Sustainable Supply Chain Management in Reliance Fresh: A Case Analysis on Green Vegetables and Fruits

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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 Bhubaneswar, the capital city of Odisha. An exhaustive study will be carried out through value chain analysis, comparative analysis and SWOT 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 units of our study. This study will be helpful for Reliance Fresh in planning for cold storage, warehousing, 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, Quality, Strategy

1. Company 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.

2. 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 Group’s 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 Rs 25000 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.

3. 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. Reliance fresh has over 20 stores all
over Pune. 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 the first Reliance Fresh store opened in Hyderabad, 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 Trendz, 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 door step. 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.

4. Reliance Fresh in Odisha: At a Glance
Reliance Industries launched its first retail business in Odisha in the year 2007 during the festive season of Durga Puja. A total of three retail outlets were opened in the regions such as Lewis Road, Kalpana Square and Gopabandhu Square, all located in Bhubaneswar, the capital city of Odisha. Though it was successful in opening its retail outlets but initially it faced enormous threats and oppositions specially from the local marketers who resorted to Dharanas and Strikes. But green pastures were seen after five to six months and this marked the launching of Reliance Fresh that dealt with marketing of fresh vegetables and fruits for the consumers. Reliance Fresh poses itself unique by offering vegetables and fruits known for their “Freshness, Quality and Hygiene”. Reliance Fresh procures fresh vegetables and fruits from the distribution centers headed by a category head who is responsible for the inbound operations such as collection of vegetables and fruits from local suppliers/regional suppliers/state level suppliers and wholesalers.

5. Objective
To study the sustainability of supply chain management of Reliance Fresh through value chain analysis in Bhubaneswar, Odisha.

6. 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.

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. But things always don’t turn out to be the same as planned. Opposition against Reliance fresh outlets in Odisha and U.P soon interrupted the momentum. Reliance wished to go with. Bowing to mass opposition from local shopkeepers, the company closed down 20 Reliance Fresh stores in Noida and Ghaziabad. A company insider said that Reliance Retail was being forced to exit UP owing to what he described as the “vindictive approach” of the state government. Within the month company started operations in Lucknow and Varanasi with 14 stores, stores had to be soon closed down following violent protests by local traders. After the protests, the state government instructed all standalone food and grocery stores run by corporate companies to close down. Similar things followed in NCR, Ghaziabad and Bhubaneswar. The strategic importance of Odisha and UP for a large-scale retailer like Reliance was not limited to it being a large consumer market. The states are extremely important from the sourcing point of view as well. The Mahanadi’s plain in the state is considered to be one of the most fertile agricultural belts in the country. Reliance’s food and grocery business was in the line of fire, because of the popular perception of Reliance being the most ‘powerful’ business conglomerate in the country. This is evident from the fact that widespread political protests to corporate participation in retail started only after Reliance announced its roll-out plans. Companies like Kishore Biyani’s Future group, Subhiksha and Udyan Fresh have had operations in this format long before without encountering major problems. Moreover, the positioning of the Reliance Fresh format (small convenience stores) puts it in direct competition not only with neighbourhood kirana stores, but also with small fruit and vegetable vendors. At this point of time future and ambitions of 25000 crore Reliance retail started falling under clouds.

![Figure 1](image1.png) **Figure 1 The Farm-to-Fork Model of Reliance Fresh**

![Figure 2](image2.png) **Figure 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. Figure 3 illustrates the primary activities of value chain analysis and Figure 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

Secondary Activities of Value Chain Analysis

Supportive Activities in Value Chain Analysis of Reliance Fresh

Infrastructure

Reliance Industries has invested nearly Rs. 3000 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 Rs. 25000 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 centre directly from manufacturer.
2. The category manager and the SCM manager plans 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 manager.

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<thead>
<tr>
<th>Support Activities</th>
<th>Infrastructure</th>
<th>Human Resource Management</th>
<th>Technology Development</th>
<th>Procurement</th>
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<td>Funds collection</td>
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<td>Managing employees</td>
<td>Feedback from customers</td>
<td>Acquiring the resources</td>
<td>Procurement of fruits and vegetables by DC</td>
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<td>Stretching outlets countrywide</td>
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<td>Ingredients from local suppliers and wholesalers</td>
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<td>Space Management</td>
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<td>Ranger format work</td>
<td>Freedom of thoughts</td>
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<td>Conducting meetings</td>
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<td>Limited Working Hours</td>
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<td>Special incentives</td>
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| Procurement                 |                          | Feedback from customers                                      | Use of sophisticated software  |                          | Procurement of fruits and vegetables by DC |
|                            |                          | Research work                                                | Innovation                     |                          | Merchandise monitoring and supervising |
|                            |                          | Use of sophisticated software                                |                               |                          | House keeping         |
|                            |                          | Use of IT, databases                                         |                               |                          | 3PL service provider  |

