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A STUDY ON SUPPLY CHAIN MANAGEMENT MODEL OF RELIANCE FRESH RETAIL OUTLET IN SOLAPUR

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ABSTRACT

The present paper intends to focus on sustainability issues associated with the supply chain management of green vegetables and fruits in Reliance Fresh. A detailed analysis will be made on the procurement of green vegetables and fruits from farmers and wholesalers respectively, to dispatch of the same to the consumers considering the hygiene and quality perspectives. The research universe will be confined to the Reliance Fresh Outlets in Solapur, Maharashtra. An exhaustive study will be carried out through value chain analysis, comparative analysis. An integrated sustainable supply chain model will be framed in this regard. The vegetable suppliers and the staff of Reliance Fresh Retail outlet involved will constitute the research population unit of study. This study will be helpful for Reliance Fresh in planning for cold storage, warehousing and transportation, marketing as well as maintaining the conditions of hygiene, quality, freshness and healthy consumption. Sustainability and growth through value creation of Reliance Fresh are studied by value chain analysis in supply chain management.

Keywords: Sustainability, Supply Chain Management, Reliance Fresh, Green Vegetables, Value Chain Analysis, Hygiene, Quality, Strategy.

INTRODUCTION OF SUPPLY CHAIN MANAGEMENT

Supply Chain Management can be defined as the management of flow of products and services, which begins from the origin of products and ends at the product's consumption. It also comprises movement and storage of raw materials that are involved in work in progress, inventory and fully furnished goods.

The main objective of supply chain management is to monitor and relate production, distribution, and shipment of products and services. This can be done by companies with a very good and tight hold over internal inventories, production, distribution, internal productions and sales.

CASE OVERVIEW

Reliance Fresh started the retail journey in November 2006 with the first Reliance Fresh store. Today they operate over 93 cities across India with 700+ stores with a family of over 13

million happy customers. They are not only the largest grocery retailer in the country but also the only retailer who has successfully fulfilled the entire spectrum of Indian consumer's needs as they provide good quality Fresh produce, Dairy and bakery products over and above the staples and FMCG products.

Reliance Industries Limited (RIL) is the biggest private company of India, a conglomerate that has its business spread across retail, gas exploration and production, refining and marketing petrochemicals and telecommunications. The company seeks to capture the entire Indian market with the launch of its Jio Infocomm 4G services and become the largest data service provider. The Brand Trust Report 2013 also reports RIL as the 7th most trusted brand in India.

TO STUDY BUSINESS PRACTICES OF RELIANCE FRESH

Reliance Fresh is a supermarket chain which forms part of the retail business of Reliance Industries of India which is headed by the corporate giant Mukesh Ambani. With a vision to generate inclusive growth and prosperity for farmers, vendor partners, small shopkeepers and consumers, Reliance Retail Limited (RRL), a subsidiary of RIL, was set up to lead Reliance Groups foray into organized retail. Since its inception in 2006, Reliance Retail Limited (RRL) has grown into an organization that caters to millions of customers, thousands of farmers and vendors. Based on its core growth strategy of backward integration, RRL has made rapid progress towards building an entire value chain starting from the farmers to the end consumers. Reliance plans to invest in excess of ₹ 25,000 crores in the next 4 years in their retail division. The company already has in excess of 560 reliance fresh outlets across the country. These stores sell fresh vegetables and fruits, staples, groceries, fresh juice bars and dairy products. A typical Reliance Fresh store is approximately 3000-4000 square feet and caters to a catchment area of 2-3 km. RRL now operates 22 different formats across India. 453 Reliance Fresh stores in over 45 towns and cities are operational across India. Including the Reliance Fresh stores, the company now operates over 900 retail stores across India.

OBJECTIVES

1. To make detailed analysis of the procurement of green vegetables and fruits from farmers and wholesalers.
2. To study dispatch of the green vegetables and fruits to the consumers considering the hygiene and quality perspectives.
3. To study the scope of Reliance Fresh Outlet in Solapur, Maharashtra.

