NIRMA UNIVERSITY

INSTITUTE OF MANAGEMENT
NAAC ACCREDITED 'A' GRADE

Summer Internship Final Report

Reliance

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Internship Area	E-Commerce, Supply Chain, Retail, Groceries, Warehousing, Procurement, Contracting,
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Acknowledgment

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Executive Summary

This report reflects the work done by me in my summer internship as a Procurement and Contracting Intern with Reliance Retail. The internship started on 03rd May, 2021 and continued for two months till 12thJune, 2021. My work in the organization was primarily based on the identification, procurement and subsequent contracting of warehouse spaces Pan-India. I entered at the near beginning stages of the largest warehouse and supply chain expansion project ever conducted in India.

This report starts with information about the sector in which the organization belongs that is the E-Commerce B2B & O2O Retail Industry. It then talks about the organization of Reliance Retail and then the model itself – detailing the primary ideology of the organizations entering this space as well as the model in which Reliance Retail intends to operate. Apart from that project, I was constantly at search for sources of learning – which Reliance Retail had an ample repository of. Coordination and ensuring the project proceeded smoothly as the deadlines set for stages are met was my primary responsibility within the organization.

These projects helped me to understand the process of formulating a strategy and also helped me to improve my interpersonal skills, my ability to organize and compartmentalize information as I managed and coordinated dozens of vendors to ensure they are the right fit for Reliance Retail they are prepared to start operations and the viability of the operation suits Reliance's needs and longer term vision for their growth and development as the vendors can ensure the optimum delivery towards their SLAs and KPIs.

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Name of the organization: Reliance Retail

Project titles: Identification Of Potential Vendors For Warehouse Spaces, Identification Of Third-Party Logistics Organizations, Vendor Onboarding, Contracting, Negotiating, And Closing

The sector of the organization: Procurement and Contracting

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About the Organization

The operational strategy of Reliance Retail releases the ambitious spirit of a rising India. The driving concept of Reliance Retail is to enable inclusion, growth, and the creation of long-term social value for millions of Indians.

It has built deep and lasting connections with millions of customers in a short amount of time by offering them an infinite range of products, an excellent value proposition, high quality, and an unrivaled shopping experience across all of its shops.

The expansion of Reliance Retail throughout the years has sparked a massive socio-economic shift in India.

Reliance Retail has been named the world's fastest-growing retailer. It is the only Indian retailer in the Top 100 and is placed 53rd in the list of Top Global Retailers. It is India's largest and most lucrative retailer, with the broadest distribution network.

Reliance Retail has around 150 million devoted consumers who shop in all of its stores. In FY20, it had more than 640 million footfalls across all of its shops, a figure unrivaled by any other retailer in India. Reliance Retail works at a scale unrivaled in the Indian retail market, with over 100,000 transactions per hour, and continues to improve the lives of millions of Indians every day.

Verticals:

Reliance Retail is the world's second-fastest retailer globally and ranks 53rd in Deloitte's list of Global Powers of Retailing. Reliance Retail, having registered a 41.8% YoY growth driven primarily by new outlets, now have over 11,500 stores across 7,000+ towns and cities.

Verticals Operated by Reliance Retail:

Reliance Retail has several verticals that it operates primarily:

1. Reliance Fresh

2. Reliance Smart

3. Jio Mart

4. Reliance Digital

5. Reliance Trends

6. AJIO

7. Hamleys

8. Reliance Jewels

The project consists of working in the Groceries vertical that is dedicated to expanding the logistical supply chain of JioMart in the B2B segment to distribute larger quantities to local mom-pop stores in our neighborhoods.

Due to the pandemic and subsequent rise in the demand for online groceries, the growth of the e-commerce and retail segments has been exponential. To be able to meet the rise in demand, a scale-able supply chain is required. To be able to meet the requirement, the project is dedicated to looking to meet urgent demand pulls down the supply chain while simultaneously ensuring that the same are scale-able while remaining cost-efficient and reliable.

