

Develop Criteria for Selecting Distribution Channels in Small Business

Kholmammatov Diyor Haqberdievich¹

Annotation

One of the key goals of the New Uzbekistan Development Strategy for 2022-2026 is to create conditions for entrepreneurship and sustainable sources of income, to increase the share of the private sector in GDP to 80% and exports to 60%. In order to achieve this goal, the problem of formation and selection of distribution channels in the activities of small businesses is becoming more urgent. This article describes the criteria for selecting distribution channels in the activities of small businesses.

Keywords: *small business, distribution channels, marketing channels, sales functions, marketing mix, storage, delivery, logistics, warehouse.*

¹ PhD, Independent Researcher of Samarkand Institute of Economics and Service

Introduction

From year to year in Uzbekistan to ensure socio-economic stability, increase the welfare of the population, consumption levels, employment and income, filling the domestic consumer market with local goods, ensuring the competitiveness of our national goods in foreign markets. It should be noted that business entities have a special place. From the first days of our independence, great attention was paid to property relations. As a result of gradual reforms over the years, today small business is becoming the backbone of our economy.

These results are achieved through government support for small businesses, ensuring economic freedom, creating a legal framework for their activities, and strengthening financial and economic assistance. Small business and private entrepreneurship have been identified as priorities of the country's economy. Over the past five years, about 2,000 laws, decrees and resolutions have been passed to develop the sector.

On August 20, 2021, President of the Republic of Uzbekistan Shavkat Mirziyoyev held an open dialogue with entrepreneurs. It includes a number of innovations in the provision of loans only in soums, benefits for microfinance institutions, reducing the tax burden on business, land sales and privatization, infrastructure creation, support for exporters, development of transport and logistics systems and simplification of business procedures. was announced.

One of the most important measures facing small businesses is to sell their products. To do this, it is necessary to form distribution channels. It is small businesses that face a number of challenges in distributing their goods and services. This article explains how to choose distribution channels in small business.

Literature review on the topic

In marketing research, extensive scientific work has been done on distribution channels, sales channels and marketing channels. The bulk of the research is designed for large businesses. DK, Sinha studied in depth in his research on distribution channels, their stages, single, double, triple and multi-stage distribution channels[1].

A distribution channel is a collection of organizations or individuals that assume or facilitate the transfer of ownership of a product to someone along the way from producer to consumer [2].

Distribution (goods movement) in marketing - a system for ensuring the delivery of goods and services to the place of sale or operation (installation) or the provision of services at exactly the right time and with the highest possible level of service, as well as planning and monitoring the movement of goods from their places of creation to the points of sale in order to meet the needs of consumers and to the benefit of the company. Minimizing the cost of organizing the distribution of goods should in no case affect the level of service [5].

The role and importance of wholesale and retail trade in distribution channels is reflected in Cole, Ray's research [3]. According to him, products purchased from your favorite stores often involve distribution from a variety of sources. Getting a product to the market largely requires an effective marketing channel for companies that manufacture durable goods and other products. A supply chain typically features various middlemen between the manufacturer and the consumer. The most common in the supply chain are distributors, wholesalers and retailers. The difference between them involves several factors, but can be described simply as a difference in the number of one product they have on hand [3].

Significantly, a number of scientific studies have been conducted on the selection of distribution channels in small business. In particular, according to V.A. Rube, the distribution channels of small businesses producing finished products are different from those of intermediate producers. They decide for themselves how to deliver their products to the end consumer [4].

They choose to sell their products wholesale, retail or through their own stores. Small businesses prefer to sell through their sales channels. That's the way to become successful in real life. The reasons for this are: direct communication with buyers; intermediaries are not paid; can quickly learn the tastes and needs of customers; more than half of his inventions were made under the influence of consumer needs [4].

Small business distribution is all about the path a product or service embarks on to reach the consumer. This can be easy or complex, depending on the process and the availability of products. Getting the product or service to the customer with small business distribution might require multiple intermediaries [6].