GROWTH AND DEVELOPMENT OF ORGANIZATION

Post launch, in a dramatic shift in its positioning and mainly due to the circumstances prevailing in UP, West Bengal and Odisha, it was mentioned that, Reliance Retail is moving out of stocking vegetables and fruits. Reliance Retail has decided to minimize its exposure in the fruit and vegetable business and position Reliance Fresh as a pure play super market focusing on categories like food, FMCG, home, consumer durables, IT and wellness, with food accounting for the bulk of the business. RRL increased its footprint to more than 900 stores in 80 cities across 14 states in India. The company may not stock fruit and vegetables in some states. Though Reliance Fresh is not exiting the fruit and vegetable business altogether, it has decided not to compete with local vendors partly due to political reasons, and partly due to its inability to create a robust

supply chain. This is quite different from what the firm had originally planned. When Reliance Fresh store opened in Solapur, not only did the company said the store's main focus would be fresh produce like vegetables and fruits at a much lower price, but also spoke at length about its "farm-to-fork" theory. The idea the company spoke about was to source from farmers and sell directly to the consumer removing middlemen out of the way. Reliance Fresh, Reliance Mart, Reliance Digital, Reliance Trends, Reliance Footprint, Reliance Wellness, Reliance Jewels, Reliance Timeout and Reliance Super are various formats that Reliance has rolled out. In addition, Reliance Retail has entered into an alliance with Apple for setting up a chain of Apple Specialty Stores branded as IStore. RRL has a direct engagement with over 5 million customers following a loyalty programme 'Reliance One' which was offered from the first day of its operation.

Reliance Fresh at a Glance

Reliance Fresh is the convenience store format which forms part of the retail business of Reliance Industries of India. Taking another leap ahead, Reliance Fresh Direct makes the grocery shopping even simpler by bringing it to customer's doorstep. A comfortable shopping can be done from home; office or on the move and selection can be made from a wide range of 6000+ products.

Reliance Fresh offers convenience of shopping for everything that the customer needs for his/her home – be it fresh vegetables and fruits, rice, dals, oil, packaged food, bakery and dairy item, frozen and pet food, household cleaning items, specialized beauty and personal care products from a single virtual store. The customer can get started by registering with Reliance Fresh, select the products he/she needs, choose the delivery time convenient to him/her and pay the way he/she wants to-through cash/credit card/net banking and food coupons. Reliance Fresh will handpick the customer's order the way he/she would have done it himself/herself and deliver it to his/her home just when he/she wants it.

Promise

Reliance Fresh gives all that the customers want wide range of brands and products to choose from exclusive ranges like organic, regional delicacies and many more. It offers on-time delivery at customers' convenience and dedicated workforce network and infrastructure to ensure it.

It provides convenient options of delivery slots, customer friendly interface, user friendly and easy to navigate website, well-trained customer service agents to assist customers during order booking and enquiries. It also ensures fresh, hygiene and high quality products stored and transported in high standards of hygiene and temperature control.

SUPPLY CHAIN MANAGEMENT IN RELIANCE FRESH

Reliance Fresh makes its purchase of green vegetables and fruits from the local farmers but never from the mandis. They have established the rural business hubs in many parts of the country. The objective of Reliance Fresh is to make the entire value chain more effective, robust and responsive. By approaching farmers directly, it thereby reduces the procurement wastage that further paves the way for better returns to Indian farmers and wholesalers as well as it renders greater value for the Indian consumers. In the first phase, vegetables and fruits are procured from the suppliers and wholesalers followed by processing, separating rotten ones and finally packaging for sale.

The objective of the Collection Centre is to buy fresh and good quality of vegetables and fruits. The company can save the Mandi charge through these practices. Figure 1 illustrates the farm-to-fork model of Reliance Fresh.

