

STRATEGY

WITHOUT BORDERS

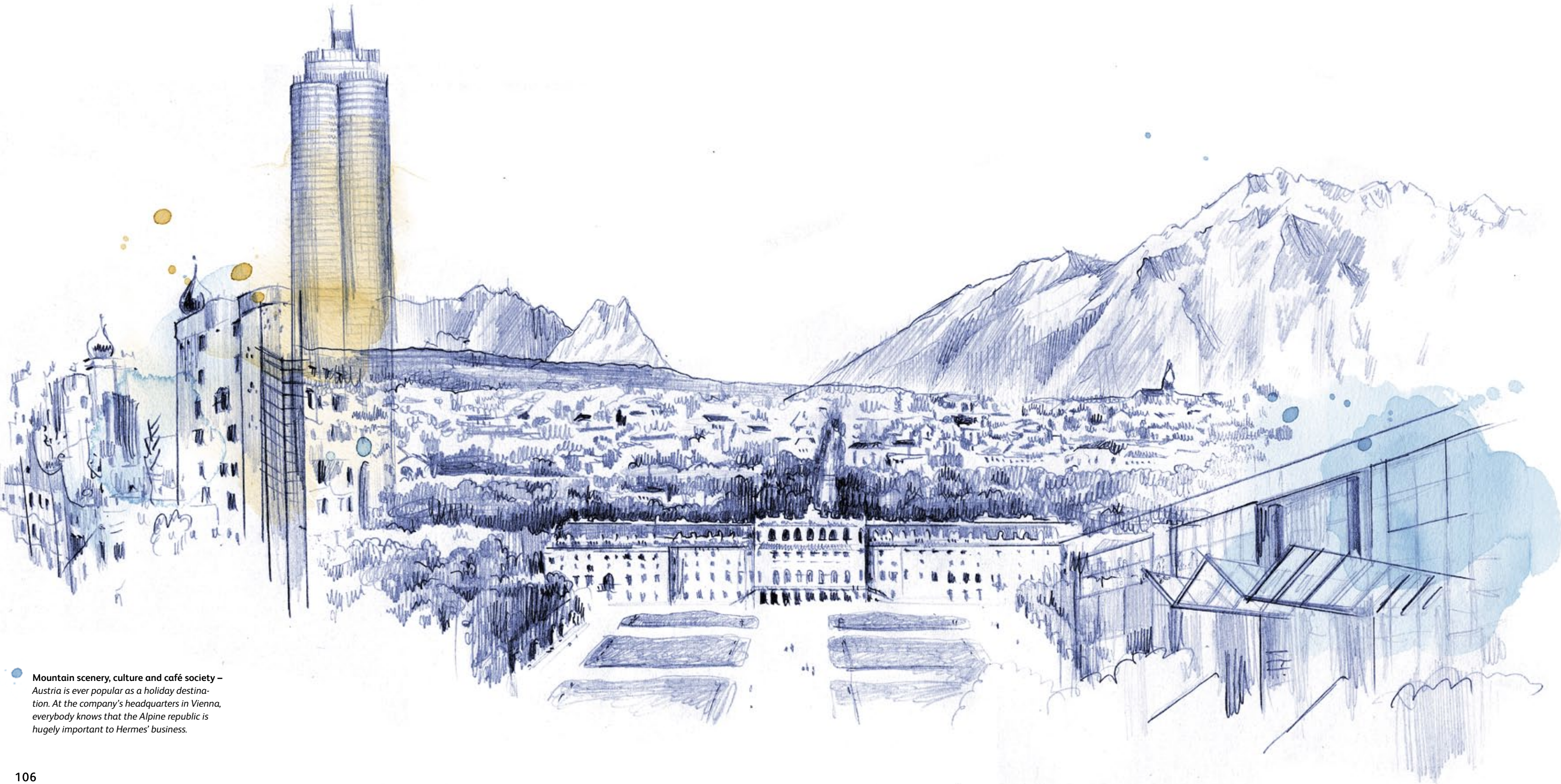
Founded in 2009 as an umbrella organisation, Hermes Europe develops and coordinates cross-company activities in Europe and beyond



The European market is the world's largest single market – no wonder that it has become an important area of activity for Hermes in the international context. This is because Germany alone is no longer enough, given the growing level of competition, to secure stable growth for the company in the long run. Hermes has therefore not wasted any time in venturing across the borders: with its

own companies in Austria, Italy, Great Britain and Russia – and with partnerships in numerous other European countries. But this is not enough: as a service provider close to the retail trade, Hermes offers its services globally and is continuously expanding its international network. A wide range of activities have been coordinated and steered by Hermes Europe since 2009. The tasks of the umbrella organisation include many

country-specific but above all cross-company issues in the areas of strategy, operations, IT, controlling, marketing and communication. The aim is to bring the European and worldwide network of linked services closer together under the Hermes umbrella. The boom in e-commerce requires such a holistic approach – national borders have long since lost the importance they once had. ■



Mountain scenery, culture and café society – Austria is ever popular as a holiday destination. At the company's headquarters in Vienna, everybody knows that the Alpine republic is hugely important to Hermes' business.