Research methodology

The formation of distribution channels and the selection of the optimal distribution channel are becoming increasingly important in the development of small business, which is an important and pillar of economic growth in Uzbekistan. Monographic observation, abstract-logical thinking, scientific observation, synthesis, induction and deduction methods were used to cover the problems of formation and selection of distribution channels in the activities of small businesses.

Analysis and results

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

- saving financial resources for product distribution;
- attracting the saved funds to the main production;
- sales of products in a more efficient way;
- wide promotion of goods and ensuring high efficiency of its delivery to target markets;
- reducing the volume of work on product distribution, etc.

Selected distribution channels have a direct impact on the speed, time, efficiency and retention of the product from small business and private entrepreneurship to the final consumer. At the same time, organizations and individuals who create distribution channels perform a number of functions:

- conduct research to gather the information needed to plan product distribution;
- sales promotion through the creation and dissemination of information about goods;
- building relationships with potential customers;
- adaptation of goods to customer requirements;
- negotiation with potential consumers of the product;

- organization of the system of movement of goods (inventory, storage, transportation);
- financing of actions through distribution channels;
- Assume the risk associated with the existence of the channel.

Depending on the organizational structure of the selected brand distribution channel, the length and level of the channel, the performance of all or part of the above functions depends on the financial condition of small businesses and private entrepreneurship. Because all the costs associated with the distribution of goods can not be borne by small businesses and private entrepreneurship. The question of who should perform the various functions of a product distribution channel is a matter of efficiency. The channel is reshaped when it is possible to perform functions more efficiently.

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

characteristics of end consumers - their number, competition, average one-time purchase, level of income, the law of behavior in the purchase of goods, the scope of services, credit conditions, etc.;

self-capacity of small business and private entrepreneurship - its financial condition, competitiveness, the main directions of market strategy, the scale of production. It is preferable that small firms with a small range of goods and limited financial resources work through independent sales intermediaries, while large firms are advised to implement part of the distribution organizations through their own distribution network;

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

level of competition, distribution policy of competitors - their number, aggregation, distribution strategy and tactics, interaction in the distribution system;

description and characteristics of the market - current and subsequent purchasing power, customs and trade practices, density of customer distribution, average per capita income, etc.;

relative value of distribution systems.

The distribution channels chosen by small businesses will inevitably have an impact on marketing decisions. The pricing policy depends on which dealer is selected by the firm - i.e. large and first class or medium class and lowest. The fact that an enterprise has its own salesperson depends on the scope of sales and the scientific work carried out by the enterprise, it is necessary to carry out similar work with dealers. In addition, decisions made through brand distribution channels impose long-term obligations on other firms. At the same time, the management will have to take into account the future in choosing a distribution channel.

Many manufacturers offer their products to the market through intermediaries. Each of them strives to establish their own personal distribution channels.

They use their services because they are so helpful. With their help, the product is delivered as desired and to the desired location. Because of the communication, skills, expertise, and behavior they establish, intermediaries offer more benefits than small businesses and private entrepreneurs operating on their own.

Small businesses review the performance of key product distribution channels and make decisions to improve the process. The next step is to run the selected channel. Management of this channel requires specially selected intermediaries and their incentives, as well as an assessment of their subsequent performance.

By choosing product distribution channels, the entrepreneur has a choice of which segments of consumers, to what extent there are alternative options for selling goods, the choice of which path plays a major role not only the cost and revenue of production, but also the image of the product and manufacturer. The choice of brand distribution channel is a strategic decision of the manufacturer. Typically, changing these channels in a short period of time is an impossible task. Changing these channels is risky because some consumers prefer to get goods through specific intermediaries.