The Industry and the O2O Model:

'Local Shops on Amazon' was launched by Amazon India. According to the firm, the initiative allows clients to discover items from local stores in their city from the comfort of their own homes, while also assisting merchants in supplementing their footfalls with a digital presence and expanding outside their typical catchment. Over 5000 small businesses and merchants from 100+ cities throughout India participated in a 6-month trial programme with Amazon.

A large number of B2B companies have been working with mom and pop shops in India. In a single day, MaxWholesale, a B2B e-commerce platform enabling kirana shops to acquire online inventory, generated over 1 crore in sales.

The big guns are also after the kirana business. Paytm Mall, which first opened its doors in February 2017, has had its ups and downs. This lasted until 2019, when it transitioned to an O2O-driven business model. Paytm Mall now leverages offline power to boost online traffic through digital payments exclusively, driving online traffic to offline businesses via gift vouchers and incentives.

Reliance Retail, a major participant, now wants a piece of the action as well. JioMart, Jio's e-commerce arm, has also adopted the hybrid approach.

Reliance bought an 85 percent interest in Hyderabad-based company Nowfloats for 141.63 crore in December 2019, facilitating this offline-to-online strategy.

Recent Developments

- Demand for groceries and vegetables from India's business-to-business (B2B) commerce companies like Udaan, Jumbotail, WayCool, and Ninjacart, which serve tens of thousands of kiranas, has increased by 40 to 60 percent.

- Since online grocery players and even supermarkets have failed to fulfil rising demand due to challenges ranging from staffing shortages to supply chain bottlenecks, India's 12 million neighbourhood kiranas have shown to be more trustworthy for necessities.

- WayCool Foods, which serves 10,000 kiranas in South India, has witnessed a 40-60% spike in basics and a 20-30% increase in fresh vegetable demand.

USE LARGER TRUCKS IN CURFEW

➤ B2B commerce platforms **source directly from farmers as well as FMCG majors** like HUL, Nestle, Marico, etc

➤ They **supply to unbranded kiranas,** which account for 90% of commerce in India

➤ The B2B commerce platforms also **control their**

logistics supply, which has become an advantage in these times of Covid-19 disruption

➤ These startups are still operating with 50-70% of the pre-lockdown workforce, managing to meet demand through larger trucks & **by leveraging technology**

Source: Times of India

- Kirana shops, which account for 90 percent of retail in India, retain an important link. This is especially true in the post-pandemic environment, when mall attendance has decreased.

- Indian retail is a $1 trillion sector, with food and groceries accounting for 65 percent of the total. However, 96 percent of this market is unorganised, with over 14 million kirana shops serving it. Only 3% of this is organised brick-and-mortar retail, often known as contemporary trade, and only 1% is B2C e-commerce. As a result, the GMV opportunity in B2C food and grocery e-commerce is $6.5 billion.

JioMart:

The local mom-and-pop businesses, or kirana dukans, have become the go-to retailers due to the coronavirus lockdown. These small-town shops, which had been threatened by the growth of e-commerce, have now become lockdown heroes.

JIOMART'S CURRENT TIEUP: 30 CITIES, 56,000+ KIRANAS

Plans to enrol retail shops in 100 cities by April

To pilot sales and delivery via kiranas by June

In a pilot, some kiranas are already sourcing products from Reliance

Rel Retail to discontinue its B2B Rel Market wholesale format

Rel Market stores will become fulfilment centres

ECOMM SHARE IN FMCG IN 2020

Rises to **3.1% in June-Sept** from 2.6% in Jan-Mar period, according to Nielsen

In metros, **grows to 8.6%** from 6.4% in Jan-Mar

Source: Economic Times

Many customers have turned to local kirana businesses since e-commerce applications struggle to deliver or manage large quantities. They are unconcerned with standing in circles outside a store to practise social distance as long as they can get home with the groceries they desire.

