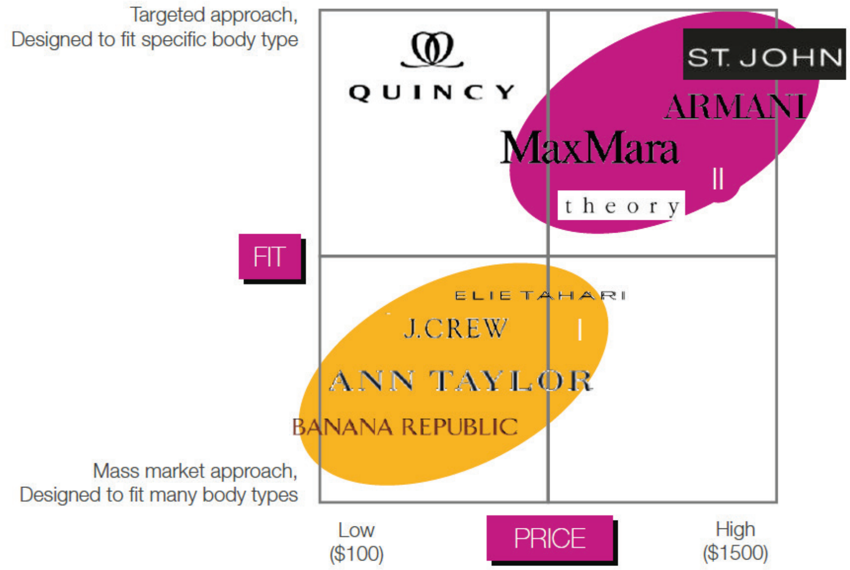
Upon her return to New York, Wallace and Nelson met to prepare for the board meeting. Wallace said, “We talked through the situation. Emotions were strong.” Nelson said:

> We agreed that at least for now, we lacked the resources and capabilities to deliver on our original customer value proposition: fixing fit for *all* women. I thought we could survive if we assembled a bridge loan and then cut down operational complexity by limiting our sizing options and our product line. But Christina was committed to serving a broad range of women, so she didn’t want to make these moves. She said, “This is the business I believe in, and I don’t want to build a different one.” She felt that solving fit was our key differentiator. I argued that a pared-back and focused business could be a step toward achieving the full vision later.

Wallace said, “If we wound down the business right away, we had enough money in the bank to pay suppliers and cover the cost of expected future returns. We would be able to pay our employees through Christmas and give them a one-week severance package. It was very important to me to be able to shut down gracefully.” But Wallace was worried: “Alex and I weren’t agreeing on the vision, and I knew that even if we raised more money, half our team had to go. What was I fighting for?”

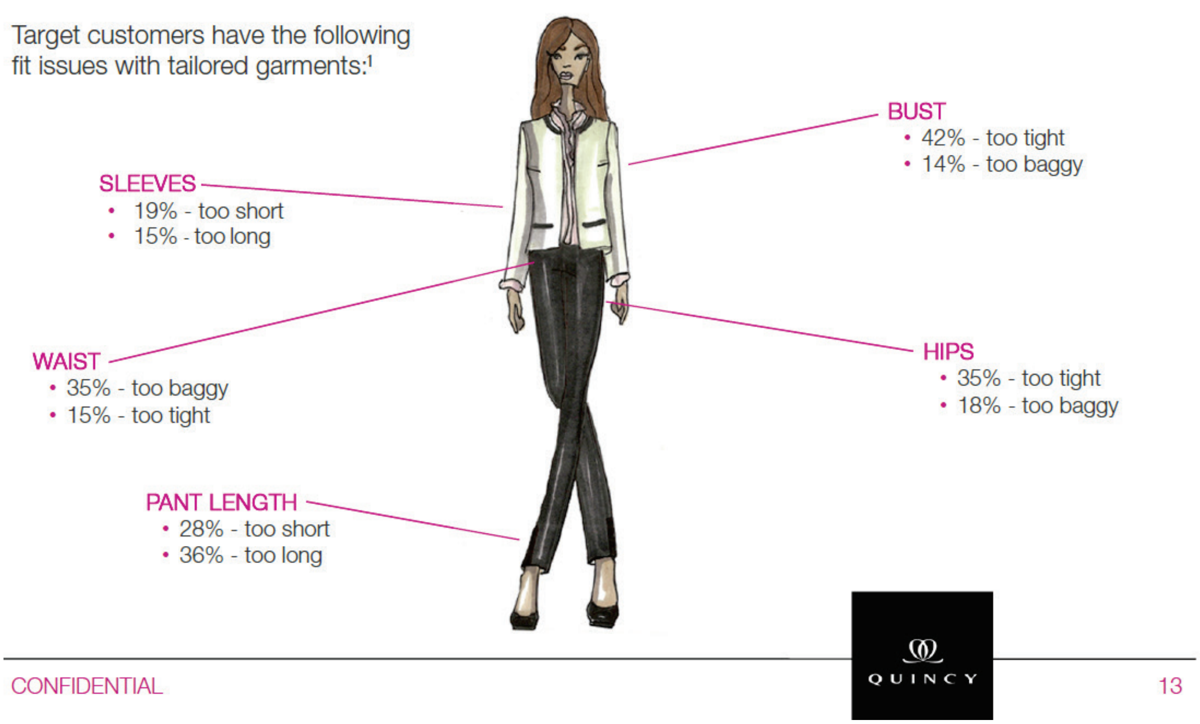
Exhausted and at an impasse, the cofounders knew they needed to reach agreement on how to approach tomorrow’s board meeting.