The most important issue for the company is to thoroughly study and determine the case, that is, what structure of the distribution channel is possible for them. At this stage, we will focus on ways to sell the product. Decisions are made on the following issues:

1. Length of product distribution channel;
2. Types of intermediaries that can operate together, ie (wholesalers, small-scale wholesalers and retailers);
3. The number of intermediaries of the same type at each level (i.e., depending on market coverage);
4. Features of the channel for the sale of goods on the international market.

In order to effectively use the process of selling goods produced for the enterprise, it is necessary to find new markets, which will require the expansion of distribution channels.

The choice of product distribution channels is a very strategic decision for the enterprise. A product distribution channel is a collection of organizations or individuals that receive a good or deliver a good to another person for the purpose of delivering it to the final consumer. The use of product distribution channels depends on the following conditions:

- the need and opportunity to save financial resources in the distribution process;
- use the goods as efficiently as possible in the sales process;
- increase sales and deliver more goods to specific target markets. To do this, it will be necessary to determine which method of selling the product is more profitable.

The above selection criteria for distribution channels are not specifically designed for small businesses and private entrepreneurs. The urgency of the matter is that today in Uzbekistan there are no criteria for the selection of distribution channels for small business and private entrepreneurship.

In order to form distribution channels in small business and private entrepreneurship, it is first necessary to develop criteria for the selection of distribution channels. Small businesses and private entrepreneurs are diverse in terms of goods, sales, consumers, market position and financial capabilities.

This suggests that brand distribution channels, which are universal, cannot be formed. For this purpose, it is expedient to develop criteria for selecting distribution channels based on the

classification of small businesses and private entrepreneurship on the basis of certain criteria.

Therefore, it was determined that the formation of effective distribution channels for small business and private entrepreneurship will be carried out by classifying them according to their logistical criteria.

This means that once small businesses are classified according to logistics criteria, criteria for selecting the appropriate distribution channels for each group are developed.

In the economic literature, along with the essence, characteristics and organizational basis of small business, their classification is widely covered. The classifications of small businesses cited were based on criteria such as number of employees, area of activity, carrying amount of fixed capital. However, the classification of small businesses by logistical criteria is not reflected in the economic literature. Given the urgency of this problem, we have identified one of the areas of our research as the implementation of this classification. The classification of small businesses by logistical criteria is the basis for finding solutions to their problems of time, distance and cost in the distribution system, as well as in the development of criteria for the selection of distribution channels (Figure 1).

Delivery of goods to the final consumer is an important process in marketing logistics. Therefore, the main feature in the classification of small businesses by logistical criteria was based on the attitude of the small business entity in the delivery of goods to the final consumer. A small business entity is divided into groups that are directly, through an intermediary, and not in a relationship, depending on how they establish a relationship in the process of delivering goods to the final consumer.

A small business entity that interacts directly with the end consumer establishes a relationship in three main ways. First, the distribution of goods to consumers under direct contracts. In this case, the goods are delivered in accordance with the contract between the consumer and the manufacturer. For example, small businesses distribute goods to kindergartens, military units, and hospitals in this way. Second, the distribution of goods from the place of production.

In this method, the distribution of goods is carried out by organizing the sale of goods to consumers at the place of production. Examples are small enterprises producing bakeries, ice cream and confectionery. Third, the distribution of goods through the opening of retail stores owned by the manufacturing enterprise. Small businesses that distribute goods through this method do so by opening stores that sell through separate sales staff, where the main consumers are located or gathered. This type of store sells the goods of the enterprise to which it belongs.

In cases where it is ineffective or impossible to establish a direct relationship with the final consumer, a relationship of distribution of goods through an intermediary is established. Small businesses of the type that communicate with end consumers through intermediaries delegate most of the distribution functions to intermediaries. When building relationships with consumers through intermediaries, two types of intermediaries can be used.