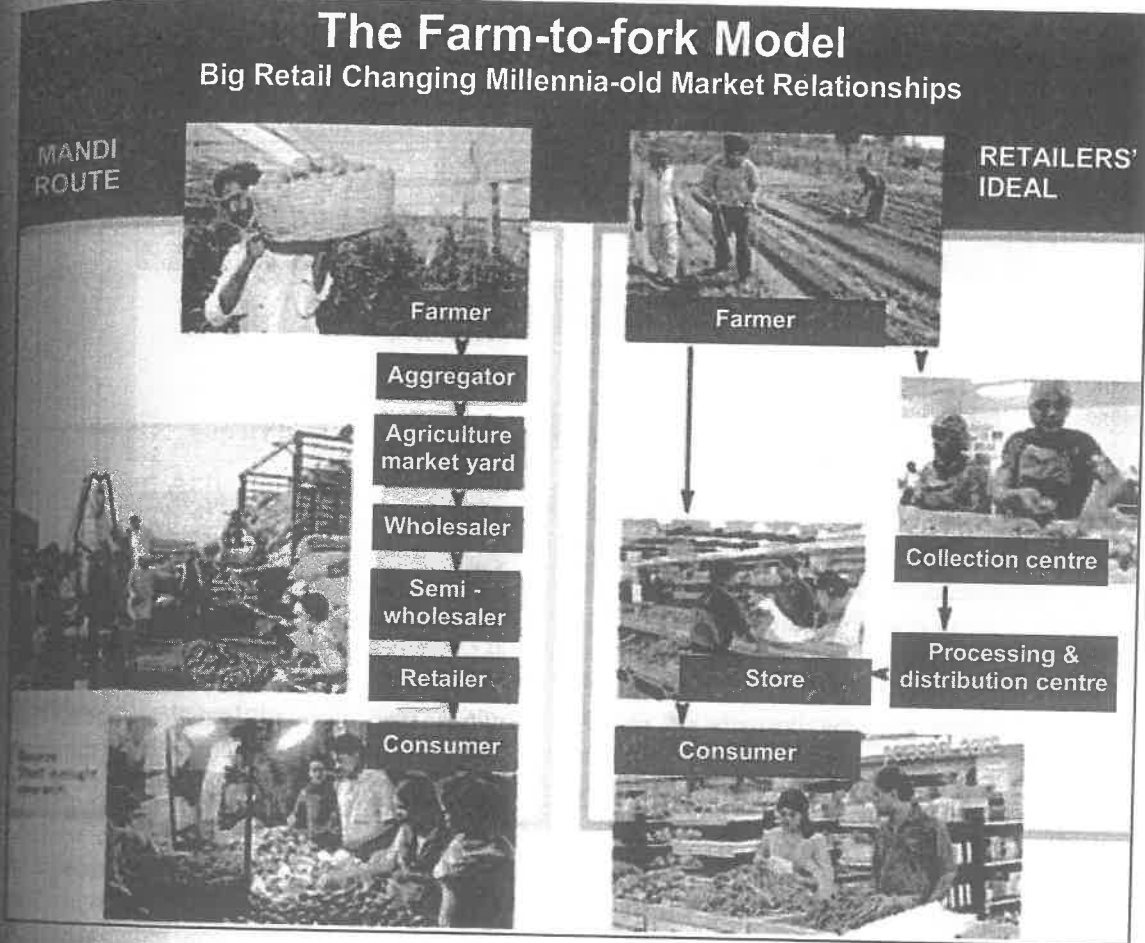


Fig. 1: The Farm-to-fork Model of Reliance Fresh

Reliance started its retail operations of Reliance Fresh store by following the supply chain model comprising of procuring vegetables and fruits directly from the farmers and operating with moderate margin. (Mass selling was the key to Reliance Fresh operations for the first few months.)

Figure 2 represents the supply chain management of Reliance Fresh. It is clear that the raw material is procured from farmers or suppliers and the wholesalers, and the farmers and wholesalers use their own logistics for assembling the same in the collection point. From the collection point, Reliance Fresh uses its own logistics for transportation and processing in collection point, then transported to processing point or DC and ultimately to the customers through the retail outlets. Realistic supply chains have multiple end products with shared components, facilities and capacities. The flow of materials may require various modes of transportation, and the bill of materials for the end items may be both deep and large.

