

## CRITERIA FOR SELECTING SALES CHANNELS IN SMALL BUSINESS AND PRIVATE ENTREPRENEURSHIP

**Kholmamатов D.H.**

independent researcher of SamIEStute of Economics and Service

**Jurakulov Odiljon Mamatolib ugli**

student of Samarkand Institute of Economics and Service

60412500-Marketing (by branches and spheres)

**Abstract:** in this article, the role of small business and private entrepreneurship in the economy of Uzbekistan, the analysis of the main indicators of small business and private entrepreneurship in economic sectors, the role of sales channels in small business and private entrepreneurship, selected by small business entities written about how sales channels influence marketing decisions.

**Key words:** sales channel, target customers, sales channel organizational structure, channel length, market coverage, direct sales channel, indirect sales channel, transaction costs.

## КРИТЕРИИ ВЫБОРА КАНАЛОВ СБЫТИЙ В МАЛОМ БИЗНЕСЕ И ЧАСТНОМ ПРЕДПРИНИМАТЕЛЬСТВЕ

**Холмаматов Диёр Хакбердиевич**

Доцент Самаркандского института экономики и сервиса

**Джуракулов Одилджон Маматолиб угли**

студент Самаркандского института экономики и сервиса

60412500-Маркетинг (по отраслям и сферам)

**Аннотация:** в данной статье рассмотрена роль малого бизнеса и частного предпринимательства в экономике Узбекистана, проведен анализ основных показателей малого бизнеса и частного предпринимательства в

отраслях экономики, роль каналов сбыта в малом бизнесе и частном предпринимательстве, выбранных субъекты малого бизнеса написали о том, как каналы продаж влияют на маркетинговые решения.

**Ключевые слова:** канал продаж, целевые клиенты, организационная структура канала продаж, длина канала, охват рынка, прямой канал продаж, косвенный канал продаж, транзакционные издержки.

**INTRODUCTION.** One of the main goals of establishing a socially oriented market economy in Uzbekistan is the priority development of small business and private entrepreneurship. To realize this goal, economic reforms are being implemented step by step. In the period of 2017-2022, large-scale institutional foundations were created to increase the role of small business. Legal and regulatory documents guaranteeing the organization of small business and private entrepreneurship activities, free operation, market infrastructure supporting small business have been formed. As a result, to date, small business and private business entities are active in all aspects of the economy of Uzbekistan, in the production of machinery, consumer goods, agricultural and food products, services and tourism. are operating in the fields.

**MAIN PART.** Small business and private entrepreneurship are distinguished by the fact that they provide the main indicators necessary for the economic development of the country in a short period of time. That is, small business is the most important sector that fills the country's domestic market with goods and services that are in short supply and determines the structural basis of the economy. It also serves as the most important factor and resource for the effective use of labor resources, increasing employment and income, and forming the class of owners. The importance of small business in economic development in general:

- ensures an increase in the content and quantity of the country's gross national product;
- creates a basis for effective use of labor resources;

- creates a basis for increasing the current income and savings of the population and raising the level of well-being;
- elimination of sectoral and regional monopolies;
- ensures that the state budget funds are at the same rate;
- actively participates in foreign economic activities;
- rational use of resources;
- introduction of new equipment and technology into production and increases labor productivity.

That is why small business is the foundation of national economy in all countries of the world. Today, even in developed foreign countries, the number of small enterprises is 70-80 percent of the total number of enterprises in them. For example, 71.7% of the population of Japan is engaged in small business and private entrepreneurship.

Since small business increases the economic potential of the country, and is a measure of the successful development and prosperity of the state, special attention is paid to the promotion of small business development in Uzbekistan. The development of small business and private entrepreneurship in our republic is the main priority today. Economic reasons for the focus on small business:

- filling the domestic market with local goods and services;
- increase the purchasing power of the population;
- increase the country's export potential;
- modernization of production;
- development of service provision;
- supply large enterprises with components and parts;
- creating a competitive environment;
- such as ensuring the circulation of capital within the country.

Small business not only increases the economic well-being of the country, but also plays an important role in solving social problems. Therefore, there are special social reasons for the development of small business in our Republic:

- ensuring the employment of the population by creating new jobs;
- formation of a class of owners serving as the backbone of the state;
- development of infrastructure in rural areas;
- to improve the material condition of the rural population and increase the culture of life;
- achieving scientific and technical progress through the use of advanced, compact technologies;
- strengthening the economic base of local authorities;
- sponsoring recreation, health restoration, disabled people and orphanages.