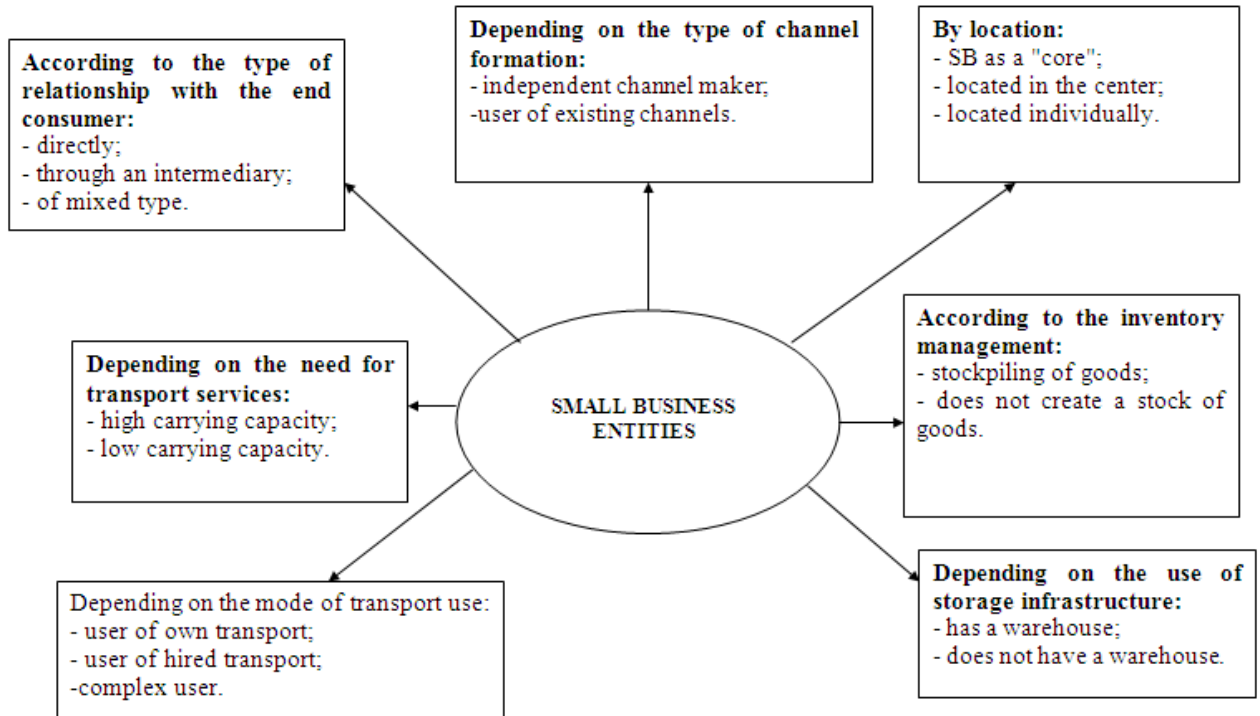
1. Distribution of goods through retail intermediaries, ie on the basis of an agreement with several independent intermediaries engaged in retail trade;
2. Communicating with consumers through wholesale buyers.

Small business entities of the mixed type with the end consumer are not interested in and do not know who their main consumers are, where they are located, and at what price they are buying

the goods. Uses sales agents located in different regions to distribute goods.

Small businesses use the services of sales channels in the distribution of goods. Depending on the type of channel creation, small businesses are divided into types that independently create a channel and use the services of existing channels.

Figure 1. Classification of small business and private entrepreneurship according to logistical criteria (author's development).



A small business of the type that independently creates a channel is a user of the channel that did not exist before, formed as a result of the activities of this small business, mainly distributing the goods of the entity that created the channel. The small business entity has full control over the activities of the independently created channel, that is, it controls at what price, method, packaging the goods should be sold.

To ensure the mobility of the independently formed channel, the enterprise must be able to provide the channel with a range of goods. Otherwise the activity of the channel will decrease. Small businesses and private entrepreneurs should have the following opportunities to create a channel independently:

- sufficient financial resources;
- the channel should be regularly replenished with goods, i.e. have a wide range and high production capacity;
- Ownership of distribution infrastructure: warehousing, vehicles, shops.

