

# RETURNS LOGISTICS CENTRE HAMBURG

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Technical innovations and automated processes mean that we can handle as many as 60 million items a year – the returns logistics centre in Hamburg is prepared for the logistics challenges of the future.

Thomas Herrlich, head of the returns logistics centre Hamburg

# OUR HISTORY

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## From a simple shed ...

OTTO has always wanted its customers to be happy with their purchases. Since the company was founded in the early 1960s, allowing its customers to return any items they were not happy with has always been an important part of the corporate philosophy. Right from the start returns processing is an important part of the services offered by Hermes Fulfilment.

The first returns logistics centre is located in a simple shed in Hamburg-Schnelsen. Today the returns logistics centre is located in Hamburg-Bramfeld. Until the 1970s all activities are done by hand. Returns are delivered in mailbags, unpacked and placed in carts. Warehouse assistants inspect the goods and perform quality controls. Items that are in a resaleable condition are carefully folded and put in plastic bags. Each returned product is given a new, handwritten item number. Eventually, after hours of meticulous work, Hans Otto, the brother of company founder Werner Otto, sets up a process whereby the item numbers can be typed into a system and printed out on adhesive labels: the first step towards automated warehousing.

When the returns logistics centre is modernised in 1978, a new conveyor system is installed that automatically moves the goods from workstation to workstation, covering a distance of 1.5 kilo-

metres. The data on the returns labels is captured by data scanners that can handle up to 30,000 items a day. Any dirt or stains are removed using special machines. These developments mean that items can now be put back on the shelf at a much faster rate.

In the late 1990s the facility once again undergoes major renovation, but this time the facility stays in operation. Since the completion of this renovation work the facility has had two identical returns processing systems, occupying two different floors. Each of these systems can be independently controlled, so if any kind of mechanical failure occurs, the other system can continue to operate.

## ... to the largest returns facility in Europe

In 2001 a new sorter system is introduced. This constitutes a major development. The returns can now be automatically routed from the goods-in area to their storage locations. They can also be delivered to specific workstations for processing. Returns are now handled far more efficiently. They are put back on the shelf for resale and released into the billable inventory of the warehouse faster than ever before. Lead times are made even shorter by the fact that the order data and the reasons for returning the items are now recorded by computer-aided cameras.



(above) The Hermes Fulfilment returns logistics centre in Hamburg as it is today.  
(right) How it all started: the first returns facility located in a simple shed in Hamburg-Schnelsen.



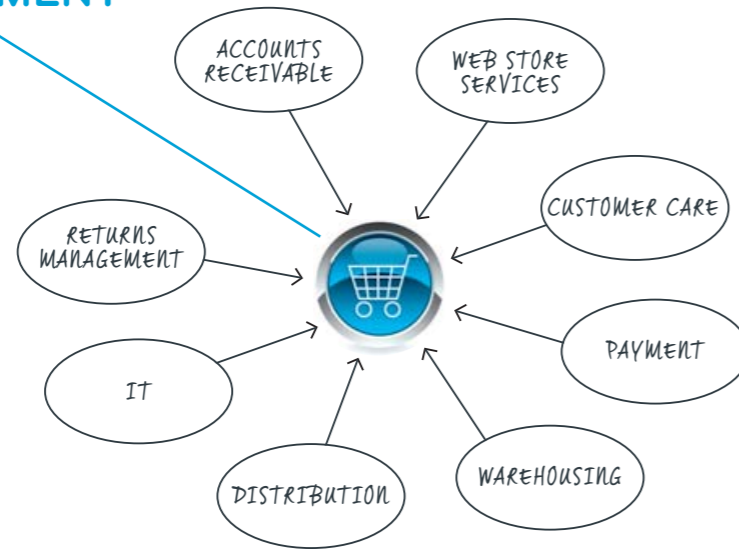
In 2010 the online retail sector is still booming and Hermes Fulfilment wants to be prepared. Once again it expands its returns operations. Equipped with even more inspection points, a completely new put-away system for returned items and a fully automatic stacker system for empty bins, the returns facility in Hamburg is now one of the most innovative and largest facilities in Europe. Garment returns are usually processed within an hour. Today the 1,100 employees working at the Hamburg facility can handle up to 60 million returned items a year – more than in any other returns facility in Europe.