But it doesn't stop there. Because the supply chain is being disrupted by the district lockdown and a lack of labour, e-commerce companies are relying on kiranas to provide basics.

As a consequence, a slew of startups and major corporations have flocked to the kirana waala dukaan with deals, new goods, and other goodies.

Reliance Retail plans to use local Kirana stores as franchise partners to fulfill orders submitted on its e-commerce platform JioMart. Dropping its B2B cash-and-carry shop concept to transform Reliance Market into B2B distribution of items to Kirana stores is a first and significant change from their traditional approach for Reliance Retail and JioMart.

According to industry insiders familiar with the plans, the kiranas will source items from Reliance or elsewhere, according to the pattern. If the kiranas (who, let us face it, generally only offer the most expensive things!) do not have the case of products purchased on JioMart in stock, They will be supplied by Reliance Retail, and the profit margins will be split evenly. Local businesses will be able to place purchases online and have them delivered to their kiosks or outlets.

JioMart has already included more than 56,000 kirana outlets from as many as 30 locations to trial this technique of direct selling to consumers through kiranas in the upcoming June quarter. Furthermore, Reliance Retail intends to enrol kiranas in over 100 locations by April, with the goal of eventually adopting the model throughout every JioMart shop in operation across India. Reliance Retail may use a hybrid sales strategy in the coming months until the transition is complete.

This throw of the dice will allow JioMart to differentiate itself from other e-grocery rivals BigBasket, Amazon, and Grofers in India's highly fought e-commerce industry, and may also perhaps further solidify JioMart's unshakable supremacy in the segment.

Given that JioMart has already surpassed BigBasket and Grofers in terms of daily active users (logging in 2.3 million active users!), analysts believe that a faster order fulfilment rate resulting in larger sales volume might see them outperform the competition even more.

The company's ambitions appear to be skyrocketing, given that Ambani stated at the 43rd Annual General Meeting in July last year that JioMart will encompass electronics, pharma, fashion, and healthcare in the future.

Given that Indian e-commerce is anticipated to grow at a 12.1 percent CAGR through 2023, the time is ripe to shake up the correct moves in the e-commerce industry. With potential internet penetration in India ongoing, there is always the feeling that there is much more for firms like Amazon, JioMart, and Flipkart to aspire for. This juggernaut is expected to jog on, with JioMart making significant gains in the last seven months.

Reliance Retail Operations Teams:

Reliance Retail segregates its operations into specific verticals to ensure that the work seamlessly goes on. The faltering of any one department does not hamper any of the other verticals of the organization. Hence, if, for example, the procurement and contracting team dedicated to Groceries does not acquire new grocery warehouse spaces – only the groceries segment of the business is impacted.

When working with an organization of this scale, one realizes the scale to which an enterprise can operate while remaining completely compartmentalized. Apart from the intranet forums, the only assimilator of the ongoings of the organization is further up the chain. An aspect further compounded by the work-from-home scenario.

Procurement and Contracting Team

To be able to meet the extensive expansion needs of Reliance Retail as they reach Kirana stores in Tier -2, 3, 4 cities – they required to build an extensive chain of warehouses pan India. This would provide them the ability to effectively map Kirana stores to Fulfillment Centres in the vicinity that could be the one point where all the inventory in Reliance's possession may be stored after forecasting all the demand requirements of the viscinity depending on the location and the preferences of customers residing in those locations therefore, inturn the Kirana stores.