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<tr>
<th>Primary Activities</th>
<th>Procurement</th>
<th>Procurement of fruits and vegetables by DC</th>
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<th>Procurement of fruits and vegetables by DC</th>
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<td>3PL service provider</td>
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<td>Checking of refrigeration and temperature</td>
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<td>Forecasting merchandise requirements</td>
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<td>Managing chillers with temperature</td>
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<td>Regulation</td>
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<td>Time to time inspection for hygiene</td>
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<td>Maintenance</td>
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<td>Valuation of the closing stock</td>
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<td>Replenishment issue</td>
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<td>Store Operations</td>
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<td>Marketing and Sales</td>
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<td>Service and Support</td>
<td>Customer feedback</td>
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<td>Availability and adequacy of fresh vegetables and fruits for ready purchase</td>
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*Figure 5 Value Chain Analysis of Reliance Fresh*
Procurement procedure: Three important persons are involved in this procedure.
1. Store manager
2. Category manager
3. Supply chain manager

Similar products falls into a category and similar categories are managed by a category manager. Once the stock in the store falls below the reorder level the SAP system automatically generates order for procurement of those goods. This order is received by category manager who collects orders from different reliance fresh stores in the city and then places an bigger order to the supply chain. The supply chain procure goods from their respective sources through centralized purchasing or local purchases. The goods are then send to the stores which ordered for it.

Sources of supply:
Vegetables: Local farmers and Wholesalers
Fruits: Wholesalers
Other FMCG products: Direct through company contracts or through the Carry and Forward Agents (C & F Agents).

Technology Development
Reliance Fresh is fully customized and equipped with highly secured software. The four major software used in Reliance Fresh are SAP, RETALIX, R CONNECT PORTAL and EUROPLEX SECURITIES. On PM Modi’s calls regarding Make in India and Digital India, Chairman Mukesh Ambani, Chairman, Reliance Industries, said these had energized India and its enterprises. He said, Reliance Industries would invest Rs. 1 lakh-crore in the next 12-18 months in Gujrat alone, in contributing to both initiatives for technology development.

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 this 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, 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. A weekly inspection is done under the supervision of Hygiene Inspector. Special fly resistant sprays and Pest Controlling substances are used to maintain health, hygiene and freshness. A wide range of vegetables and fruits are available at a fair price. It can further be witnessed that those vegetables and fruits which are seasonal in nature are available with Reliance Fresh at any time unlike the local marketers and vendors. Most importantly different types of uncommon fruits varieties such as seedless grapes, varieties of apples and straw berries, oranges etc. and vegetables such as baby corn, broccoli etc. are available with Reliance Fresh. As the pricing part is concerned, the prices of onion and potato is minimum one rupee lesser than the market price. Figure 9 shows the images of store operations in different ways and it concludes that “Reliance Fresh: Better Value for Money”.

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.

Marketing and Sales
Direct Marketing
Use of mail, telephone, fax, e-mail or internet to communicate directly with or solicit response or dialogue from specific customers and prospects this platform is used to inform the ‘reliance one’ members (a loyalty programme) through e-mails, telephones and SMS. Through this the information regarding the latest offers, events are being communicated to the customers.

Push Strategy
Reliance fresh adopting push strategy like point of sale displays, special displays, dealers premium, gifts, advertising materials, catalogs and brochure, events and sampling for clearing their inventories in time. Figure 7 shows the images of different strategy implemented in Reliance Fresh.

Pull Strategy
Reliance fresh introducing pull strategy like coupons, samples, premium and gifts, refunds/rebates and POP advertisement for attracting the customers.

Advertising Strategy
The advertising part of reliance fresh is done with the help of: print and broadcast adds, packaging outer, catalogue, directories, billboards, symbols and logos, audio materials.

Sales Promotion
A variety of short term incentives to encourage trial or purchase of a product or service. The sales promotion at reliance fresh includes: premium and gifts, sampling, rebates and offers like BOGO, BXGY etc.