Another goal of small business development is to improve the spiritual, educational and cultural affairs of the country. Because small business contributes to the development of spiritual, educational and cultural spheres. Moral, educational and cultural reasons for the development of small business in our republic:

- to support the revival of traditional folk arts and crafts;
- establishment of sports and health facilities;
- opening of private educational institutions;
- establishment of beautification, beautification and environmental education;
- organization of children, teenagers and youth camps.

In the next 3-4 years, as a result of deep structural changes and diversification in the country's economy, there was a radical change in the development of small business and private entrepreneurship. In particular, the share of small business in the country's gross domestic product has exceeded 50 percent.

**Table 1**

**The volume of key indicators of small business and private entrepreneurship in sectors of the economy**

<b>Indicators</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
-------------------	-------------	-------------	-------------	-------------	-------------

Industry (billion soums)	87962,0	83344,2	103020,8	124907,9	143892,7
Construction (billion soums)	37451,7	53960,9	63866,6	77907,1	93554,5
Employment (thousand people)	10128,8	10318,9	9865,7	10080,6	10131,1
Export (million US dollars)	3810,8	4714,8	3100,9	3335,2	5712,9
Import (million US dollars)	10916,2	14972,2	10943,3	11533,5	15213,6
Trade (billion soums)	114896,4	138920,7	164106,1	186759,3	229166,7
Agriculture, forestry and fisheries (billion soums)	191759,2	219466,9	253238,2	304452,1	344134,5
Services (billion soums)	84433,4	103106,6	114052,7	147061,6	181245,0
Freight transportation (million tonns)	611,7	641,0	638,9	550,1	608,2
Freight turnover (million ton-km)	11657,7	12152,3	12304,6	13803,2	14843,8
Passenger transportation (million people)	5242,6	5345,0	4904,8	5485,2	5628,4
Passenger turnover (million people km)	115335,2	117412,7	107766,7	120964,7	124433,9

As can be seen from the table, agriculture, trade, services and imports occupy the main place. Also, the size of small business is increasing in the industry. The main issue is organizing the sale of products produced by small businesses and private entrepreneurs.

The main purpose of the sales system is to deliver goods to the right place and at the right time. One of the main tasks to be solved here is the formation of sales channels and the selection of the most suitable one. The sales channels chosen by small businesses and private entrepreneurs should bring them certain benefits, namely:

- saving financial resources spent on product distribution;
- attracting the saved funds to the main production;
- sell the product in a more efficient way;
- promoting the product more widely and ensuring its delivery to the target markets with high efficiency;
- reducing the volume of work on product distribution, etc.

The selected sales channels have a direct impact on the speed, time, efficiency and preservation of the product from small business and private business entities to the final consumer. Organizations and individuals forming sales channels perform a number of functions:

- conducting research to collect information necessary for planning the distribution of products;
- promoting sales by creating and distributing information about goods;
- establishing relations with potential buyers;
- adaptation of goods to customer requirements;
- conducting negotiations with potential consumers of the product;
- organization of goods movement system (goods stock, storage, transportation);
- financing activities on sales channels;
- assuming the risk associated with the existence of the channel.

Depending on the organizational structure of the selected sales channel, the length and level of the channel, performance of all or part of the above functions is related to the financial condition of small business and private business entities. Because small businesses and private entrepreneurs cannot cover all the expenses related to sales. The question of who should perform the various functions of the sales channel is a question of efficiency. The channel will be reshaped when there is an opportunity to perform functions more efficiently.

The choice of one or another method of distribution of goods depends on the market, specific conditions of sale, and the strategies of small businesses and private entrepreneurs. When forming a network of sales channels, small businesses and private entrepreneurs should take into account the following:

characteristics of final consumers – their number, competition, average one-time purchase amount, income level, regularity of behavior in purchasing goods, scope of services, credit terms, etc.;

opportunities of small business and private business entities – their financial situation, competitiveness, main directions of market strategy, production volumes. It is better for small firms with a small product range and limited financial resources to work through independent sales intermediaries, and large firms are recommended to implement part of the distribution organizations through their own distribution network;

product description – appearance, average price, seasonality of demand, shelf life, etc.;

the level of competition, the distribution policy of competitors – their number, concentration, distribution strategy and tactics, their interactions in the distribution system;

description and characteristics of the market – current and future purchasing power, customs and sales practices, distribution density of buyers, average income per capita, etc.;

relative cost of distribution systems.

Selling the manufactured product through its own distribution network or using the services of intermediaries is a problem that is solved taking into account many factors related to the goods, as well as to consumers and intermediaries.