Subsidiary intermediaries are formed as a result of the activities of small businesses and private entrepreneurship entities that independently create channels. The activities of intermediaries are controlled by small businesses and private entrepreneurs.

Small businesses that use existing channels make up the majority today. The retail and wholesale trade networks that make up the existing channels are independent legal entities established for specific business purposes. With these channels, small businesses enter into contracts and deliver goods on this basis. The existing channels are engaged in the sale of goods of several small businesses at once.

For a small business entity, the risk of this type of channel is that the sales of their own product are lower than the sales of a competitor's product with a high reputation. Lack of financial resources of small business and private entrepreneurship prevents the creation of independent channels. That is why most small businesses and private entrepreneurs use the services of independent intermediaries.

The location of small businesses is important in establishing a relationship with the end consumer, creating a channel, and using transportation services. Small business entities are divided into groups that are located as a "core", located in the center, and located individually, depending on their location.

Small businesses located as a "core" are the only ones in the region, serving as the main source of goods, the organization of the activities of other small businesses, distribution channels.

A small business located in the center is a small business entity operating around all the infrastructure, where the main customers are located.

Individual small businesses are small businesses that operate in isolation from other competitors and have greater difficulty in communicating with customers.

Services such as transportation, unloading, loading are important in moving goods from one place to another between distribution channels. Depending on the need for transport services for the transportation of goods produced by small businesses, they are divided into small businesses that produce high-volume and low-volume goods. In addition to the bulk of goods with a high carrying capacity, there are manufacturers of goods that require special containers and the container is also included in the volume of transportation. Once the carrying capacity is known, the use of the vehicle is decided. Depending on the use of the vehicle by small businesses: there are small business entities that use their own vehicles, those that use hired vehicles, and those that use complex vehicles.

Most small businesses have their own vehicle and deliver the goods directly to the end consumer, or deliver the goods through their vehicle to the location of the intermediary. If a small business entity intends to export goods, in such cases it uses a hired transport service.

Small businesses prepare for the distribution of goods with or without the creation of a stock of goods. As a result of the creation of stocks of goods, additional processes such as order acceptance, order processing, storage are also assigned to the small business entity. In the distribution of goods without creating a stock of goods, the distribution of goods is carried out from the end of production. Creating a stock of goods requires the use of a self-contained warehouse.

Warehouses are places where goods are received, placed, stored and prepared and distributed to consumers. Warehouses perform, firstly, the functions of temporary placement and storage of goods, secondly, the assembly and packaging of goods, and thirdly, the satisfaction of customer demand, ie the provision of the necessary material resources. Depending on the use of warehousing, small businesses are divided into types with and without warehousing.

A number of small businesses have their own warehousing facilities. In addition to stockpiling goods from their warehouses, this type of small business also carries out placement, storage, assembly and packaging of goods. All of these processes are part of the transaction costs of a small business.

Small businesses that do not have a warehouse are limited to entrusting intermediaries with the temporary placement, storage, assembly and packaging of goods. This type of small business is characterized by the lack of buildings, structures and equipment for a special warehouse.

Table 1 Criteria for selection of distribution channels in small business (author's development)

<i>Criteria to be considered</i>	<i>Direct channel</i>	<i>Indirect channel</i>		<i>Features and conditions of selection</i>
		<i>existing channel</i>	<i>independent channel</i>	
Description of target consumers				
The large scale of the segment	*	**	***	If the number of target customers is large, the direct channel will not be able to generate the required volume of sales. In this case, an indirect channel is used. Using an intermediary controlled by a small business entity can gain segment confidence and fully capture profits.
The small size of the segment	***	**	*	If the number of target customers is not large enough, it is not advisable for the small business entity to create an independent channel. Selling goods directly through the channel increases profits.
Regional high concentration of customers (concentration)	**	*	***	If the target customers are concentrated according to their location, it is effective for small businesses to form a vertical marketing system, i.e. to use the services of a subordinate intermediary under their control.
Territorial distribution of customers	*	***	**	When customers are scattered by location, it is not effective for a small business entity to create its own independent channel. Because creating sales channels at multiple points maximizes costs. In this case, it is recommended to use the services of independent researchers.
Regular shopping	**	*	***	If regular purchases are made by potential consumers, it is advisable for