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. In Box 1 SWOT Analysis of Reliance Fresh has been explained clearly with some pros and cons. In Figure 8 the sustainable supply chain management model has been framed out and described about the sustainability features of Reliance Fresh.
Box 1 SWOT Analysis in Reliance Fresh

<table>
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<tr>
<th>Strength</th>
<th>Weakness</th>
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<tbody>
<tr>
<td>• Strong financials of holding company and brand.</td>
<td>• There is poor inventory control is not properly managed by the staff</td>
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<tr>
<td>• Private label sale – Reliance select</td>
<td>• The staff needs to be more qualified and more aware about the products available in the store</td>
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<tr>
<td>• Contract farming</td>
<td>• Staff takes more time in billing</td>
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<td>• Network – 1600 channels in villages</td>
<td>• Vegetables and fruits are not always fresh</td>
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<tr>
<td>• Backward integration strategy</td>
<td>• All types of vegetables and fruits are not available to meet customer demand</td>
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<tr>
<td>• Experienced management team</td>
<td>• Lack of strong supply chain like other big player</td>
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<tr>
<td>• Strong IT and back end operations</td>
<td>• Poor inventory control</td>
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<tr>
<td>• Vertical integration</td>
<td>• Less innovative promotional scheme</td>
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<tr>
<td>• Backward integration</td>
<td>• Lack of use of advance of information technology</td>
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<tr>
<td>• Good financial position</td>
<td>• Lack of facilities to customers like parking, compact layout etc.</td>
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<td>• Brand equity</td>
<td>• Losses due to joint ventures</td>
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<td></td>
<td>• Absence at prime locations</td>
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<td></td>
<td>• Limited multi-format presence</td>
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<tr>
<td>Opportunities</td>
<td>Threats</td>
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<tr>
<td>• Reliance wants to build a high-profitability business and food is perhaps, the best venture to start. that is because the Indian supply chain comparatively insufficient</td>
<td>• Domestic competitors like Big Bazaar</td>
</tr>
<tr>
<td>• There are several intermediaries, each of them adds his profit margin to the cost. besides there is huge wastage in transit. this offers potential for savings and profits</td>
<td>• Brand cautious customers</td>
</tr>
<tr>
<td>• The supply chain already has been backed by few hundred farmers the number is estimated to touch million in next five years. the main aim of the reliance is to eliminate the intermediaries in the sector and reduce the cost</td>
<td>• Opposition from unorganized retailers</td>
</tr>
<tr>
<td>• Increase in net margin</td>
<td>• Employee attrition rate</td>
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<tr>
<td>• Untapped Rural Market Potential</td>
<td>• Change In FDI norms in retail sectors</td>
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<tr>
<td>• Sale of Reliance select products in Open Market</td>
<td>• Increase in the operating costs</td>
</tr>
<tr>
<td>• Expansion in Metro and Tier cities</td>
<td>• Low price competition</td>
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<tr>
<td>• Growing retail market</td>
<td>• Increasing competition</td>
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<tr>
<td>• Increasing buying power of Indian consumers</td>
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<tr>
<td>• Many untapped markets in India</td>
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7. 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. Reliance Fresh has made rapid progress towards building a value chain starting from farmers to the end customers with ten core values like care, citizenship, fairness, honesty, purposeful, respect, responsibility, safety and truth.
Vision to generate inclusive growth and prosperity for farmers, vendor partners, small shopkeepers and consumers, Reliance Fresh, a subsidiary of RIL, was set up to lead Reliance Group’s foray into organized retail. Since its inception in 2006, Reliance Fresh 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, Reliance Fresh has made rapid progress towards building an entire Value Chain starting from the farmers to the end consumers.

Mission
Its mission is to delight the customers every visit. Reliance Fresh will continue to provide unprecedented value to customers across all its formats and stores. Its mission is to grow through value creation.

Growth and success are based on the ten Core Values
* Care  *Citizenship *Fairness  *Honesty *Integrity *Purposeful *Respect  *Responsibility *Safety and *Truth

GUIDELINES

**Environment Initiative**
- A zero garbage campaign.
- Solar micro wind combined system
- Green idea award scheme

**Acknowledging and Supporting Talent**
- Real Heroes.
- Reliance Dhirubhai Ambani Undergraduate scholarship fund.
- Reliance Foundation.
- mission BLJ(Bharat India Bhojo)

**Community Health Care and Community Development**
- Project Drishti
- Project Balkalyan
- Project Hope
- PHC(Primary health care center)
- Reliance rural development Trust

**Education**
- Project –Kanyakelvani
- Project –Jagruti
- Dhirubhai Ambani Prostaham Scheme
- Mumbai Indians Education for all Initiatives

Figure 8 Sustainable Supply Chain Management Model of Reliance Fresh

8. References
5. en.wikipedia.org/wiki/Reliance_Fresh.

Figure 9 Images of Store Operations in Reliance Fresh “Reliance Fresh: Better Value for Money”.