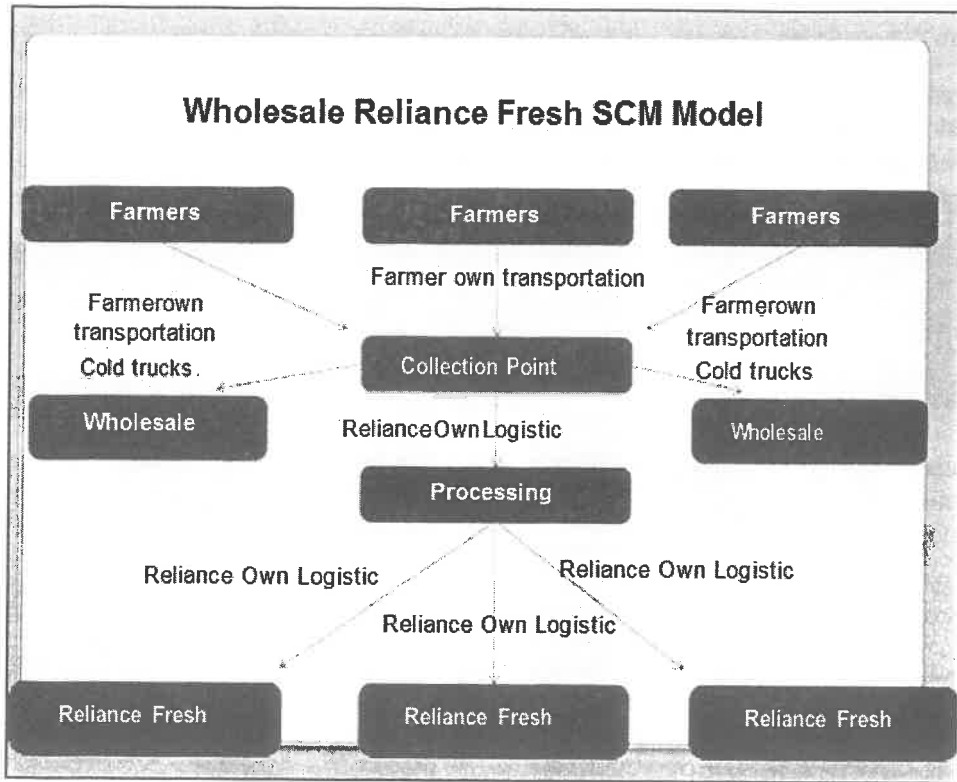


Fig. 2: Reliance Fresh Supply Chain Management Model

Value Chain Analysis in Reliance Fresh

Value chain analysis consists of primary activities like inbound logistics, operations, marketing and sales, services and secondary activities like infrastructure, procurement, technology development and human resource development. Fig. 3 illustrates the primary activities of value chain analysis and Fig. 4 represents the secondary activities of value chain analysis. Figure 5 illustrates the value chain analysis of Reliance Fresh briefly.