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## FULFILMENT



# HERMES FULFILMENT AN OVERVIEW

Headquartered in Hamburg, Hermes Fulfilment GmbH is a member of the Otto Group and provides a wide range of supply chain services to the distance-selling retail sector from the company's four logistics centres. These services range from the design of a web store to its operation, from accounts receivable, returns management, financial and call centre services to procurement, warehousing and distribution. Hermes Fulfilment provides logis-

tics services for as many as one million different products and handles some 300 million items a year.

The spectrum of goods ranges from smartphones, tablet devices and textiles to jewellery, furniture and washing machines. The clients of Hermes Fulfilment GmbH primarily operate in the consumer goods industry.



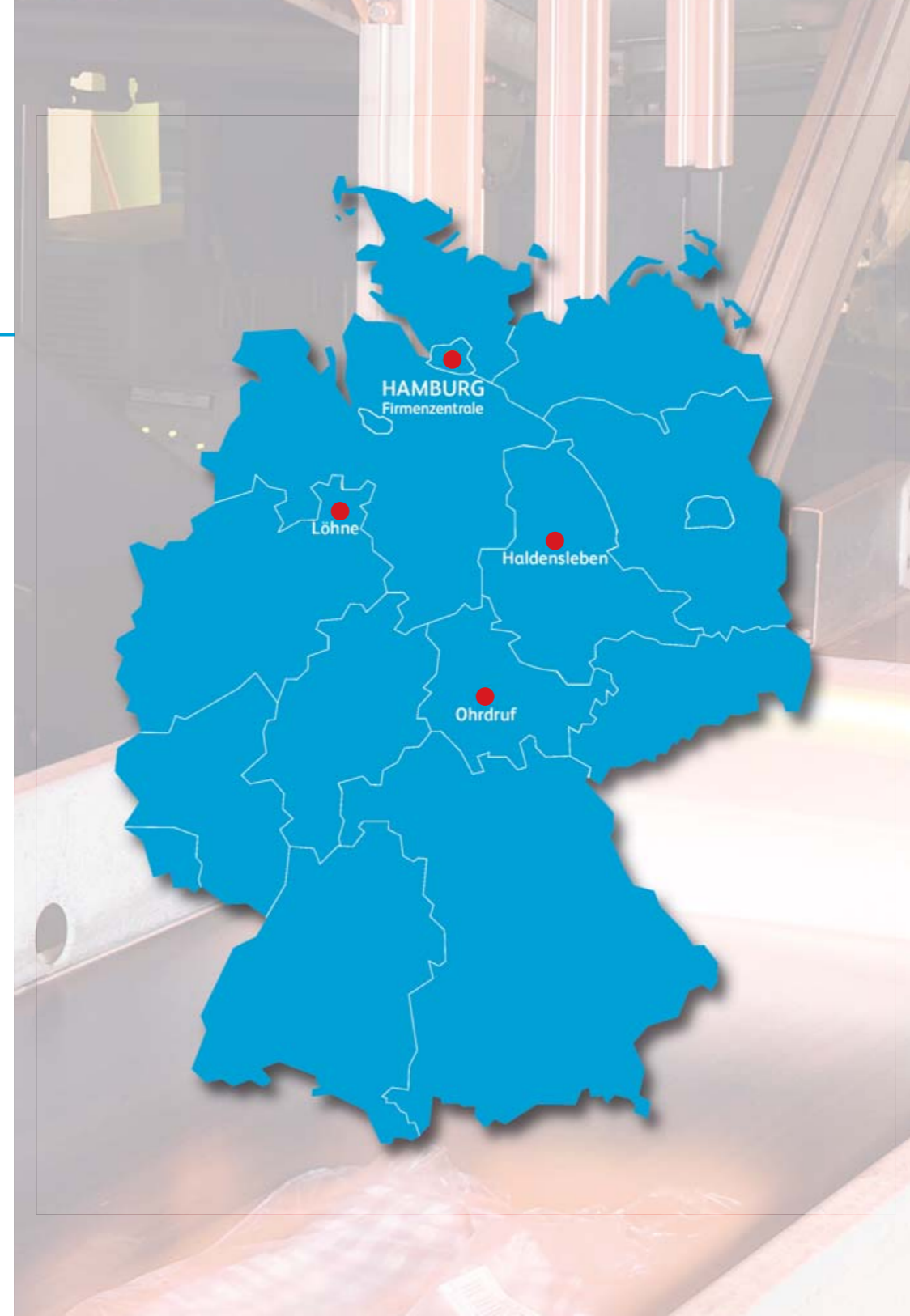
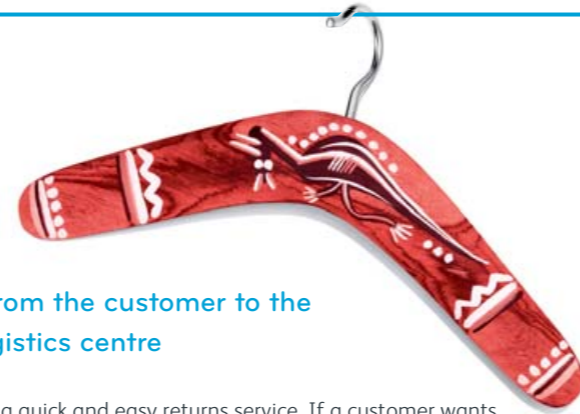
# WE KEEP GOODS MOVING

