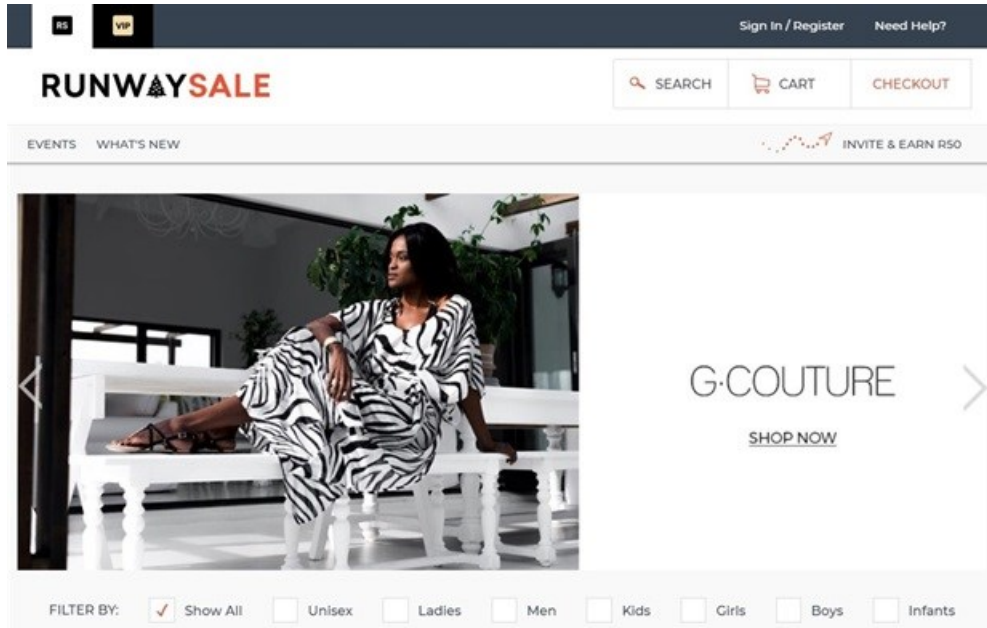


RunwaySale's runaway success

By  Eugene Yiga

13 Dec 2018

[RunwaySale](#) was born from a love of affordable designer brands. The two dynamos behind this business - Karl Hammerschmidt and Elmien Smit - combined their international experience to give South African fashionistas access to premium brands at exclusive prices.



Smit comes from a retail background, having worked for Woolworths in merchandising and sourcing. She left Woolworths to pursue her first online venture, a fashion comparison site called LadyCompShop. This continued to flourish following a move to Australia, where she was studying for a degree in Business Administration.

Hammerschmidt's background is rooted in the online world, having worked at Clicks2Customers. During this time he also studied for his BComm in Finance. He joined the company full-time after graduation and was awarded Employee of the Year in his first year. In his second year, he was offered the opportunity to move to Australia to start up its new office, where he consulted on the digital strategy for the biggest private shopping club in Australia, New Zealand and South East Asia.

 **What was the inspiration for the business?**

Hammerschmidt: El and I are both entrepreneurs at heart and have worked together since we were students, starting with several small advertising ventures and online businesses. The business began in May 2012, although we worked on the concept for about five months ahead of launch. The head office is in Cape Town (Woodstock) with an office in Gauteng.

▣ How did you fund this startup?

We initially worked for nothing, although an investor and mentor provided initial funding of R50k which was used to build the website (the one thing that couldn't be done free of charge). The site was and is the most crucial component for any online business and initially, we used it to test the market to see whether the concept was worth exploring.

The consumer experience is so important: from the time they click onto the website through to when they check out and buy a product. The customer needs to have an enjoyable experience and the navigation needs to be easy and user-friendly. Our website has been refined and adapted over the years to accommodate the growing m-commerce market which is now around 53% of our business.

▣ What exactly does your business do?