Primary Activities of Value Chain Analysis

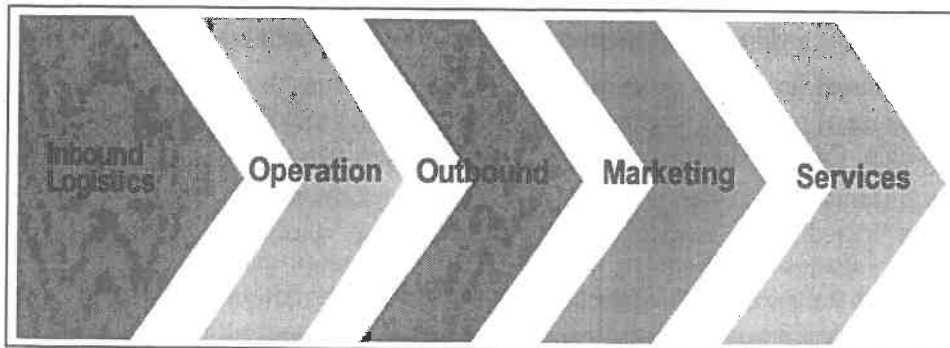


Fig. 3: Primary Activities of Value Chain Analysis

Secondary Activities of Value Chain Analysis

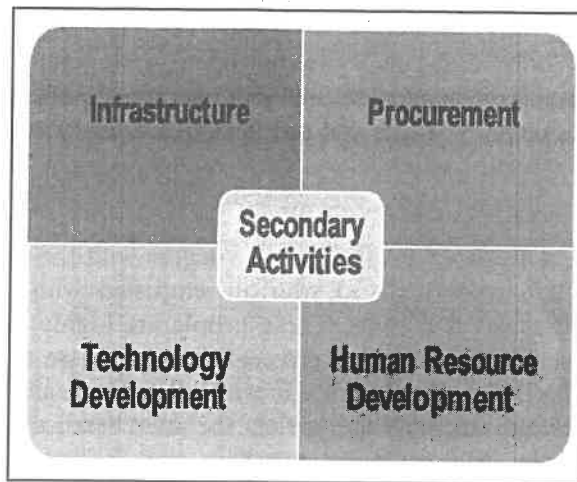


Fig. 4: Secondary Activities of Value Chain Analysis

Supportive Activities in Value Chain Analysis of Reliance Fresh

Infrastructure

Reliance Industries has invested nearly ₹ 3,000 crore to expand the Reliance Fresh stores. The stores work on The Ranger Format which means selling of fresh vegetables to the road sellers. Reliance plans to invest in excess of ₹ 25,000 crore in the next 4 years in their retail division. The company already has in excess of 650 reliance fresh outlets across the country. A typical Reliance Fresh store is approximately 3000-4000 square feet and caters to a catchment area of 2-3 km.

Procurement

Procurement of vegetables, fruits, dairy products, bakery items directly from the farmers and wholesalers based on the pre-negotiated contacts. By procuring directly, they weed out the middleman commissions, costs of loading and unloading, transportation costs and wastage due to exchange of hands. Perishable products are procured from nearby areas of distribution centers. Non-perishable products such as FMCG products which have longer shelf life are procured centrally by their merchandising department.

Procurement Policies and Procedure, Inventory Management

Procurement Policies:

1. Centralize purchase through various distribution centers directly from manufacturer.
2. The category manager and the SCM manager plan the overall merchandise to be offered at the store.
3. Orders are automatically generated by the SAP system when the level of the merchandise reaches the reorder level.
4. The category manager can anytime check the inventory level.
5. The category manager receives the order automatically generated by the system and then forwards it to the SCM.

Human Resource Development

Human resource management of Reliance Fresh is categorically divided into three: top level management, under this strategy makers and cluster managers are included, mid-level management, under these area managers and store managers are included and low level management, under this only assistant store manager is appointed. Different factors are implemented in human resource management like strict appraisal policies, less working hours as compared to its competitors, timely wages and timely notice prior to termination and recruitment from friends and referrals.

Inbound Logistics

The inbound activity of Reliance Fresh primarily begins with the role of the category heads belonging to the distribution centers (DCs) who are entrusted with the task of choosing of different categories of vegetables and fruits. These people are highly experts in selecting items that are meet the quality standards. After procurement the next phase calls for the transportation of the merchandise from the DCs to the Reliance Fresh Outlets by means of trucks and vans, hired on a contractual basis. After reaching the outlet, the merchandise is assembled and space allotment is done. Vegetables and fruits are stored in open chillers with proper temperature regulations. Sophisticated large-sized, specially designed and germ resistant metallic crates are used for storing the vegetables and fruits.

Store Operations

The merchandise is checked properly from time to time by the supervisor. The house keeping people clean the outlet at least 7 times a day's span. Refrigeration and temperature are checked regularly by the store manager. In the later half of the day, indent of the next day merchandise is prepared by the store manager with the help of the supervisor. At the end of the day, the closing stock is checked and further details of replenishment are forwarded to the head office by the supervisor. The cash manager checks the balance and compares it with the sale. The store winds up for customers around 10pm. The accounting procedures are completed and the operators shut down the outlet at 11 pm. In Figure 6, the Reliance Fresh store layout and design are depicted clearly.

Store Layout and Design

Store Layout: Grid Type Layout

Grid Type Layout: This type of layout is a retailer's primary choice when it comes to Layout Planning or Designing. These layout makes you feel where and what are you shopping.

Ambience: Reliance fresh provides good ambience having proper lighting, ventilation facilities. Also products are properly arranged according to category. Customers are provided with trolleys and baskets to select products on their own. For this purpose enough space is made available with the help of grid layout. Air conditions are also used.

Shelving Pattern: Use of Wall Racks, Corner Racks, Retail Gondolas, Fruits and Vegetable Racks, Shopping Trolleys and Baskets, Wire Products, Check Out Counter, Glass Shelves and Accessories, Gondola End Racks, Wall Unit Racks, Wire Baskets.