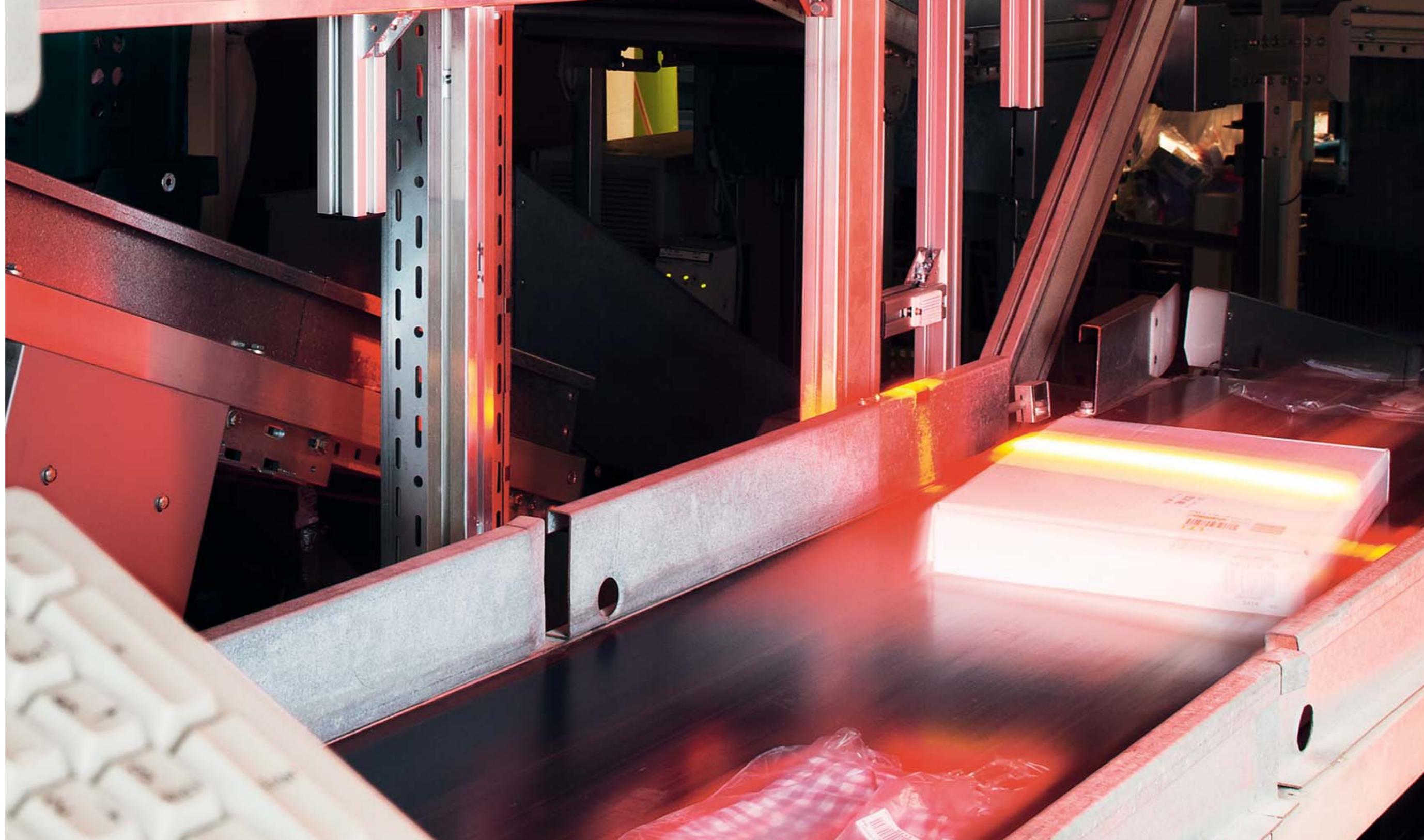
## The returns logistics centres of Hermes Fulfilment GmbH