Sales channels are divided into direct and indirect forms according to the form of organization. It is advisable to carry out direct distribution of goods in the following cases:

when the amount of goods sold is not enough to cover the minimum costs of direct distribution;

when there are not many consumers and they are located in a relatively small area;

when the goods require highly specialized service;

when the size of the batch is sufficient for shipment in a wagon or container;

when small business entities have a sufficient network of their main warehouses in the market where they trade;

market vertical, that is, even if the product is available in several sectors, it is used by few consumers;

the product is narrowly specialized or developed depending on the characteristics of the buyer;

in conditions where the price of goods changes frequently.

Small businesses and private entrepreneurs using the direct sales method will have the following opportunities:

direct study of one's market;

maintain complete control over the conduct of trade;

saving money on paying fees for the services of intermediaries;

establishing close cooperation with the consumer.

The choice of sales channels is a responsible task, in solving this it is easier to ensure close contact with intermediaries when the number of intermediaries is small, thereby significantly influencing their work, having



enough sales staff. it is necessary to take into account the level of training and so on. At the same time, paying attention to the excessive number of intermediaries working in parallel in a particular market leads to the strong dependence of small business entities on them. Refusal of one of them to fulfill the concluded contract can cause serious commercial damage to a small business entity.

A number of factors affecting the decision to choose a sales channel can be distinguished:

1. Product feature;
2. Advantage of the product;
3. Convenience of transportation of goods;
4. Geographical location of the manufacturer;
5. Presence of competitors;
6. Level of competition;
7. Range coverage;
8. Storage conditions;
9. Storage periods;
10. Distance and proximity of consumers, etc.

It can be said that the higher the mass consumption of the product, the wider the assortment, the faster the distribution network. If consumers are highly concentrated in one area, and if there is a direct network of distribution, it is appropriate to sell using intermediaries.

When choosing one or another method of sales channels, it is necessary to take into account, first of all, the performance of all the functions of the commercialized process, secondly, better commercial work than competitors, and thirdly, much lower costs compared to other channels. At the same time, choosing a specific channel of product distribution is determined by a number of factors and the characteristics of the product itself, the nature of the purchase, the state of the market, etc. Therefore, a certain set of criteria is used when choosing sales channels. In the marketing system, there are various criteria for

choosing sales channels, with the help of which it will be possible to correctly evaluate the behavior of the intermediary and choose him as a trading partner.

Solovev B.A. offers the following criteria for choosing sales channels:

1) financial reliability: sources of funding, ability to pay, having experience in running a business.

2) marketing policy: ability to make strategic decisions, competitive advantages, product production, pricing, communication policy.

3) places of sale of goods: to have the necessary material and technical base, sales dynamics, available stock of goods, market coverage.

4) to gain popularity and reputation: to have a brand image and trademark, to have skilled workers, to be members of various associations and societies.

In the economic literature, the nature, characteristics, and organization of small businesses, as well as their classification, are widely covered. The classification of the cited small businesses was carried out according to such criteria as the number of employees, the field of activity, the balance sheet value of the main capital. However, the classification of small business entities according to logistic criteria has not found its expression in the economic literature. Taking into account the urgency of this problem, we decided to implement this classification as one of the directions of our scientific research. We have developed criteria for selecting sales channels for small businesses and private entrepreneurs.

**Table 1**

**Criteria for choosing sales channels in small business and private entrepreneurship<sup>1</sup>**

<i>Criteria to be considered</i>	<i>Direct channel</i>	<i>Indirect channel</i>		<i>Features and conditions of selection</i>
		available channel	independent channel	
<b>Description of target consumers</b>				
Large scale of the segment	*	**	***	If the number of target consumers is large, the direct channel cannot

<sup>1</sup> Mualliflar ishlanmasi.

				make the required volume of sales. In this situation, an indirect channel is used. Using an intermediary controlled by a small business entity can gain the trust of the segment and fully capture the profits.
Small segment size	***	**	*	If the number of target consumers is not large enough, it is not appropriate for a small business entity to create an independent channel. Selling goods through a direct channel increases profits.
Territorial high concentration (concentration) of buyers	**	*	***	If the target consumers are concentrated in one place according to their location, it is effective for small business entities to form a vertical marketing system, that is, to use the service of a subordinate intermediary under their control.
Territorial dispersion of buyers	*	***	**	If the customers are scattered according to their location, it will not be effective for a small business entity to create its own independent channel. Because creating sales channels at several points maximizes costs. In this situation, it is recommended to use the services of independent researchers.
Regular shopping	**	*	***	If regular purchases are made by potential consumers, it is appropriate for small business