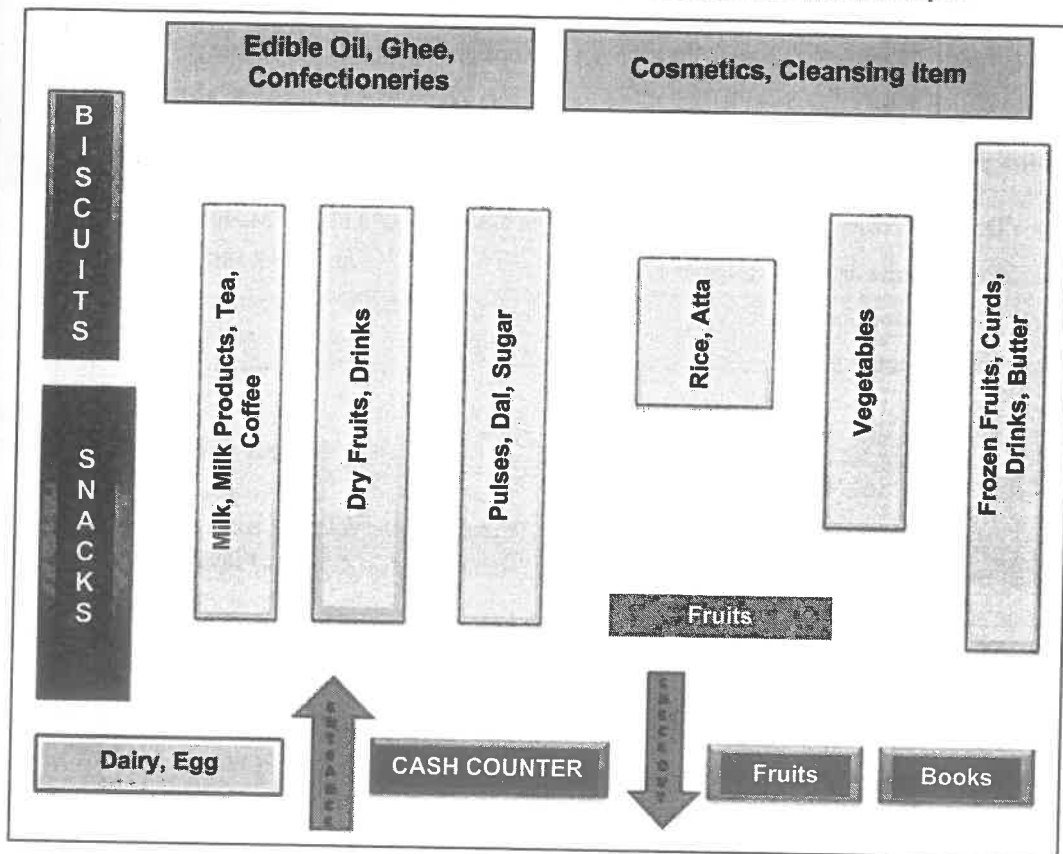


Fig. 5: Reliance Fresh Layout Design

Services and Support

The salesman are well trained in handling customers and well informed about the available merchandise in context of pricing and offerings. They are experts in multi-tasking. They provide personalized service to customers and meet their queries. They time to time operate as per the instructions of the top management. They have a close monitoring on the available inventory and they furnish the information as regards of procurement.

CONCLUSION

Reliance Fresh manages its value chain effectively. The vegetables and fruits are delivered to the customers with proper emphasis on freshness and hygiene. The distribution centers keep a track of the inventory requirements at the outlets and carefully select the vegetables and fruits from the local farmers and wholesalers. The retail stores well manage the vegetables and fruits under properly regulated temperature and chilling conditions. Proper emphasis on pest controlling and germ contamination are done looking at the shelf- life of the items. The staff are well trained and well informed about the available categories of vegetables and fruits and the technology been used in Reliance Fresh. Customers get attracted at the ambiance as well as the abundance of vegetables and fruits in Reliance Fresh. Hygiene, quality, safety and competitive price have always concerned Reliance Fresh supply chain management; in recent years, social responsibility and the more holistic goal of sustainability have also earned official recognition.

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