Hermes Fulfilment operates three returns logistics centres: one for smaller items such as textile products, shoes, smartphones and jewellery in Hamburg and two others for larger items such as televisions, washing machines and furniture in Löhne (North Rhine-Westphalia) and Ohrdruf (Thuringia). In addition to these three centres, Hermes Fulfilment is also able to use the Otto Group's returns centres in Hanau (Hessen) and Pilsen (the Czech Republic). All of these facilities work according to the same high quality standards.

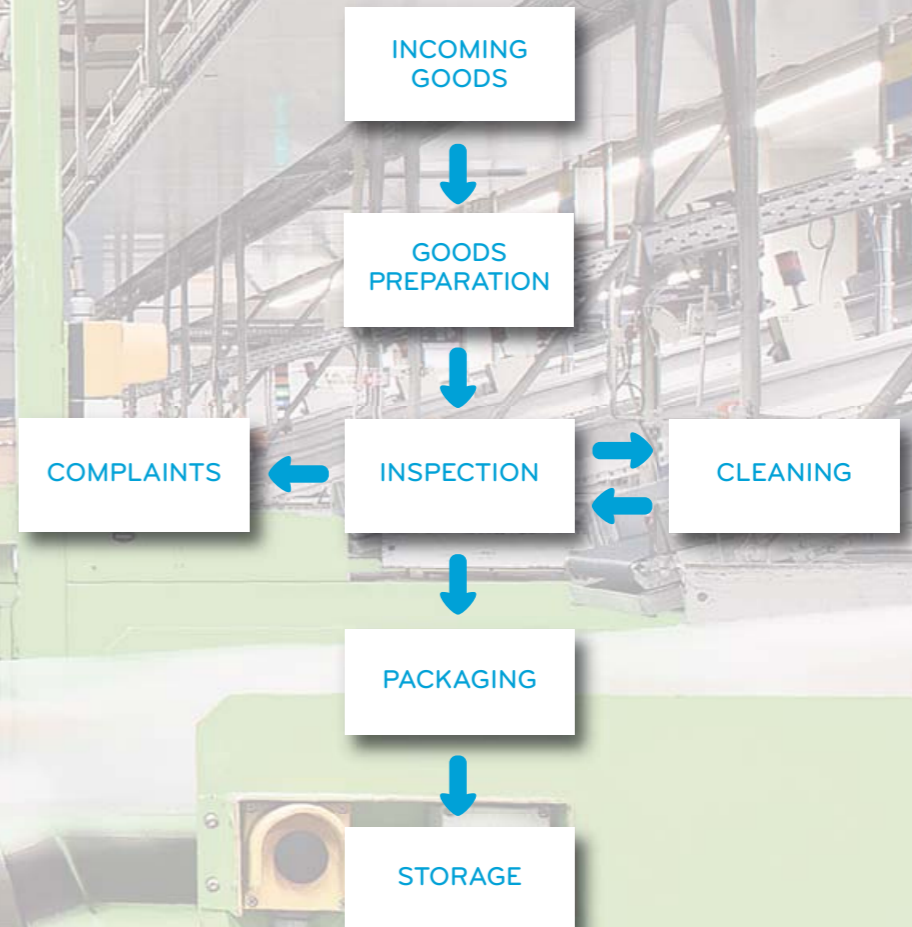
## Returns: from the customer to the returns logistics centre

Hermes offers a quick and easy returns service. If a customer wants to return an item, he or she can choose whether to return it to one of 14,000 Hermes-PaketShops or arrange to have it collected from his or her home. Textile products, jewellery and small electrical gadgets are then delivered to the returns logistics centre in Hamburg. As soon as they have been unloaded from the truck they undergo quality checks before being sent on to the mail-order logistics centre in Haldensleben (Saxony-Anhalt) where they are put back on the shelf for resale.





