

# **PROBLEMS AND SOLUTIONS OF FORMING SALES CHANNELS IN THE ACTIVITY OF SMALL BUSINESS SUBJECTS**

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**Abstract:** At the current stage of the development of small business and private entrepreneurship in Uzbekistan, one of the important problems facing this sector is the formation of sales channels, which are important elements of marketing activities. Based on this, this article describes the problems and solutions of the formation of sales channels in the activities of small business entities.

**Key words:** small business, private entrepreneurship, competitive environment, market infrastructure, sales channel, marketing, traditional sales channel, vertical sales channel, horizontal sales channel, multi-level sales channel.

## **ПРОБЛЕМЫ И РЕШЕНИЯ ФОРМИРОВАНИЯ КАНАЛОВ ПРОДАЖ В ДЕЯТЕЛЬНОСТИ СУБЪЕКТОВ МАЛОГО БИЗНЕСА**

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**Аннотация:** На современном этапе развития малого бизнеса и частного предпринимательства в Узбекистане одной из важных проблем, стоящих перед этой отраслью, является формирование каналов сбыта, которые являются важными элементами маркетинговой деятельности. Исходя из этого, в данной статье описаны проблемы и пути решения формирования каналов сбыта в деятельности субъектов малого предпринимательства.

**Ключевые слова:** малый бизнес, частное предпринимательство, конкурентная среда, рыночная инфраструктура, канал сбыта, маркетинг, традиционный канал сбыта, вертикальный канал сбыта, горизонтальный канал сбыта, многоуровневый канал сбыта.

**INTRODUCTION.** In Uzbekistan, socio-economic stability is being ensured year by year, the welfare of the population, the level of consumption, employment and income are increasing, the domestic consumer market is filled with local goods, and the competitiveness of our national goods is ensured in foreign markets. It should be noted that business activity has a special place. As a result of gradual reforms over the years, today small business is becoming the backbone of Uzbekistan's economy.

On the initiative of the President of the Republic of Uzbekistan, Sh. Mirziyoyev, an open dialogue with small business entities and entrepreneurs is organized every year in August. Based on the problems presented by small business entities, a number of programs and strategies for further development of the industry are being developed. In particular, 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" and dated September 14, 2023 Resolution No. 306 on "Measures of financial and institutional support for small business development" was adopted in September. Resolution No. 37 of the Cabinet of

Ministers of the Republic of Uzbekistan dated January 20, 2024 "On measures to implement the comprehensive program of continuous support of small business" was adopted.

The state support of small business mainly consists of financial resources, land purchase, technology, and export incentives. However, the share of small business in the production of consumer goods is also increasing. As a result, small business entities face a number of problems in selling their products. Small business entities cannot organize independent sales channels by themselves. And it cannot provide the existing sales channels with a regular and stable supply of goods. Therefore, one of the main issues is organizing the sale of products of small business entities.

**MAIN PART.** It is known that small business and private entrepreneurship has a strong place in the experience of the countries of the world with its high results and successes, and in most countries its share in the gross domestic product is 60-70 percent. The development of small business is aimed at creating favorable conditions for economic vitality and an effective competitive environment, stimulating demand by expanding the consumer sector, filling the consumer market with goods and services, protecting the environment, and expanding budget revenues. Accordingly, many developed countries strive to fully support small business activities.

As a result of the favorable business environment created in Uzbekistan, today more than 50 percent of the country's gross domestic product is accounted for by small business and entrepreneurship (Table 1).

**Table 1**

**Share of small business and private entrepreneurship<sup>1</sup>**

<b>Indicators</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
GDP	62,4	56,0	54,8	54,1	51,8
Industry	37,4	25,8	27,9	27,4	26,0

<sup>1</sup> <https://www.stat.uz/uz/rasmiy-statistika/small-business-and-entrepreneurship-2>

Construction	73,2	75,8	72,5	72,5	71,5
Employment	76,3	76,2	74,5	74,5	73,9
Export	27,2	27,0	20,5	20,0	29,6
Import	56,2	61,6	51,7	45,3	49,4

According to the data of 2022, 73.9 percent of the main employment of the population of Uzbekistan corresponds to small business and private entrepreneurship. Also, the share of this sector is increasing in construction and import.

Achieving these results is achieved due to state support of small business and private entrepreneurship, provision of economic freedom, creation of legal bases for activity, strengthening of financial and economic support. Market infrastructure is important for the effective operation of small businesses and private enterprises. That's why economic reforms today paid a lot of attention to the formation of market infrastructure. As a result, financial organizations (commercial banks, insurance, credit unions, pawnshops, etc.), intermediary and trade organizations (brokerage offices, counteragents, retail, wholesale trade enterprises, etc.), logistics service and transport organizations, information and consulting firms. contributes to the efficient operation of small businesses and private enterprises.

Small business entities are considered the main source in the production of consumer goods, as in all sectors and industries. Small business entities independently sell their manufactured goods to domestic and foreign markets. In this case, small business entities face a number of problems in studying the domestic and foreign market conditions, the competitive environment, and the needs of consumers.

It can be seen that at the current stage of the economic reforms implemented in Uzbekistan, the problems encountered in the activities of small businesses and private business entities are related to the organization of sales,

studying the market situation, that is, marketing activities. . Therefore, the development of a solution to the problems related to the organization of the sales process facing the next small business and private business entities is considered one of the urgent issues.

One of the important elements of the marketing complex, the organization of the sale of goods (Place-place, placement) is also becoming important in the activities of small business entities. This element of the marketing complex is called sales channels, product distribution channels, and distribution channels in the scientific literature on marketing and includes the processes of organizing and managing the movement of goods from the producer to the consumer. Sales channels, regardless of their form, all involve costs related to transportation, storage, loading, unloading, delivery, and inventory creation. Therefore, the main task facing small business entities is to ensure the optimality of expenses.