The role of the Procurement and Contracting team was to understand the requirements sent in by the forecasting teams on based on:

1. Demand Trends of the vicinity

2. Migration Patters

3. Long Term Forecasting on population and other demographical factors

4. Supply side concerns and viability

5. Current RIL presence in the vicinity

Once forecasted demand requirements are available with the procurement and contracting team – they break the numbers down towards factors that shall enable them to understand in the following order:

- The volume of SKUs required

- The storage spaces that shall be required

- The maximum cost per order incurable

- Requirements for HDR(Heavy Duty Racking)/Shelving

- Blue Collar Staff that shall be required to conduct the operation

- IT Equipment requirements

- Capex Requirements

- Business Specifications and inputs

- The ideal balance between proximity of the warehouse from the city and the rent rates

Procurement and Contracting Team Process

1. These factors serve as the basis for contacting vendors and inquiring about the availability of warehouse spaces. According to the data provided by the P&C team afterwards, the vendors – who are usually 3PL (Third-Party Logistics) Providers seek warehouses matching the specifications and provide the details to the teams.

2. The Procurement and contracting teams then understand the details that have been sent in and if they fit the requirements, proceed to assign an operations team to inspect the warehouse and ensure that the details provided are accurate and no other structural or problematic details have been excluded from the ones provided by the vendor.

3. Once the Operations team greenlights a warehouse – The procurement and contracting team approached the vendor and requests the commercials – which are the proposed cost of operations that consists of all the general particulars that are involved in the running of the warehouse – as per the vendor – that provides RIL the estimated cost of operating at the location. Factors such as, the level of wages at the location, pre-existing infrastructure, rentals, estimated capex & Opex.

4. The procurement team proceeds to **shadow cost** the proposal to find the actual cost of operating at the particular location – using a zero-base costing, they ensure that every unit of a resource utilized is absolutely necessary for the operation as well as ensuring that the cost of procurement of that resource is the most optimal as well.

5. If the proposal passes the shadow costing (which is usually after several rounds of revisions) they proceed to onboard the vendor and sign an LOI of the operation. The length, management fee, exit clauses are hotly negotiated at this stage – however the property is locked in till the negotiations close.

6. The procurement and contracting team then proceed to handover the vendor to the Operations Team that uses the proposal and the Location to coordinate and ensure the

smooth startup and upkeep of the warehouse. The vendor is then solely in contact with the Operations team regarding any concerns about the warehouse or their relationship with Reliance – however, every time they have a new availability of space as well as every time Reliance has a new requirement – the procurement and contracting team proceed to contact the vendor again.

7. In some instances, if a 3PL is unable to procure the staffing solution – Reliance connects them with a staffing/manpower vendor to ensure a smooth recruitment process with a reasonable rate of retention.

CWC Model

To be able to increase the rate of expansion of the chain Reliance Retail mass negotiated for several hundred locations from the Central Warehouse Corporation that primarily provides warehouse solutions in lower tier cities. This enabled Reliance to skip the bottle neck of the first stage in all of these locations. However, for the procurement and contracting team – we proceeded to find multiple alternative vendors for every location to ensure when the time of beginning operations arrives, we have our options open.