# RETURNS PROCESS





# INCOMING GOODS

At the incoming goods stage width-adjustable telescopic conveyors (see photograph on previous page) make the process of unloading the freight containers easier. These workstations have been specifically designed to ensure an ergonomically sound environment for workers having to unload loose goods.

The parcels, bags and boxes are placed on the

conveyors an equal distance apart and with the barcode of the returns label clearly visible on the top. This is done so that a scanner can easily read the information on each label. At least

six conveyors transport the returns from the goods-in area to the sorter and on to the goods preparation area. A system of lights indicates whether the returns are moving through the system at an optimum speed.

Width-adjustable, ergonomically  
sound telescopic conveyors

Scanner system records returns  
Automatic task management



# GOODS PREPARATION

Put into operation in 2001, the sorter system directs the return product flow and manages the utilisation of the workstation capacities in the goods preparation area. It is an all-electronic system that transports the returned products via chutes to the different workstations. Photoelectric cells mounted on the chutes monitor the number of items allocated by the sorter to each workstation so that no one workstation receives too many parcels.

The employees at these workstations unpack the returns and immediately check the customer's details. They then discard the packaging materials and place the individual items on a conveyor that transports them to the inspection area. On their

way to the inspection area they are routed past computer-aided cameras before being delivered back to the sorter. The cameras are programmed to recognise any information about the customer or the item. They also register the returns and record the reasons for returning the items.

If the cameras are unable to accurately identify the information on the returns label, for example if the customer details are missing or the barcode is illegible, the return is routed via an automatic lifting device to a special workstation where the items are registered manually before being delivered to the inspection area.

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Automatically controlled  
workloads

Digital returns  
registration

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Manual registration  
in special cases

# INSPECTION OF FASHION ITEMS

The majority of items returned to Hermes Fulfilment are textile products. At about 200 computer-aided workstations barcode labels are used to identify the returned products. Employees scan the barcodes and check if the item matches the data shown on the monitor.

All employees working in the inspection area are suitably qualified and able to establish whether the returned items are “as new”. Their practised eyes examine the textile products from all angles. These employees are quick to notice any defects or faults. The retailer who commissioned

Hermes Fulfilment to process his returns defines which criteria determine when an item is considered faultless and in a condition to be put back on the shelf for resale.

In the majority of cases textile products are in a resaleable condition. If this is the case they can then be automatically packaged. Returns that cannot immediately be put back on the shelf for resale are routed to the reworking area where, for instance, fluff or small stains are removed. If needed, textile products can be cleaned and ironed.

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Item identification

Condition, completeness  
and damage checks

Ready-for-resale checks

Issue of refunds

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### High quality standards in the goods inspection area

Each goods group, whether it be underwear, shoes or fashion accessories, has its own inspection criteria. Take shoes, for example: Are they a matching pair? Are they the same size? Is the leather or the sole scratched? Umbrellas are checked to see if they work, fashion accessories, i.e. handbags or belts, are checked for traces of use.

If the quality criteria are met and the returned item is found to be in its original condition, a refund is issued immediately. Up to 98 % of the textile items that are returned can be resold. About 2 % are reworked. 80 % of these can be reworked into a saleable product.

Special criteria apply to swimwear, underwear, footwear, accessories, hardware, jewellery and decorative fabrics

If a return cannot be put back on the shelf for resale, the retailer decides whether the item should be sent back to the manufacturer, resold at a reduced price or disposed of.





# INSPECTION OF JEWELLERY ITEMS

## From necklaces to branded cutlery

Returns of jewellery, watches and cutlery take a special route through the facility. After their receipt has been recorded by the system they are routed directly into a special room. Particularly in the case of jewellery, it is extremely important to ensure that the returned item really does correspond to the data recorded by the scanner.