There are two major forms of sales channel, direct and indirect sales channels.

A direct sales channel is a direct delivery of goods from the producer to the final consumer without the participation of an intermediary. Direct sales channel is convenient and beneficial for both producers and buyers of products. For example, a customer can purchase goods from the comfort of their own home using interactive sales services or by browsing mail order catalogs. On the other hand, the producer, using modern technologies (databases of new multimedia computers, modems, faxes, e-mail, etc.) can select one consumer or a certain group of them and make proposals for private means of communication according to their wishes. can be annoying.

Indirect sales channel is a sales channel based on the participation of intermediaries in the delivery of goods to the consumer. There are different forms of this sales channel, which are traditional, vertical, horizontal, multi-level sales channels.

A traditional sales channel includes an independent manufacturer, a wholesaler, and retailers. The actions of each are independent of each other. A small business entity that produces goods releases its goods to the market through independent intermediaries. The position of the product in the market, competition with competitors' products, other marketing activities (advertising, sales promotion, etc.) are taken over by the intermediary.

The vertical sales channel unites the manufacturer, wholesaler and retailer into a single complex. One of the channel participants dominates the rest (using its ownership rights, or using its strengths, etc.). The principle of the structure of the vertical sales channel allows you to control the work of the full channel and manage the inconsistencies that occur. The effectiveness of the vertical sales channel is achieved by their original dimensions, compatibility of actions, and prevention of the return of functions. In Uzbekistan, this sales channel is mainly used by enterprises operating on the basis of foreign investments.

A horizontal sales channel is a partially integrated channel consisting of wholesalers and retailers that combine their efforts (capital, production capacity, marketing resources) to achieve greater efficiency by working together. A horizontal sales channel can be established with competing firms, as well as with non-competitors (for example, convenience store chains) on a permanent or temporary basis.

Multi-level sales channel - More and more companies are switching to multi-channel systems of distribution due to the diversification of production, setting more important market targets and making the best use of the opportunities of possible distribution channels. In such a system, a firm can create multiple channels of distribution in order to cover several segments of the market. With the increase in the possibilities of expanding the market, the total costs of maintaining the channels will also decrease, and the efficiency of trade will increase.

When choosing these sales channels, small businesses and private entrepreneurs can use the following criteria.

**Table 2**

**Criteria for choosing sales channels**

<i>Features to consider</i>	<i>Direct channel</i>	<i>Indirect channel</i>		<i>Explanation</i>
		short	long	
<i>Customer characteristics</i>				
a large number of buyers		**	***	Reducing the number of contacts plays a big role
great attention of buyers to the product	**	***		A very small amount of expenses that go to the conclusion of a contract
major purchases	***			Quick recovery of past expenses
unusual purchases		**	***	Increase in the cost of small and infrequent sales contracts
fast delivery of goods		**	***	Having a collection of goods available near the point of sale
<i>Characteristics of the goods</i>				
short term goods	***			Possibility of quick delivery of goods
large volume of trade	***	**		Reducing the costs of transportation
goods that are not technically difficult		**	***	Low demand for service
non-standard goods	***			Simplification of the product for special requirements
new goods	***	**		Strict control of new goods
high value goods	***			Quick recovery of past expenses
<i>Characteristics of the firm</i>				
limitation of financial resources		**	***	Costs of selling goods should be equal to the volume of goods sold
to have a diverse assortment	***	**		The firm may offer a variety of services
strict control of the process	***			Reducing the number of existing barriers between the firm and the

				market
the company has a great reputation		**	***	Receiving the goods with great respect in the sales system
wide coverage of the market		**	***	The volume of sales of goods should increase gradually

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

**\*\* - probable channel.**

Our research shows that about 85-90 percent of family entrepreneurs, micro-firms, and small enterprises use the direct sales channel based on the size and characteristics of the goods they produce and the characteristics of consumers. Because small business entities of this form cannot provide indirect sales channels with goods in the right amount on time.

80-90% of small business entities with a large volume of products and a wide range of products, with a large scope of activity, use the indirect sales channel. Small business entities operating in this way regularly fill indirect sales channels with goods in the required volume and in the required assortment.

The purpose of the sales channel is to load the goods on time, to deliver the goods to the right place, in the right amount, and to have accurate information about the needs of consumers. Entrepreneurs who deliver goods to customers in the right assortment, on time, with high quality and with reliable information about consumers will definitely have an advantage in the competition.

**CONCLUSION.** In the formation of sales channels in small business and private entrepreneurship, it is necessary to pay attention to the following:

- study the criteria taken into account by small business entities when choosing sales channels;
- choosing the form of the sales channel with optimal sales costs based on the financial capabilities of small business entities;
- study consumer purchasing habits, consumer purchasing characteristics, purchasing level, purchasing speed;



- family entrepreneurs, micro-firms and small enterprises with a narrow and small range of products, organize modern forms of direct sales: interactive sales, sale of goods by catalog, etc.;

- enterprises producing a wide range of goods with a high volume of production, if they have financial opportunities, can form vertical sales channels, control the position of their goods in the market and competition with competing goods of a small business entity. It also covers the market by forming a wide network sales chain.

Therefore, the formation of sales channels in the activities of small business and private entrepreneurship is one of the responsible tasks, which is to ensure the effective sale of manufactured goods in the target market. The sales channels chosen by small business and private business entities should bring them certain benefits, i.e. save financial resources for the sale of goods, attract the saved funds to the main production, and sell the goods in a more efficient way. , to promote the product more widely and to ensure the high efficiency of its delivery to the target markets, to reduce the volume of work on the sale of the product, etc. 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, the choice of a specific sales channel 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.

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

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