International Post Corporation

Otto Group plans closure of Hamburg returns-processing facility

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After analysing all possible alternatives, planning for the closure in the mid-term of the last returns-processing facility in Germany operated by the Group company Hermes Fulfilment in Hamburg has begun. This inner-city facility is to be closed down in the second half of 2021, to give the 840 mainly part-time employees sufficient time for occupational reorientation.

After prolonged and exhaustive consideration, and having examined all possible alternatives, the Otto Group Executive Board and Hermes Fulfilment management have decided against continuing to process low-volume returns at Hermes Fulfilment in Hamburg and thus in Germany. This decision secures the ongoing capability of Hermes Fulfilment and the Otto Group companies to compete, and also enables the futureorientated design of the Group's logistics processes. The returns-processing facility in Hamburg is no longer able to operate profitably, despite the high technical level of its equipment and outstanding work of its employees, and can therefore no longer be kept in operation.

In contrast to parcel delivery, the key success factor in handling returns is not speed but above all the costs of checking and, where required, reconditioning returned goods. The competitive environment for returns processing is particularly fierce. Further, the volume of returns is climbing in step with the rising revenues of the Otto Group retail companies. In consequence this cost item is becoming more and more significant and has ultimately led to the recent planning decision. In addition, this particular returnsprocessing facility is the last one located in a city centre, with the associated heavy traffic burden.

For a long time now, in the Otto Group the majority of returned goods have been processed at the Group's own facilities in Poland and the Czech Republic. Both of these countries have established themselves as industry benchmarks in the logistics sector for returns processing. The returns processed so far in Hamburg are to be handled at the existing Otto Group locations in Lodz (Poland) and Pilsen (Czech Rep.) in future.

"This was an extremely tough decision for the Otto Group Executive Board and Hermes Fulfilment management to take. Nevertheless, particularly in these difficult times we cannot postpone economic decisions that are vital

for the future of our group of companies", emphasises Kay Schiebur, Executive Board Member Services, Otto Group. "Hermes Fulfilment management will be working intensively together with the Works Councils over the months to come on defining measures to cushion the blow as far as possible for the employees involved."

Independently of this strategic decision, the Otto Group will continue to expand its workforce in Germany and in Hamburg. The Group will push forward with its triple-digit million-euro investment in its logistics infrastructure in Germany, which comprises investment in new logistics locations as well as the modernisation of existing facilities. Reflecting this, the number of full-time equivalent (FTE) positions in the Otto Group's combined logistics network has risen over the past few years by 15 percent to around 7,300. Over the two years to come, the headcount in the Group's German logistics operations is set to remain stable, despite the planned closure of the returns facility in Hamburg. As a result of the successful digital transformation, the Group foresees a further expansion of the current combined 9,100 FTE positions at its Hamburg-based companies.

The corresponding implementation of the closure decision remains subject to the agreement of the respective committees. The timeframe for implementation and the design of the individual redundancy measures will be defined over the weeks and months to come.

Source: Otto Group

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