

Unlocking the wealth in rural markets

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The following review critically evaluates the article “Unlocking the Wealth in Rural Markets”, published in the June 2014 issue, pages 113-117, of the Harvard Business Review and written by Mamta Kapur, Sanjay Dawar and Vineet R. Ahuja. This article reflects the importance of rural markets in countries such as China, India, Mexico and South Africa, due to rising wages and attached to that, the growing demand for consumer products. The authors propose several strategies that could help the companies to thrive in these valuable markets. Summary In India, these successful strategies include: Developing a Distribution Strategy, Identifying Prospective Customers, Forging Tight Bonds with Channel Partners and Creating Durable Ties with Customers (Kapur, M. , Dawar, S. , Ahuja, V. R. , 2014).

The first one includes the importance of establishing distribution paths even before focusing on target customers since the Indian infrastructure is still underdeveloped. Here, the authors mention the way the Indian automaker Tata Motors used this strategy (Kapur, M. et al. , 2014). Secondly, the firm should form promising clusters of villages in order to segment their new customers. Suzuki India applied this method and generated a dramatically rising number of sales (Kapur, M. et al. , 2014). In the third strategy, the authors stress building relationships with local channel partners to facilitate their entry in these foreign rural markets. Unlike many other companies, Coca Cola did not underestimate the obstacles. In addition to that, they implemented an Improvement program for their partner’s skills to strengthen their own position in the market (Kapur, M. et al. , 2014). Lastly, three aspects are involved in the last method namely : Building trust through an ecosystem of stakeholders; Engaging influencers and Retaining

Customers (Kapur, M. et al. , 2014). These transformational strategies are needed to conquer the barriers, such as poor infrastructure, faced in these rural markets. Strengths The first strength that appeared while reading this article is the practicality of the strategies. This is because of all the real-life examples of the different companies that adopted the strategies given by the authors in a successful manner. The example of ITC showcases the first step that has to be undertaken, which is developing a distribution strategy (Kapur, M. et al. , 2014).

Since companies have to face an underdeveloped infrastructure, this case can prevent other companies from underestimating the circumstances, which poses the practicality again. In addition to that, the table “ Sales and Distribution Approaches: Pros and Cons” is providing the article with an objective sense, rather than just showing positive aspects (Kapur, M. et al. , 2014). This makes the article not just a theory but one filled with a suggestion on how to explore rural Indian markets. Furthermore, the usage of their own research project, which includes surveys and interviews held among 70 businesses in nine different countries, showcases the reliability and knowledge the authors possess (Kapur, M. et al. , 2014). By doing so, the article shows inside findings of the three year during research, which the authors used to come up with the strategies.

Hence, underlying evidence is provided to support the suggestions on how to explore rural markets and take advantage of the opportunities given by these markets. Additionally, the research was taken with mixed outcoming results, therefore, showing that companies can also face difficulties and obstacles, making it more reliable.

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Weaknesses

Nevertheless, it has been suggested that companies also fail according to the mixed results of their own research, but no real-life example has been given for this case (Kapur, M. et al. , 2014). Neither, advice has been given on how to reduce the uncertainty of the posed barriers. In addition to that, while their research was held among nine countries, the authors only focus on India in this article, even though, four other rural market countries are mentioned in the introduction. Therefore, it is unclear if the strategies are applicable to rural markets other than India making it rather one-sided.

Another weakness poses the absence of references and sources underlying the facts given. For example, certain numbered facts are not supported with the source, such as “ They now account for almost 55% of the country’s manufacturing GDP [...]” (Kapur, M. et al. , 2014). Furthermore, the authors assume that rural residents rely more on personal bonds and mutual trust when making purchasing decisions (Kapur, M. et al. , 2014).

They suggest that this works differently in urban markets, but they do not elaborate on why this should be true.

Value for managers

This article poses an enormous value towards managers, since it is providing them with explicit tactics on how to manage their firm in order to prevent problems and overcome barriers in rural markets. The examples given show the managers on how to handle with the advantages and potential that the expansion in rural markets offer.

Relation with the course

This article relates to the field of International Business since the learnt theories are put into practice by the examples. These theories include overpowering (cultural) distances, entry modes that can be used and how to create NLB FSAs such as Novartis's concept (Kapur, M. et al. , 2014 and Verbeke, 2013).

What we have learned

What we have learned is that rural markets are important to focus on now and in the future since it offers valuable resources and great potential. We have learned several strategies on how to enter these difficult markets. Also, we learned that we should take certain obstacles into consideration before entering these markets including the CAGE distance framework we studied (Verbeke, 2013).

Conclusion

To conclude, this article provides a valuable suggestion on how to use the potential of rural markets and make the best out of the opportunities given by these markets. The four given main strategies could help firms to prevent problems that can occur due to the barriers and obstacles attached to these markets, which are often underestimated. The questions we would like to ask the authors are the following: Do you think that the strategies mentioned are applicable to all rural markets or is it limited to India's market? Are there case studies where the strategies were not successful? Will the theories work for all kinds of organisations, e. g. non-profit or governmental organisations?