To do this employees compare the returned items with catalogue illustrations. They also check whether a chain is the right length, the gold content of an item is correct or the size of a ring is the same as the catalogue description. Expensive items of

jewellery are shipped under seal and the returned items are sealed again after they have been inspected. Items of jewellery, watches and cutlery are checked for scratches and signs of wear. After they have been polished and new labels have been affixed to them, the items are put back on the shelf for resale. Often

they are placed in small bags or jewellery cases. Watches are typically put in special boxes and high-quality cutlery in special cases.

If needed, Hermes Fulfilment works in close co-operation with jewellers and watchmakers who will carry out repairs and make alterations to jewellery.

Items reworked  
manually and with care

Packaged by hand

Repair and alteration  
services





# INSPECTION OF TECHNICAL PRODUCTS

## From digital cameras to smartphones

After their receipt has been recorded, all technical products – for instance, digital cameras – are placed in returns bins and routed via the sorter to workstations where, with the help of special test equipment, qualified employees determine whether the technical products are in their original condition. First of all, they identify the item and make sure that it corresponds to the data on the monitor. They then examine the product to ensure that it is complete and has been returned undamaged. Have all the parts been returned? Are any cables, accessories or instructions for use missing?

Next the product is examined to check whether it is in working order – a task that calls for experience and expertise. For instance, when checking a digital camera, these employees will check whether any photos are still stored on the camera

and, for reasons of data protection, restore the preconfigured factory settings. The aim is to establish whether the item is “as new” and to restore it to its original condition so that it can be put back on the shelf for resale.

Repair requests are also received by this department which passes the request on to the technical support services of Hermes. The technical support services decide whether, if, and at what expense the item can

be repaired or whether it is still under guarantee and can be replaced by a product that is the same or of a similar style, or a substitute equivalent.

If the packaging of the item has been damaged it will be repackaged. The items are then manually placed in returns bins from where they will be put back on the shelf for resale.

Complex product  
functionality testing

Use of original  
packaging materials

Manually placed in storage  
for resale

Workstations with  
test equipment





# HANDLING COMPLAINTS

## Customer satisfaction is most important to us

Typically when customers make a complaint they will put their reasons in writing. They will describe what is defective or faulty, why they are not happy with the quality of a textile item or what is wrong with an electrical device. Their complaint will be investigated and the returned items thoroughly checked to clarify the cause for complaint. If the goods are defective or faulty the customer is promptly issued with a refund. In some cases technical products are replaced. The complaints department also handles items that are returned damaged, worn, or incomplete. If the customer has not treated the item with due care, the

complaint will be rejected. All complaints are investigated with the help of computers running special software. The aim is to identify genuine quality defects as quickly as possible. For this reason the complaints department works very closely with the quality assurance department that conducts the initial inspections on incoming goods. If these two departments see evidence that a certain product is defective or faulty, the retailer will be notified. He can decide whether he wants to contact

the manufacturer or immediately stop any further deliveries of the item.

Customer satisfaction through transparency

Clarification of the cause for complaint

Quality assurance

# PACKAGING

If a returned item is found to be “as new”, in the majority of cases it will automatically be repackaged. It is routed along a conveyor that brings it to one of the transparent film packaging machines, otherwise known as poly packers. These machines automatically wrap the items in film and affix new barcode labels. One of these machines can wrap more than 1,000 items an hour.

Returned underwear, household linen and swimwear are packed by hand, using high-quality original packaging materials. Footwear is packed in branded shoe boxes or in fabric bags. After they have been packaged the majority of items are ready to be put back on the shelf for resale. They are automatically collected in returns bins. With the help of item barcodes, information about the

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Textile items automatically  
film wrapped