AUSTRIA

Small but significant

What, if you please, is a "Putzerei" and what is a "Trafik"? These German-sounding terms are familiar to all Austrians, but Germans rarely know without being told that they mean a dry-cleaners and a tobacconist. Two countries, one language. Austrian German does have its peculiarities, though. And the every-day business of offering a parcel service is also different in Austria.

The German staff of Hermes who laid the foundations for Hermes Austria (HAT) in 2007, quickly discovered this. At the time, their aim was to transfer the Hermes model that had been successful in Germany to Austria. The Otto Group and, later, the Primondo Group mail order companies (including QUELLE and Neckermann Österreich) were looking for an alternative to the virtual monopoly of the Österreichische Post in order to send parcels to their customers between Vienna and Innsbruck, Salzburg and Graz.

Processes that had largely run smoothly in Germany, such as the delivery of parcels to Hermes ParcelShops or to the final customer's front door, often proved complicated in practice in Austria. Houses are often not numbered in order according to a given system (odd numbers on the left, even on the right) but are allocated successively according to the year of construction. Couriers quickly get lost, and it turned out that the calculated delivery times were not realistic.

Hermes therefore reviewed its Austrian business model, and the resulting changes were a resounding success. The company HL, based in

Schwechat, now has around 1,600 ParcelShops in dry cleaners, tobacconists, petrol stations and other locations, where customers can pick up parcels from mail order companies and drop off returns. Customers appreciate the benefits of Hermes ParcelShops, which include extended opening hours, short queues and low prices. Parcels are delivered to the front door by the Österreichische Post, while returns are transported from ParcelShops and private packages are handled by DPD Austria.

This type of cooperation is known in the logistics sector as a dual-operator strategy. It has proved successful for Hermes Austria: Hermes is the Österreichische Post's largest client. The favourable terms Hermes receives are passed on to HL's customers. And the trend for both B2C and private parcel business is positive. "Austria is a small market but a significant one," says Marc Dessing, COO of Hermes Europe. In Hermes' European strategy, Austria is of particular importance, including as a gateway to south-eastern Europe. Hermes might in future also become active together with a strong partner in countries such as Hungary, Slovenia, Croatia or Slovakia.

THE UK

Rapid growth

Known as lifestyle couriers, not because they are dressed particularly smartly, or because they only deliver lifestyle products, but because they are part of the everyday life of many British people. Hermes Ltd. UK operates a network of more than 7,500 couriers. For many the job is a supplementary source of income which they do in addition to being a student, housewife or pensioner.

Each lifestyle courier is responsible for a region – and always the same one. They know it well and may even have been born or grown up there. The courier knows his customers and they know him. With Hermes UK, receiving a delivery or submitting a return will be a personal and sometimes almost familial matter.

The customer and his courier must really trust each other if – as often happens – they agree on a “safe place delivery”. If Bob, the courier, is unable to deliver a parcel because Brenda, the recipient, is at work and there are no neighbours at home either, he will place the parcel in an agreed place such as the garden shed. After all, he knows where the key is.

The network of lifestyle couriers ensures flexible and reliable home deliveries. These are the foundations on which the success of Hermes UK is built. Originating from the company Parcelnet Ltd. and existing as a firm under the umbrella of Hermes Europe since 2009, Hermes UK is Britain's largest shipping and courier network independent of the Post Office. More than 140 million consignments are collected or delivered each year. These consignments are routed via

a central HUB in Nuneaton in Warwickshire, right in the middle of the United Kingdom and around 100 miles to the north west of London, and two further HUBs, 21 depots and sub-depots. The sub-depots are operated by independent companies, and Hermes UK has a lean corporate structure: its head office in Morley close to Leeds employs a staff of only 300.

Hermes UK works for companies of all sizes, including mail order companies and online sellers such as Next Directory, the home shopping company QVC and the foodstuffs chain Tesco. This year will see efforts to set up a network of ParcelShops based on the successful German model. 1,000 ParcelShops are initially planned, starting off mainly in large towns and cities. There the needs of the customer are greater than in the countryside. Cities such as Birmingham, Leeds, Liverpool, Manchester and Sheffield are and will remain the domain of the lifestyle couriers.



Whether royal tradition or London cool, Britain and the British people have a sense of style. No wonder that the ceiling lights at the Hermes headquarters in Morley are a bit special.