The team the student, is a part of is the Groceries vertical of Procurement and Contracting, consisting of two team members. The student's mentor and the student himself. Our team reported to the head of the Procurement and Contracting teams, Mr. Vikram Misra. The organizational chart was as follows:
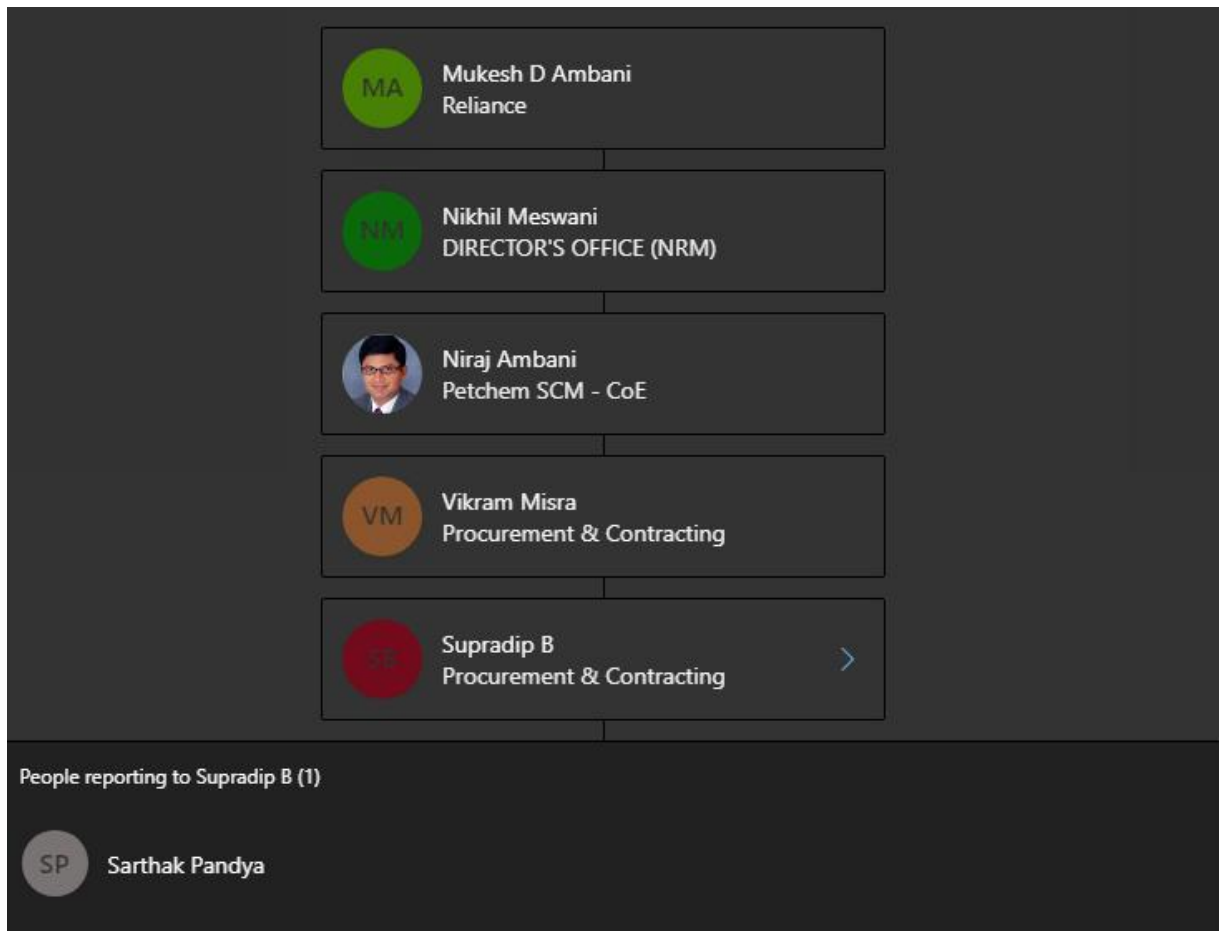
Organizational Structure for the student *Source*: *RIL Outlook*

<u>Tasks assigned by Reliance Retail in the internship.</u>

Following are some of the tasks assigned by the company:

1. **Identification of Warehouse Spaces pan India**.

This involved the use of data mining tools and other technical innovations to be able to create massive databases of potential vendors pan India. This database is then used for the subsequent step in the process to be able to ensure that we are ready with as many potential locations as possible when it comes to the subsequent processes.

Locations was the primary bottle neck for the RIL Procurement and Contracting team – we received requirements constantly, as well as location details constantly, however due to the structure and expanse of the organization as well as the limitations from data security concerns, etc. reworking and extracting data was a constant. On several occasions when the requirements were urgent, the student was expected to contact other verticles to find more information if necessary.

However, the relatively informal process of gatering and processing information provided the student ample opportunity to be able to interact with vendors and develop a relationship with them. The vendors that proved themselves to be reliable were provided with newer location requirements frequently.

2. **Contacting and initiating discussions with 3PL & staffing vendors**.