				entities to take advantage of this opportunity and form their own independent channel.
Irregular shopping	*	***	**	Irregular procurement process is an obstacle for small business to create an independent channel. It is necessary to use the services of independent mediators.
<b>Description of manufactured goods</b>				
Perishable goods	***	*	**	In case of perishable goods, it should be delivered quickly without storage. In this case, the direct channel works effectively.
Long shelf life	*	***	**	It is advisable to use the services of independent intermediaries due to the increased costs of small business entities related to the storage of long-term goods.
It was not technically difficult	**	*	***	In the case of a product that is not technically difficult, the lack of demand in the process of service provides an opportunity for small business entities to create an independent channel.
New product	***	*	**	It is desirable to strictly control the release of new goods to the market. In this case, it is possible to control the new product in the market directly through the channel.
To have a high value	***	*	**	The high value of the goods requires a quick recovery of the costs incurred for it. In this case, the direct channel allows for

				quick reimbursement of expenses.
Have a wide range	*	**	***	The wide range of manufactured products requires the creation of several independent channels.
<b>Description of small business and private business entities</b>				
Limited financial resources	**	***	*	If small business and private business entities do not have sufficient financial resources, they cannot find funds to create an independent channel. In this situation, it is obvious that small businesses and private entrepreneurs are forced to use independent intermediaries.
Adequacy of financial resources	**	*	***	If the financial resources are sufficient, it will be possible to create an independent channel, to control the sale of their goods by small business entities in the future, and to have full ownership of the profits.
Broad market coverage strategy	*	***	**	If small business and private business entities are operating with the goal of covering the market, they can achieve the goal by using the services of independent intermediaries.
High reputation of small business and private entrepreneur	**	*	***	Small businesses and sole proprietors can reach a high profile in the market through their own channel.
<b>Availability of distribution infrastructures</b>				
Ownership of a warehouse	*	**	***	Small business entities with a warehouse can form a stock of

				goods of the required volume.
Ownership of own transport	***	**	*	Most of the small business entities do not have their own transport for transporting goods.

\*\*\* - the recommended channel, that is, the most appropriate channel.

\*\* - probable channel.

**CONCLUSION.** It is inappropriate to describe the company's activity of selling goods as a difficult task. But this work should be done effectively. Therefore, now it is necessary to fight for each customer, by improving the activity of sales channels, the company can increase its position in the market.

Thus, the task of choosing sales channels is a very difficult decision for the management of the enterprise, because the activity of these selected sales channels directly affects the decisions made in the field of marketing.

When deciding on sales channels, its organizational form depends on the following aspects:

access to specific target markets, that is, it is required to establish various sales channels;

increase the opportunity to offer more goods to the market and expand the volume of sales;

the desire to establish cooperation with all layers involved in the sales process as much as possible;

to be able to transfer one's demand, that is, to become a captain of sales channels.

The objective need to improve sales channels in small business and private entrepreneurship is expressed in the following:

an increase in transaction costs (transportation, storage, loading, unloading, stockpiling) of business entities, ultimately, the volume of sales revenue cannot cover the costs incurred and provide the profit;

the desire of entrepreneurs to master new markets, to form a new market segment, to cover the market and to strengthen the position of their goods and enterprises;

in-depth study of the demand of consumers, customers, determining when and how much the order will be accepted and maintaining the necessary stock of goods;

maintaining the right of ownership of the goods, controlling and managing the competition of the goods in the market.

### **LIST OF USED LITERATURE.**

1. Resolution No. PQ-292 of the President of the Republic of Uzbekistan dated September 4, 2023 "On measures to implement the tasks set in the open dialogue of the President of the Republic of Uzbekistan with entrepreneurs in 2023"

2. Resolution No. PQ-306 of the President of the Republic of Uzbekistan dated September 14, 2023 "On financial and institutional support measures for small business development"

3. Gary Armstrong, Philip Kotler, Michael Harker, Ross Brennan. Marketing an introduction. 13th Edition. England, 2017, Paperback: 675 pages, Pearson.

4. Kholmamatov Diyor Haqberdievich, Boyjigitov Sanjarbek Komiljon ugli. Marketing Problems in the development of Export activities of small business entities.

5. Kholmamatov Diyor Haqberdievich. Develop Criteria for Selecting Distribution Channels in Small Business. Academic Journal of Digital Economics and Stability, 2022

5. <https://www.stat.uz/uz/rasmiy-statistika/small-business-and-entrepreneurship-2>