Jewellery and technical  
products packaged by hand

Effective return bin utilisation

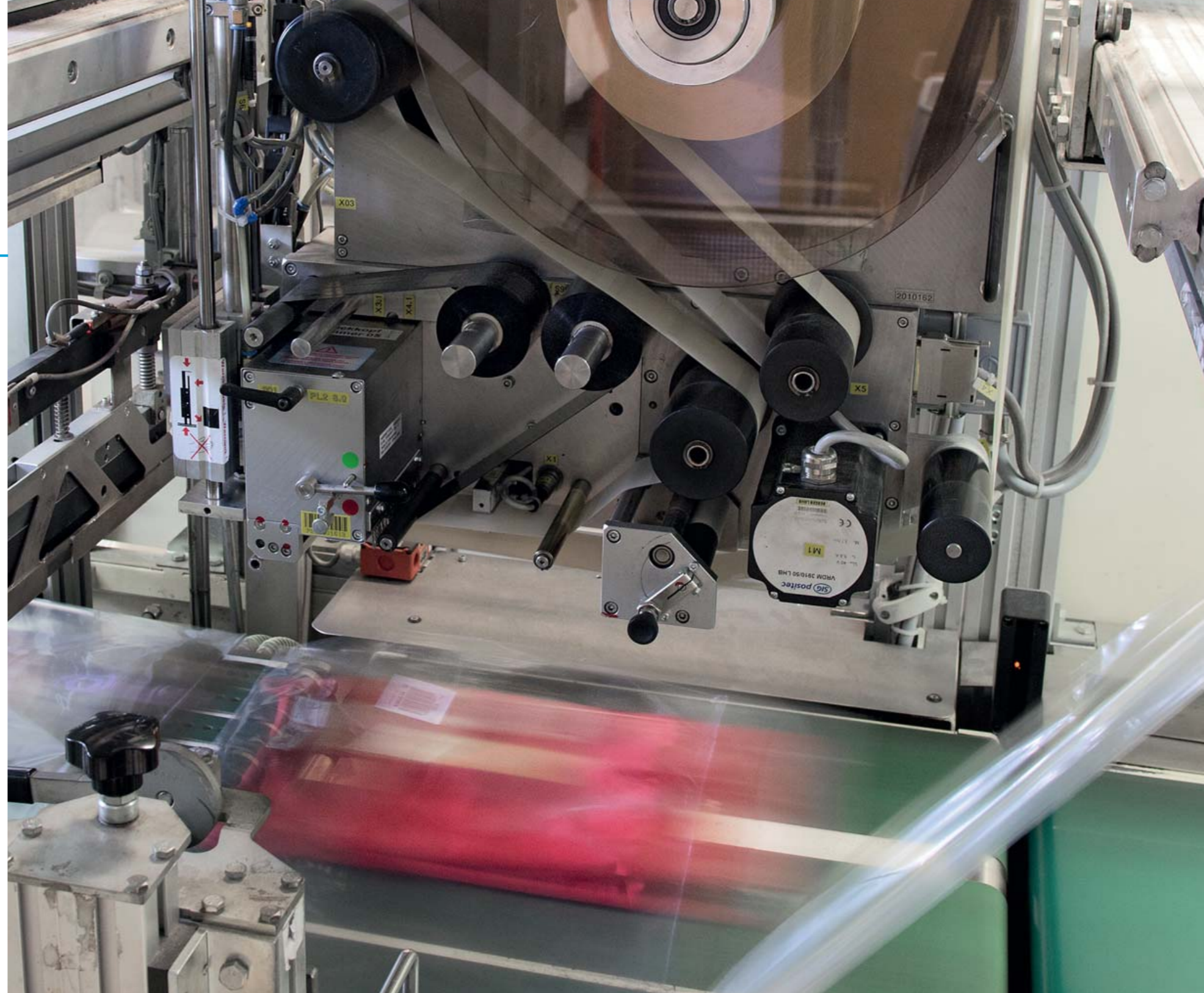
Goods-out process directed  
by a scanner system

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item’s volume and any quantity restrictions, the sorter can make sure that these bins are filled effectively. Larger items and shoes are sorted manually.

Conveyors transport these bins to the goods-out area. A scanner system is used to route the returns bins along the conveyor to the designated loading station. Any returns bins that have been assigned to the automated returns warehouse in Haldensleben (Saxony-Anhalt) are automatically stacked by two robotic devices (see photograph on page 13), a strapping machine secures the goods for transport and warehouse employees

load the stacked bins into the containers. As soon as the goods arrive at the Haldensleben location they are ready for resale.



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**Concept and Design**  
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**Photos**  
Urs Küster, Otto Group, Fotolia

Status October 2014