I made the first contact with the vendors to be able to understand who they are, their profile, and their scope of operations. The primary details that we required were their experience in handling B2B/E-Commerce/Retail/Grocery operations. If they fulfilled one of these criterias we would ensure proceed further as the organization considered experienced vendors to be invaluable to be able to reach their further expansion and quality control goals. As a few in the organization put it, an inexperienced vendor will see our discussions as French. If they matched the requirements and pre-requisites of the organization, I explained our basic intended model to them to be able to gauge their interest in working with the model. If the vendor checked all the pre-requisite boxes and displayed an interest in working with the model, then the student proceeded to schedule a meeting with the team for the vendor.

This was merely a formality to ensure that the vendor was confided about his understanding of

the model as well as met our requirements. Sometimes in the meeting, the vendor would provide new information that was helpful for other verticles as well.

3. **Conducting vendor onboarding processes**.

Once the preliminary step is completed, the student then proceeds to schedule the meeting with the vendor, which consisted of the procurement and contracting team and the Vice President of Supply Chain Management for Reliance Industries. In the meeting, questions regarding their operations, turnover, organization, scope, staffing, potential, and other aspects of their business were asked. In certain instances, the vendor even showed a willingness to pivot their model to be able to do business with Reliance Industries and Reliance Retail in particular – the second-fastest-growing retailer around the globe. Once the team greenlit a vendor, the student proceeded to conduct their vendor onboarding processes to be able to collect all necessary documents as well as complete an all-round vendor evaluation to ensure that the vendor is legitimate, has no prior compliance or legal issues, has all the necessary documentation to prove his statements about his organization, has ISO certifications and MSME certifications where applicable, has the necessary GST information for the states that are relevant to them, has the staffing and capital requirements to be able to partner with Reliance in this aspect, etc.

4. **Interviewing potential vendors and communicating requirements.**

After completion of the vendor onboarding processes, the student then proceeded to understand the strengths of the vendor and, in conjunction with the procurement and contracting team, proceeded to provide the vendor with an RFQ (Request for Quotation) that served as the Open book – scalable model that the organization required – it had the following benefits: -

i. It provided a sense of the understand the vendor had about our model.

ii. It provided the costing and cost optimization that the vendor can potentially provide.

iii. It enabled us to understand the Opex and Capex that the vendor requires to be able to begin their operations.

iv. It enabled us to model their costs against ours to be able to gauge how lucrative and beneficial partnering with the vendor would be for Reliance.

5. Modeling the Costs.

To be able to gauge the open book proposals sent in by the vendor, the student was asked to model their costing against models already available with Reliance – i.e., Against costing of operations already in place with Reliance. This was a crucial step to be able to ensure all the above sub-points in No. (4) were correctly in place and to be able to ensure that the Capex and Opex recommended by the vendor are not above the requirements and feasibility analysis of Reliance. The term in the team for the process was called "Shadow Costing," a tactic of breaking down the operational requirements and ensuring that the number of resources allocated by the vendor towards any process was not above our requirement and is provided at the correct cost. Eg. The number of people required for the picking process during the shift, depending on the number of orders coming at the fulfillment center, does not exceed the numbers we estimate them to be while remaining at the same price point we pay at other locations of similar demography.

6. Conducting Operations Studies.

The student then proceeded to liaison with existing regional managers and warehouse in-charges to conduct a process and operation study of the methodology used by Reliance Retail in their warehouse operations, as well as the KPIs, SLAs, QCs, and other compliance aspects that are mandatory for the vendor to follow. This was to ensure that the commercials in the RFQ, as well as models, are backed up by a detailed understanding of the operations that the vendors shall be conducting for Reliance. This was beneficial, particularly in the instances where the vendor did not have as much experience in running operations for E-Commerce industries. It enabled them to be able to understand how the processes were put in place, the logical understanding behind them, and the requirement of adherence. The student was also a part of these studies to be able to increase his understanding of the subject matter and after the first few, was expected to ensure that all relevant points were covered in the study and to be able to provide any other information on behalf of the procurement and contracting team that was not available with the warehouse in-charge/regional manager.