				small businesses to take advantage of this opportunity to form their own independent channel.
Irregular shopping	*	***	**	The irregular procurement process prevents small businesses from creating an independent channel. It is necessary to use the services of independent intermediaries.
Description of manufactured goods				
Perishable goods	***	*	**	In case of perishable goods, it should be delivered quickly without storage. In this case, the direct channel works effectively.
Long-lasting product	*	***	**	It is advisable to use the services of independent intermediaries, as the costs associated with the storage of long-term goods by small businesses will increase.
It wasn't technically difficult	**	*	***	In the case of technically non-difficult goods, the low demand for the service process allows small businesses to create an independent channel.
New product	***	*	**	Strict control over the release of new goods on the market is advisable. It is possible to control a new product in the market directly through the channel.
Have a high value	***	*	**	The high value of the product requires that it be reimbursed quickly. In this case, the direct channel allows you to quickly cover costs.
Having a wide range	*	**	***	The breadth of the range of products produced requires the creation of multi-level independent channels.
Description of small business and private entrepreneurship				
Limited financial resources	**	***	*	Small businesses and private entrepreneurs cannot find the funds to create an independent channel if they do not have sufficient financial resources. In this situation, small business and private entrepreneurship will be forced to use self-determined independent intermediaries.
Adequacy of financial resources	**	*	***	When financial resources are sufficient, the creation of an independent channel will enable small

				businesses to control the sale of their goods in the future and take full ownership of profits.
Market coverage strategy	*	***	**	If small businesses 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 can achieve a high reputation in the market through their personal channel
Availability of distribution infrastructure				
Ownership of a warehouse	*	**	***	Small businesses with warehousing facilities can form the required amount of inventory

It is not appropriate to describe a firm's brand sales activities as a difficult task. But this work needs to be done effectively. Therefore, it is now necessary to fight for every customer, by improving the performance of brand distribution channels, the firm can further enhance its position in the market.

Conclusion

Thus, the task of selecting distribution channels is a very difficult decision for the management of the enterprise, because the activities of these selected distribution channels directly affect the decisions made in the field of marketing.

When making a decision on distribution channels, its organizational form depends on the following aspects:

- access to specific target markets, ie the establishment of various distribution channels;
- increase the opportunity to offer more goods to the market and expand sales;
- willingness to cooperate with all stakeholders involved in the distribution process as much as possible;
- be able to transfer their demand, ie become the captain of distribution channels.
- In the process of scientific research, it became clear as a result of the classification of small businesses based on logistical criteria:
 - adoption of logistics criteria as a classification indicator will greatly help to group small businesses on the basis of operating costs;
 - such a classification allows to apply special approaches to the development of small businesses;
 - creates conditions for the consideration and evaluation of the characteristics of small businesses in order to optimize distribution channels;
 - The basis for the development of criteria for the selection of effective distribution channels for small business and private entrepreneurship.

The objective need to improve distribution channels in small business is reflected in the following:

1. Increase in operating costs (transportation, storage, increase, unloading, stockpiling) of business entities, as a result of which they are unable to cover the costs of sales and provide the expected profit.
2. Entrepreneurs' desire to develop new markets, form new market segments, cover the market and strengthen the position of their products and enterprises.
3. In-depth study of consumer demand, to determine when and how many orders will be accepted, and to maintain the required stock of goods.
4. To maintain the right of ownership of the goods, to control and manage the competition of the goods in the market.

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