



Hans-Otto Schrader, 55, has been CEO of the Otto Group since October 2007. Hermes is a wholly owned subsidiary of the Group. Spread across the segments of multi-channel retailing, financial services and other services, a total of 120 companies with around 50,000 employees work for the Otto Group

“HERMES IS A PILLAR OF THE OTTO GROUP”

Hans-Otto Schrader, CEO of the Otto Group, makes no secret of the fact that he is a fan of Bruce Springsteen. But then why should he? “Working on a dream” – the songs of the American rock singer would be a perfect soundtrack for the Hermes success story

Mr Schrader, as an avowed Bruce Springsteen fan, which of his songs do you think suits Hermes best: “Working on the Highway”, “Hungry Heart” or “Tougher than the Rest”?

I most associate the song “Hungry Heart” with Hermes. Hermes is constantly on the move. The company acts at a high level and is continually developing its portfolio of services. It is always setting itself new goals. Hermes is hungry in the best sense of the word.

Another Springsteen song says “Don’t look back”. But let’s not consider that for the moment. When did you first have personal contact with Hermes?

At the end of the 1970s. Then I was an employee in the auditing department of OTTO and was asked to examine the profitability of third-party business at HTK (the Hermes technical customer service). That was my first professional involvement with Hermes.

When you joined the Otto Versand in 1977, were you at all aware of Hermes?

Of course. But less in a professional capacity. At that time I mainly received deliveries by Hermes as a customer of OTTO. The fact that OTTO had its own logistics firm fascinated me even then.

From 1991 you were responsible for OTTO’s import department, now known as Hermes-OTTO International? Was logistics more part of your focus then?

Yes. I was working in Hong Kong, after all. Hermes was very important to me, particularly in the areas of international maritime and air

“Hermes is as independent as the managers of Hermes dare.”

HANS-OTTO SCHRADER

freight, because the goods we were sourcing there had to be transported as quickly as possible from Asia to our warehouses in Germany.

How has Hermes changed over the years in your view?

It has developed at many levels. I have been particularly impressed by its increased focus on the market and external clients. Hermes has also been successful in its aim of expanding the value chain. Who would have thought that Hermes would one day become the largest rival to Deutsche Post, particularly with regard to parcel shipping, on the basis of its outstanding range of services and the fact that it offers a cheaper and better alternative?

“I see growth opportunities for many years to come.”

HANS-OTTO SCHRADER

Long-serving employees say that Hermes was managed in a fairly centralist way at the time. Decisions concerning local temporary staff were taken at head office, and depot managers had to account for empty ball-point pen refills. What is today's management like?

It is the same for all companies in the Otto Group. Our motto is “as much decentralised responsibility as possible, and as much centralised responsibility as necessary”. This principle has proved successful in Hermes as well, as can be seen from its development and in its results.

How independent should Hermes be, and how independent it is allowed to be?

As independent as the managers of Hermes dare.

How would you describe the relationship between the Otto Group and Hermes today? On the one hand, Hermes is a wholly owned subsidiary; on the other, logistics is key to success these days in the age of globalisation and the internet...

I see no problem with this. Hermes is part of the Otto Group and, with the services it offers, fits perfectly into our portfolio. As a multi-channel retailer, we have an outstanding

partner in Hermes. We benefit from it every day, and it can learn from us too. To a certain extent, we stimulate each other to develop. To my mind, that is the best relationship one can imagine.

Since 2005, Hermes has increased its turnover year on year and reached the one billion mark for the first time in 2007. How important is Hermes to the overall results of the Otto Group?

Its contribution is now significant for the entire Group. Hermes is one of the pillars on which our business rests.

Does Hermes not find itself in a dilemma within the Otto Group? It is required to offer the lowest possible delivery costs to its parent and sister companies but at the same time make reasonable profits...

I don't see it that way. Overall, Hermes must withstand the competition. Consequently, what applies to the market and its external clients should also apply to its internal clients from within the Group.

With such growth rates, won't we one day reach the end of the road?

To be honest, that doesn't worry me. The market as a whole is so large

“Our success has forced Deutsche Post to become more customer-friendly. I find that remarkable.”

HANS-OTTO SCHRADER

that I see growth opportunities for many years to come.

From your point of view as the head of a global group, what have been the milestones for the Hermes Group?

The development of our network of ParcelShops – there are more than 14,000 drop-off points within retail outlets throughout Germany – is definitely one of the milestones in the history of Hermes. In urban conurbations, our clients never have to go much more than 600 m on average to hand over a parcel to us. The distance in the countryside is 3 km. The fact that we have opened up our service to outside clients is another major milestone in my view. Today Hermes supplies high-level services to some companies which compete with parts of the Otto Group. The same applies to the decision to open Hermes up to the C2C segment and thereby to offer private customers a real alternative to Deutsche Post. The fact that liberalisation has worked better for parcels than for letters is also thanks to a strong supplier such as Hermes. Its innovative services (such as four home delivery attempts, € 500 liability included in the price of a parcel) are a hit with customers. Our success has forced Deutsche Post to reduce its parcel prices and

become more customer-friendly. I find that remarkable.

Hermes then took a further big step in 2007 with its internationalisation. From then on the company was a serious player on important European markets and, at the same time, offered an alternative to the “old” state monopolies in the countries concerned.

The introduction of “We Do!” in 2010 was also a milestone. The idea of making the company’s green focus relevant to its clients’ own communication is clever and convincing because the sustainability of a product also covers the logistics segment – and there we are making a relevant and verifiable contribution.

Within the Otto Group, you have been presented with many ideas by young staff in the context of the company’s promotion of emerging talent. Has there been anything that might be promising for Hermes?

We are currently in the phase of testing ideas. Unfortunately, I am therefore unable to give an answer as to whether these include interesting business ideas for Hermes that we might be able to implement.

What do you wish Hermes for its anniversary?

That all its staff should be proud of what has been accomplished and celebrate the great appreciation that there is for their achievements. These provide the necessary impetus for the further successful development of Hermes. I hope that Hermes is able to take advantage of the position of strength it has achieved in shaping its future success.

The fortieth anniversary comes at a time of upheaval. Since 2008, there has been one crisis after another, the future of the European single currency is in doubt, the world economy is faltering, climate change has receded into the background in media terms but the risk remains real. How should Hermes arm itself for the future?

Other crises will follow the current crisis. It will therefore be very important for Hermes to develop a high level of agility so that it can rise to new challenges more quickly than the competition.

Where should the company be when it reaches its 50th anniversary in 2022?

Right in front!

Is there another Springsteen song that gets to the heart of matter?

Yes, “Working on a dream”.