

Samriddhii: Redesigning the Vegetable Supply Chain in Bihar

Srinivas Gunta

The fact that Samriddhii is on the path of growing its turnover from Rs. 3 million in 2007-08 (annualized value of last quarter figures of Rs. 0.75 million) to Rs. 40 million in 2010-11 at a heady CAGR of 137.13% is a clear indication of the economic rationale behind the business, even after accounting for the base effect. Hence, in this analysis, the focus would be on the social objectives behind the business venture and the ability of the latter to address the former, even as growth continues.

Samriddhii is an interesting model as it proposes to help not only the producer of vegetables but also the end distributor with the resultant act of consumer satisfaction. In this sense, it is highly evocative of the model of cooperatives as exemplified in Anand through Amul - it had a logo representing a ring of four hands holding one another, each hand representing the farmer/ producer, the processor, the marketer/ distributor and the customer/ consumer respectively. Yet, before equating Samriddhii with Amul, some key distinctions and the implications there of, need to be noticed. While milk is also a perishable commodity like vegetables and hence the opportunity cost of a lost sale is high, the advantage of a huge dairy cooperative lies in the fact that the milk can be processed into milk powder that can be recombined to milk at a later date. In other words, cooperation by a large number of milk farmers helps defray the huge expenses involved in procuring and running machinery that help in processing milk into milk powder. However, in the case of vegetables, the solution of using icepacks to ensure that the produce is fresh is not comparable due to two reasons: firstly, the outlay is not as huge as in the case of a dairy unit and hence, the minimum efficient scale of operations being smaller, would attract severe competition, including from the current intermediaries. Secondly, the use of technology in the case of vegetables delays

the perishability but not to the same extent as in the case of milk. Also, managing farm produce appears to be a problem of different order in comparison to managing dairy produce - for instance, the foray of National Dairy Development Board into the domain of oilseeds was not as successful as its earlier foray into milk.

The case describes that Samriddhii redesigned the vegetable supply chain as simple-but-systematic. While it is evident that volatility cannot be wished away in a vegetable supply chain and that the forecasts can at best be estimates, what Samriddhii does remove is the vendors' susceptibility to exploitative intermediaries. In other words, the value added by Samriddhii is in terms of instituting a simple price discovery mechanism and remove information asymmetry a la the case of e-choupals run by ITC. Also, while Samriddhii may not be in a position to address fully the myriad issues faced by the vendors such as low margins, dealing with police and local civil authorities, fending off the local mafia etc., it is expected that the presence of an organized entity such as Samriddhii would at least ameliorate the situation.

Arguably, the greater and the more significant difference is brought about by Samriddhii at the producer end rather than at the vendor end. For instance, Samriddhii Grameen Kendras (SGKs) are providing inputs and information apart from performing their primary function of procurement. In a milieu where illiteracy is coupled with spatial and temporal difficulties in accessing information on agricultural best practices that is at least theoretically available in agricultural universities and the like, SGKs help directly by making the information available in a timely manner. Thus, apart from playing the role of market players, SGKs also help out in filling the institutional voids.

More importantly and interestingly, the structure of SGKs mirrored at the city level through Samriddhii City Centers (SCCs) ensures that there is a hierarchy that ensures timely coordination; at the same time, acting as independent market players in different parts of the value chain (SGKs working with farmers in rural areas and SCCs working with pushcart vendors in urban areas) ensures that the rigid protocols of hierarchy do not suffocate the ease of price discovery. Combining the best elements of hierarchies and markets, the SGKs, the Kisanga clubs and the SCCs ensure that they have competitive advantage vis-à-vis traditional alternatives available to both the farmers and the vendors.

As Samriddhii continues to grow, several trade-offs need to be addressed. One of the action items for future is to expand the business further by developing Bihar as the vegetable hub of India - while storage and refrigeration problems are in the process of being solved innovatively, the fundamental promise of supplying local produce would have to be compromised. As Bihar continues to develop as a vegetable hub, choices also need to be made on availability of land, with the scenario of land hitherto used for other purposes increasingly getting diverted to vegetable farming. Most importantly, as the area

of coverage expands, Samriddhii would probably be better served by focusing on the farmers rather than the vendors - while Samriddhii has competencies in managing both the sets of stakeholders, it stands to reason that it would grow faster by concentrating on a single set. As most organized retail players find it difficult to develop a strong supply backend, Samriddhii could step into this space as supply aggregator and use the organized retailers as front-end rather than rely on pushcart vendors solely.

While there is a lot to observe in the near future as to steps taken by Samriddhii, it has already started addressing socially desirable aspects of doing business. For instance, it has focused on all the three levers of value creation, distribution and appropriation unlike most firms that focus on the last lever to the detriment of the second one. Again, with increased emphasis on organic farming, Samriddhii is also heralding not just an interesting socio-economic experiment but actively promoting triple bottom line as well. Finally, in the fifth anniversary edition of his celebrated book on Bottom of Pyramid, C K Prahalad pronounces the need for viewing the populace at the bottom of the pyramid as suppliers too and not just as consumers. This case on Samriddhii is a fine illustration of the concept.

Srinivas Gunta is a faculty in the Strategic Management area at Indian Institute of Management Indore. He is a Fellow of the Indian Institute of Management Bangalore. His research work is in the domain of resource-based view where he focuses on how firms build and develop their capabilities to overcome constraints, seek opportunities and continue growing.