7. Answering vendor FAQs and Guiding them through the process.

The student was expected to know the subject matter towards the end of the first half of the internship and, therefore able to answer most questions that are asked by the vendor or at least know whom to direct them to. The student was in charge of the vendor handholding the various onboarding and RFQ processes of Reliance to be able to minimize and communication gaps as well as ensure that the vendor does not drop out of the process.

8. Ensuring Space Availability.

As this industry is very fast-paced, with significant players gaining a more significant foothold than ever before, the student had to ensure that the properties in the discussion were not lost through the process as the vendors were onboarded. The industry norm in this was to block the property on completion of commercials, which in this instance is a time-consuming process. In several instances, the properties were acquired by another organization while the vendor and the student were between the processes.

9. Additional information on the properties.

The student was expected to collect and organize all information related to the property, which included pictures, infrastructural details, and other crucial information as the team from Reliance were all working from home, and their ability to inspect and verify the information provided was relatively hampered. The student ensured that all minimum infrastructural and compliance requirements – such as a fire NOC, the presence of a DG, the proximity to a major city, the vendor licenses, and other compliance were already in place.

10. Acquiring newer properties.

Throughout this process, the student was continually expected to collect and contact new vendors who could be introduced to the pipeline and processed—starting the process for the respective vendor, which simultaneously ensuring the continuance of the processes for the others.

11. Tracking and organizing.

The student was expected to know the status and information as well as the update from each vendor that was in the pipeline (several dozens) and be answerable for any lack of information

or update from any one of them.

12. Manpower Providers.

The organization simultaneously collected and processed manpower staffing vendors through the duration of the project to supplement their property vendor's operations and ensure the timeline set by Reliance shall be adhered to.

13. Conducting meetings on behalf of Reliance Retail.

On several occasions, due to the unavailability of other members of the team, the student was in charge of conducting the meeting with the vendors and providing the operational details they require as well as gauging their ability to meet Reliance's Operational needs.

14. Learning

The primary responsibility of the student was to keep learning throughout the process and ensure that any gaps in understanding are answered by the team. As the student was there to learn, the team gladly answered any questions the student had regarding the processes and operational aspects of Reliance Retail as a whole.

Learnings for the student

Through the first month of the internship, it has been an absolutely new field for the student with no prior experience in this industry or with an organization of this size and caliber. The student's learnings so far can be broadly put as follows:

1. Results over Hard work

The final results of any task given the matter more than any volume of hard work and effort placed towards the completion of the task. Hard work does not equal results.

2. Communication

The trickiest aspect of work to manage that is the most widespread issue is that of communication. Be clear. Be precise. Follow up constantly when work is not getting done, ask questions constantly, and keep track of everything.

3. Anything important must be mailed

It is essential that any important communication should happen by mail. Even if the information is received originally on an informal platform, the sender should be requested to resend the same as an email.

4. Professionalism does not indicate efficacy or vice versa

Some of the most effective organizations in this space are not what an MBA aspirant would call a very professional organization. They need to be guided on technological aspects, and their English might be lacking, etc. However, the same people might be leaders in their geographical area for supply chain management and logistical solutions for many years. One must keep their pre-conceived notions aside and hear what the person is saying, not the way they are saying it.

As the student's mentor put it – They may not be very professional now. Nevertheless, they will be. Their kids will go to an MBA school and study business. Then take over and take it to greater heights. It is essential that relationships be built with influential people early on to carry them forward and lead to a more significant potential later.

5. Excel

One of the primary tools to be able to maintain trackers and create quick repositories from larger data sets of contact information required the efftive use of excel and a lot of it's standard formulas when required to cost proposals and validate quotations, etc. Developing the skill through the internship enabled me to maintain and edge with my workload clearing it faster than it piled on.