Ciao, bella Italia: Venice, Pisa and Tuscany exude a beauty that cannot be praised too highly. However, it is still too early to celebrate our business success; the development of a nationwide Hermes logistics system is demanding a lot of time and input.

ITALY

High aims

"Delivering becomes easy" is Hermes' motto in Italy. With an optimistic look to the future, this is the vision and mission of Hermes Italia S.p.A., founded in March 2009. Confidence and enthusiasm are virtues which are particularly prized in Italy. They are also necessary in order to survive in business.

The parcel market is more keenly fought over than in many other countries. Large logistics companies which otherwise operate solely in the B2B sector are often also active in the B2C segment in Italy.

This therefore means stiff competition for Hermes Italia. But the company does have the necessary know-how to rise to the challenge. This is partially because it can rely on structures established by Hermes Porta A Porta's predecessor, Swiss Post Porta A Porta AG. And as Hermes Porta A Porta is integrated into the Hermes Europe network, it is also able to benefit from the experience and practical help of its sister companies.

The headquarters of Hermes Porta A Porta in Carpiano, to the south of Milan, is also the site of the company's automated HUB. From the storage hall, goods are transported to one of 60 transit points spread across Italy, which are operated by subcontractors. Important customers of Hermes Italia include the mail order companies bonprix and Witt, both of which belong to the Otto Group, and smaller Italian dispatchers of specialities such as wine or olive oil.

The company's 1,000 delivery agents deliver three million consignments a year to private customers.

This is nowhere near the more than 300 million consignments and 13,000 delivery agents in Germany, but Rome wasn't built in a day. Hermes Italia wants to expand and improve its infrastructure. This is necessary in order to implement an ambitious goal: the development of a network of ParcelShops in Italy too. Around 10,000 shops would be needed in order to offer the service nationwide from Bolzano to Catania. This is a major challenge, but it will be met with confidence and enthusiasm, not to mention careful planning. But that is the advantage that the Hermes Europe network offers: enthusiasm and planning go hand in hand. Forza Italia!

like the Otto Group, Russia is an enormous challenge – but also an enormous opportunity. The middle class is growing, and with it wishes and needs which cannot be satisfied outside Moscow and St Petersburg, or at least not particularly well or quickly. Online shopping offers a solution to this. The Moscow market research institute datainsight estimates that, by 2015, the number of Russian online shoppers could increase from 14 million (in 2010) to 28 million. The market volume would be 330 billion roubles, or eight billion euros.

The Otto Group entered the Russian market as long as six years ago. And given the boom in e-commerce, Hermes has also launched itself on this important market of the future. A joint venture set up in partnership with the express deliverer DPD under the Hermes-DPD brand is already offering Russian mail order customers a real alternative in the shape of Hermes ParcelShops for customers who prefer to order online. There are already 300 shops in nine cities: Moscow, St Petersburg, Nizhny Novgorod, Samara, Yekaterinburg, Rostov, Krasnodar, Chelyabinsk and Novosibirsk. Others are intended to follow, rising to a total of 1,500 in 44 towns by 2014 because, as Marc Dessing, COO of Hermes Europe puts it, “the demand for smart and reliable shipping solutions is high”.

RUSSIA

Bringer of packages ... and hope

Russia is the largest country in the world in terms of surface area. Sending a package there can turn into an adventure with an uncertain ending or at least to a six or seven-week wait for a parcel to arrive. There are nine time zones between Kaliningrad and Vladivostok ... but the problems don't end there: extreme weather, excessive bureaucracy, too little technology and downright inefficiency also form part of the mix.

For a parcel logistics company like Hermes and a mail order company



Russia is huge, from the Neva bridges and onion domes of Moscow to the villages of Siberia, and presents a challenge – and an opportunity – for Hermes. Because modern Mother Russia is ordering her clothes via ParcelShops.

“We are pleased to be represented with Hermes ParcelShops on the growing Russian parcel market. Alongside Germany, Austria and Great Britain, we are thus effectively expanding our international ParcelShop presence. And Russian customers appreciate the fact that goods can now be sent much more quickly and smoothly.”

On average it takes less than a week for a parcel to reach a ParcelShop. In Moscow, things are quicker – sometimes two days are enough. Ease of access, extended opening hours seven days a week and personal notification by phone, text message or e-mail: sending and receiving packages via ParcelShops is convenient and bureaucracy-free. An example of such bureaucracy was the custom of having to pay cash-on-delivery charges at a coin-operated machine before collecting the goods with the receipt.

This was one of the challenges that Hermes Russia had to overcome... and has succeeded in overcoming. Parcels can now be collected by paying at the counter. “This has been well received,” says Dessing.