Exhibit 1 Quincy's Product Positioning by Price and Fit



Source: Company documents.

Exhibit 2 Quincy Fit Survey—Summary Results



Source: Company documents.

Exhibit 3 Proposed Quincy Collections

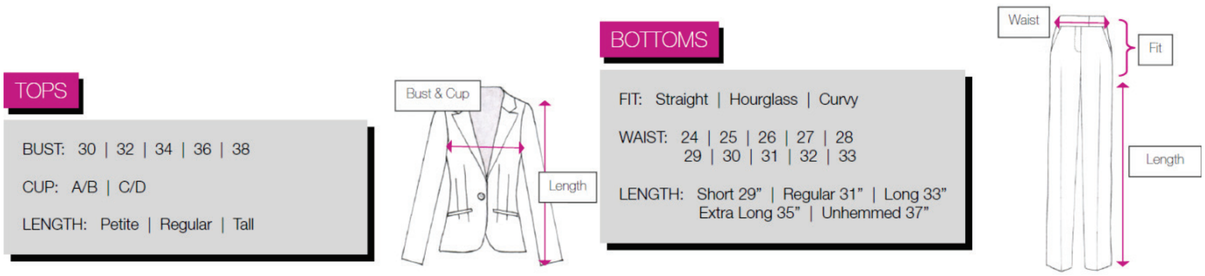
The Interview Collection: this collection is targeted at the undergraduate woman seeking summer internships and her first post-graduate position. The primary characteristics of this collection are affordability, durability, and appropriateness. For many young women this will be their first and only suit so the collection will be built around black and charcoal grey fabrics. These fabrics will be wool/polyester/elastane blends to ensure ample stretch and will likely be machine washable or highly durable between dry cleanings. The silhouettes will be appropriate, of course, but will also be relatable to those undergraduate women are accustomed to wearing: equestrian jackets, skinny jeans, pencil skirts that hit at the knee, etc. This collection's main competitor is Banana Republic, and thus will be priced around $200 for two pieces.

The Office: this collection is targeted at the MBA/law graduate or young professional woman in her mid-to-late-20s. The primary characteristics of this collection are quality, resilience, and personality. These are the building blocks of a professional wardrobe and will feature more color choices like navy pinstripe, grey herringbone, aubergine, and summer-weight neutral fabrics along with traditional black and charcoal. They will be wool/elastane blends to offer stretch while maintaining quality and will be wrinkle resistant. Silhouettes will be more sophisticated including traditional-length pencil skirts (below the knee), high-waisted trousers, pencil-skirt suiting dresses, and three-quarter sleeve jackets. This collection's main competitor is J. Crew, and thus will be priced around $350 for two pieces.