RunwaySale's business model is based on an exclusive, free, members-only shopping community that provides access to designer brands people covet but normally can't afford. South Africans love to bargain hunt and it's so much easier online. With a click of a button, on a mobile or desktop, you can buy a number of runway-inspired brands and accessories at up to 70% off and have them delivered to your door.

▣ Where do you source your products?

We currently work with over 500 aspirant brands. For a number of our brand partners, we represent one of the few growing channels of sales. The tough climate has obviously meant that brands have had to rethink their approach but equally, we're able to bring them a new, young, tech-savvy customer who probably wouldn't have walked into one of their stores. We also provide a safer way of clearing slower moving stock in these tough times. It's on a different platform and largely to a different audience.

▣ Where do you deliver your products?

We only deliver in South Africa at the moment. Our online site may be the doorman for a happy customer experience but the service is only complete once the customer has the goods in hand. Getting a customer's goods to their door takes meticulous planning, tailor-made solutions and attention to detail.

▣ What is your role within the business?

I'm co-founder, along with Elmiën, and my position is CEO while hers is COO. But we talk less about 'roles' and more about responsibilities. I'm responsible for the performance of the company plus I interact with the market and am fairly involved in the tech and supplier side of the business.

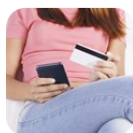
▣ How many people do you employ?

We employ around 150 people full-time who work either at our head office in Cape Town or our office and warehouse in Johannesburg. We also employ freelancers and offer internships.

▣ How many customers do you have?

We currently have just over one million members who have signed up and last year we had 3.5 million visitors to our site. We have members who were with us from the beginning and have shopped nearly 300 times and nearly 60% of our customer base has shopped at least half a dozen times. We are pleased that our customer base has grown faster than

anticipated and continues to grow. We feel there is scope to grow our members from 1 million to 5 or 10 million. But the bigger opportunity is to convert more from members to customers.



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■ ***Who is your typical customer?***

75% of our customers are female who either shop for themselves or the family, the majority are in an up and coming LSM and a large percentage of our customers have their first online shopping experience with RunwaySale.

■ ***What do you think appeals to them about RunwaySale?***

Definitely price and also that we offer items you cannot find anywhere else. Also, the products on our site are at the price for a limited period (sale time) and the range has grown to include a wide variety of clothing and accessory brands.

■ ***How long did it take to become profitable?***

Relatively quickly but it is a difficult question because we run this business not to maximise profit but to maximise growth, which means we plough profit back into the business. While we don't want to be a company that doesn't make money, growth is our major focus at this point.

■ ***What key milestones have you had along the way?***

One special milestone is when we crossed our first R1 million. I remember a discussion about VAT during our first year thinking that we wouldn't need to register for VAT until year two because we needed to reach R1 million. Shortly after that we did R1 million in a day, so it's been an interesting growth curve!

■ ***How did (and do) you celebrate?***

We like to celebrate the small things. At the pace this industry operates at there are lots of milestones and during our team 'wake and shake' sessions we encourage different departments to share their milestones – when we got our millionth member, when we dispatched our first 1,000 orders in a day – so that we don't get complacent but instead reflect on and enjoy every goal achieved.

■ ***What struggles have you overcome?***

Finding the right courier partner was crucial. To be honest, we had some hiccups in the early days when we used a mix of traditional delivery methods and courier services. We knew we needed a partner with a similar ethos, who could be part of the team and grow with us. This has been achieved and streamlined within our own warehouse and strategic partners. We have received positive feedback from customers on these changes which have decreased delivery times.

■ ***How have you changed and grown over the years?***

Every year we host a birthday breakfast. Five years ago, we took everybody to The Spur for a R20 breakfast and there were about seven of us around the table. Then we progressed to Knead for a R35 breakfast but the team couldn't all fit around one table. Last year, we had to hold the celebration in our offices and brought in caterers because we'd grown so much.

We can use the birthday breakfast as an analogy or metaphor of how we have grown over the years but other big changes within the business have been in terms of delivery and the growth in e-commerce and m-commerce.