The Boardroom: this collection is targeted at women in their 30s quickly climbing the advancement ladder whether as managing directors at investment banks or partners at law firms. The primary characteristics of this collection are luxury, variety, and individuality. These women wear suits every day and have a wardrobe full of foundation pieces in black, grey, and navy. They want to be able to express their style through suits; are seeking colors, fabrics, and silhouettes that stand out; and are willing to pay for high-quality pieces. To address these women this collection will include Italian super 180 wools, silk linings, tweeds and boucles in seasonal colors like burnt orange and hunter green as well as the core black, navy, and grey. The silhouettes will build on The Office's shapes such as pencil-skirt suiting dresses but with unexpected features like asymmetrical necklines, flared peplums, kick-pleats, and luxurious trims. These pieces will change more often year-over-year to continue offering variety to this segment of women. This collection's main competitors are Theory and MaxMara, and thus will be attractively priced around $500 for two pieces.

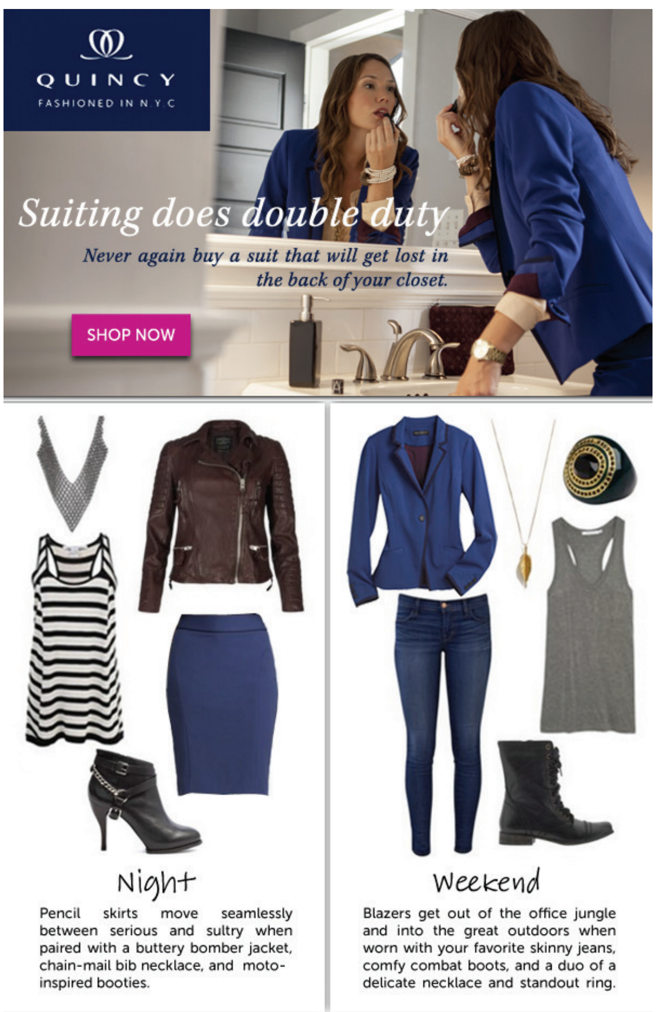
Source: Company documents.

Exhibit 4 Quincy Suiting Sizes



Source: Company documents.

Exhibit 5 Quincy Marketing



Source: Company documents.

Exhibit 6 Quincy P&L: October 2012 Actual, and 2012 to 2016 Annual Projections (dollars in thousands)

	Actual Oct. 2012	Annual Projections				
		2012	2013	2014	2015	2016
Net sales	$42.4	$421.2	$2,667.6	$8,595.4	$22,871.7	$44,618.8
Cost of sales	31.6	414.6	2,141.5	5,411.9	12,819.0	23,848.8
Gross margin	10.8	6.6	526.1	3,183.5	10,052.8	20,770.0
(%net sales)	(25%)	(2%)	(20%)	(37%)	(44%)	(47%)
SG&A	59.9	723.2	1,196.5	2,535.3	5,228.5	8,907.9
EBITDA	(49.1)	(716.7)	(670.4)	648.2	4,824.3	11,862.1

Source: December 6, 2012, company projections.

Exhibit 7a Customer Segments: Ordering Patterns

Segment	% Customers	Avg. Order (Net of Returns)	Orders/ Year	% Returns	Buys
Affluent Traditionalists	14%	$650	2-4	7%	• Suiting • Special sizes
Rising Stars	32%	$300	2-4	6%	• Mix & match • Special sizes
Trend Seekers	32%	$145	1-2	11%	• Fashion pieces • Traditional sizes
Fit Skeptics	22%	$5	1	85%	• Special sizes

Source: Company documents.

Exhibit 7b Customer Segments: Lifetime Value and Acquisition Cost

Segment	Customer Life	Total Revenue	Total Gross Margin	Customer Lifetime Value	Customer Acquisition Cost
Affluent Traditionalists	3 years	$1,300	$533	$1,600	$125
Rising Stars	4 years	$600	$246	$1,000	$95
Trend Seekers	2 years	$290	$119	$240	$80

Source: Company documents.

Exhibit 8 Team Bios

Christina Wallace, co-founder and CEO
Undergrad: Math and Theater at Emory University (Atlanta, GA) 2005
MBA from Harvard Business School, 2010
Previous experience: Consultant with The Boston Consulting Group, Rehearsal Associate at the Metropolitan Opera, Arts Associate at the Schwartz Center for Performing Arts, Freelance theater director and classical musician.

Alex Nelson, co-founder and COO
Undergrad: Mechanical Engineering from MIT (Boston, MA) 2006
MBA from Harvard Business School, 2010
Previous experience: Consultant with The Boston Consulting Group, Merchandising Intern at Hermes, Engineering intern at General Motors Corp.

Alain Machado, Designer/Product Development
Undergrad: History at University of Delaware
Grad school: Certificate in Fashion from FIT
Previous experience: Design Director at Calvin Klein Collection

Chelsa Skees, Editorial Director/Stylist
Undergrad: Marketing at Purdue University-Ft. Wayne
Previous experience: Calvin Klein Collection, also freelance stylist and blogger

Stuart Nelson, Developer
Undergrad: St. Olaf College (Minnesota)
Grad school: Engineering at Michigan State (East Lansing, MI)
Previous experience: Regulatory analyst at 3M, Engineering teaching assistant at Michigan State University

Sarah McCollum, Merchandising Manager
Undergrad: Accounting and French at University of Oregon
Certificate: Merchandising at Fashion Institute of Technology
Previous experience: Leather goods buyer at Prada, Wholesaler at Ali.ro, Accountant at Ternberg and Coombs

Source: Company documents.

Endnotes

1 HBS MBA candidates spent the entire first year of the program in a cohort of about 90 students—a section—taking a required set of courses; no electives were offered during the first year.

2 Stanford Business School graduates Andy Dunn and Brian Spaly started New York City–based men's clothing online retailer Bonobos in 2007. Initially, Bonobos only sold pants, focusing on color, styling, fit, and direct-to-consumer sales. Spaly designed the venture's first pants and asked his roommate Dunn to be CEO. In 2009, Spaly left Bonobos and Dunn remained. Bonobos raised $7.75 million from 75 angel investors before its series A round. (Source: Evelyn M. Rusli, "Bonobos, a Web Retailer, Raises $18.5 Million," *New York Times*, December 16, 2010, dealbook.nytimes.com/2010/12/16/retailer-bonobos-raises-18-5-million/; and Jason Ankeny, "In New Venture, Bonobos Co-Founder Reimagines the Way Men Shop," *Entrepreneur*, June 26, 2013, http://www.entrepreneur.com/article/227010, accessed October 2014.)

3 Julia Felsenthal, "A Size 2 Is a Size 2 Is a Size 8," Slate.com, January 25, 2012, www.slate.com/articles/arts/design/2012/01/clothing_sizes_getting_bigger_why_our_sizing_system_makes_no_sense_.html, accessed October 2014.

4 Felsenthal, "A Size 2 Is a Size 2 Is a Size 8."

5 *Project Runway* was a television show where clothing designers competed to design for a fashion show at Fashion Week.

6 Erin Kutz, "Quincy Apparel, Driven to Make Women's Clothes Fit, Nabs $950K," *Xconomy*, May 30, 2012, http://www.xconomy.com/new-york/2012/05/30/quincy-apparel-driven-to-make-womens-clothes-fit-nabs-950k/, accessed December 2014.

7 "Hurricane Sandy: Covering the Storm," *New York Times*, November 6, 2012, http://www.nytimes.com/interactive/2012/10/28/nyregion/hurricane-sandy.html, accessed January 2015.