▣ ***How have you adapted to the growth of mobile?***

The fact is mobile overtook desktop just over a year ago and is continuously growing. Mobile users are proactive and always connected. They use their mobiles the same way they used PCs: from communicating and entertainment to news and looking for deals. So in keeping with the growth in e-commerce and the emergence of m-commerce, we developed a robust mobile site with a more compact view of events to reduce the scrolling.

We've worked hard to get things right and it's clearly what users wanted because our mobile sales have increased from 10% two years ago to nearly 50% today. In addition, our mobile traffic has increased from 5% three years ago to 60% off total traffic today. We expect it to be at 75% by the end of the year.



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5 Apr 2018



▣ ***What other tech solutions have you introduced?***

We recently introduced an online delivery estimate for our customers based on a specific item. It factors the time it takes for stock to arrive at the warehouse, the quality control process, inventory, picking, packing, and delivery. Our warehouse has become one of our USPs. The warehousing management system is completely customised and technology-driven. From the moment a unit of stock enters the warehouse doors, it's tracked until it reaches the customer. The picking and packing are done electronically.

Customers are also able to track their order online. This includes monitoring in terms of the entire process: from when items are assigned from the warehouse to when they are ready for picking, packing, and shipping. They are also alerted via SMS when the parcel is on its way.

▣ ***Who are your biggest competitors?***

One of our biggest competitors is the international guys who work on a much bigger stockholding, such as the American markets who ship to South Africa. It's important that our offering competes with them. Another competitor would be Access Park – the offline factory stores – but we'd like to believe we offer a much more competitive and compelling offering to customers.

You can log onto RunwaySale for five minutes, find what you are looking for, buy it, and have it delivered to your door as opposed to battling with traffic, parking and queues.

▣ ***What sets you apart from them?***

A positive shopping experience is paramount as is the protection of brand equity. This includes getting the product to the customer. We are pleased to say that our average customer satisfaction rating was at 97% over the past six months. We believe that this is as a result of taking customer feedback on board and continuously working on improving processes in every aspect of the customer experience.

▣ ***What are your impressions of the current state of the online retail industry?***

It's growing but let's not kid ourselves and pretend it's bigger than it is. If you take a lot of categories out of the equation,

such as airline tickets and perhaps electronics, only around 1% of total retail sales come from online. We are smaller than other online markets, which means we need to adapt and work around that.

In the UK, 28% of the fashion market is online. It will take some time for us to get to 10%, let alone 28%, but it does mean we have ten times the growth ahead of us. You've got to be confident to go after the bigger opportunities but also cautious not to blow huge money to claim that 1%. You need to know what makes sense in the South African market and focus on the return on investment (ROI). It's a competitive business.



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Gareth Paterson 24 Jul 2018



▀ **What plans do you have for growth?**

ROI is a huge focus for us and we spend a great deal of energy and analysis around it. Where we see an opportunity to push value from an ROI perspective, we jump at it. Our marketing agencies don't have budget; they have ROI targets to work towards and everything is monitored and measured across the different channels. It's all about growth.

▀ **How do you plan to grow beyond our borders?**

International expansion has been on our roadmap for the past five years. We joke in the office about how we'll do it in twelve months. The reality is that there has been so much to offer in South Africa and our focus has been on growing the company as well as adapting to the changes within the e-commerce and m-commerce environment.

We are proud of our achievements and thank the over 500 brands and one million members who support us. But we know that international plans will be rolled out... soon.

ABOUT EUGENE YIGA

Eugene graduated from the University of Cape Town with distinctions in financial accounting and classical piano. He then spent over two-and-a-half years working in branding and communications at two of South Africa's top market research companies. Eugene also spent over three-and-a-half years at an eLearning start-up, all while building his business as an award-winning writer. Visit www.eugeneyiga.com, follow @eugeneyiga on Twitter, or email hello@eugeneyiga.com to say, um, hello.

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