

**THE ROLE AND IMPORTANCE OF SALES CHANNELS IN SMALL BUSINESS  
ACTIVITY**

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**Abstract:** The article describes the role and importance of sales channels in the organization of product sales of small business entities, the criteria for choosing sales channels, the signs and criteria used in choosing an intermediary for the sale of goods, the analysis of the advantages and disadvantages of various channels of sales of goods.

**Key words:** Small business, sales channel, selection criteria of sales channels, direct sales channel, organization of sales through an intermediary, market coverage.

**INTRODUCTION.** The most important and indispensable component of the marketing activity of small and private enterprises is the sale and distribution of products. In this process, the most difficult task from an organizational point of view is solved - delivering the produced product to the final consumer. In order to deliver products to consumers, entrepreneurs must first establish distribution channels. The distribution channel chosen by the entrepreneur affects all other marketing solutions - prices, advertising service, organization of temporary warehouses, use of transport service, opening of own sales points, etc. are among them. Therefore, when choosing a product distribution channel, an entrepreneur needs to look not only at today, but also at tomorrow's commercial environment. The distribution process should become a continuous final stage of product production in small and private enterprises. In today's modern market economy, the production process ends not with the creation of a finished product, but with its delivery to the final consumer. Based on this, it is important to form sales channels in the activities of small business entities.

**MAIN PART.** The decision-making mechanism for sales channels is appropriate if it relies on economic and technological bases in the movement of goods from one place to another, because it should benefit the producer, the intermediary and the final consumer. If any element of the chain does not see the profit it aims for, then the sales channel is not effective. In addition, a number of technical and economic indicators are analyzed when choosing sales channels. Technical and economic indicators used in the analysis of the choice of sales channels include:

determination of the number of intermediaries that are certain to be involved, based on the enterprise's exit price of the goods (with and without discounts), based on the market price and possible mark-ups, that is, these are determined by each participant may occur;

choosing the type of intermediary, that is, based on legal and economic indicators and on the amount of their goods to be purchased;

to establish the extent to which the product will be handled through its own channel;

principles of mutual settlement between the manufacturer and the intermediary;

assessment of the variability of cargo distribution logistics:

a) warehouse: a place on the territory of the enterprise or close to the consumer;

b) transport: owned or rented.

Table 1 lists the criteria used by the manufacturer to make a decision on the sale of goods.

**Table 1**

**Criteria for choosing sales channels**

Features to consider	Direct channel	Indirect channel		Explanation
		short	long	
Characteristics of buyers				
many		**	***	Reducing the number of contacts plays a big role
great attention	**	***		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
Characteristics of the goods				
perishable product	***			Fast delivery of goods is required
large volume of trade	***	**		Reducing the costs of transportation
It was not technically difficult		**	***	Low demand for service
not in the default state	***			Simplification of the product for special requirements
new goods	***	**		Strict control of new goods
to have a high value	***			Quick recovery of past expenses
Features of the enterprise				
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
extensive coverage		**	***	The volume of sales of the goods should grow gradually

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

\*\* - probable channel.

The set of criteria used in the selection of sales channels is mainly formed on the basis of three factors: consumers, goods and characteristics of the enterprise. Location, dispersion or concentration of consumers, purchase speed, volume, regular or unusual purchases, product-related characteristics, i.e. product uniqueness, new products, non-standard products, Fast delivery of goods, high-value goods, a wide assortment, characteristics of the enterprise, limited financial capabilities, high reputation in the market, high level of market coverage influence manufacturers to create sales channels.

In addition to the above three main factors in choosing sales channels, there are also three important factors related to the company's marketing activities: market coverage, the amount of sales expenses, and the control of the sales process.

1. Market coverage is determined by product distribution. It is divided into intensive, selective and exceptional types of sales.

Intensive sales means having a large stock of goods in trade organizations. It is difficult to solve this problem without the help of a large number of intermediaries, so multifaceted distribution channels are used here.

Selective distribution of goods applies to pre-selected goods. Such goods are sold in specialized stores and department stores. In this case, the level of demand will be low.

As an exception, delivery of goods is used in the sale of rare goods and products with a special assortment. In these cases, zero-level or first-level sales channels are used, which include special company stores or distribution stores.

2. The level of costs in the process of commodity circulation is the producer's capabilities and the prices for the same type of goods. intermediaries will have to be used, thus the number of sales channels will increase. The prices of the same type of goods determine the competitiveness of each individual manufacturer. The low cost of production compared to competitors increases the ability of the manufacturer to cover the market, and as a result, it has more sales channels.

3. Control of the movement of goods is of great importance for the following goods, i.e. difficult farm machinery, raw materials industry equipment or exclusive consumer goods. First of all, you need highly qualified intermediaries, and secondly, reputable stores.

An indirect channel is formed with the participation of intermediate links, that is, between the producer and the final consumer, who supply goods. The process of choosing an intermediary for selling goods is also important. Certain signs and criteria are also used when choosing a mediator. Table 2 lists the signs and criteria used in the selection of an intermediary for the sale of goods.

**Table 2**

**Signs and criteria used to select an intermediary for the sale of goods**

<b>Types of sale of goods</b>	<b>Number of buyers</b>	<b>Trade volume</b>	<b>Product types</b>	<b>Special conditions</b>
Exclusive sale	Ordinary (individual consumer by law)	In limited small size	Unique goods, produced in small quantities	Equipment installation and other services
Selective	Several (curated selection)	Significantly	Requires after-sales service	Sales control and training of sales

				staff
Intensive (massive, large amount)	Having a wide variety and a wide variety	Having a large, varied assortment	Mass goods	No

Not all forms of sales channels have the same characteristics. The forms of sales channels differ sharply from each other in terms of various signs and characteristics. These differences are compared together with the criteria mentioned above, and the most suitable one is chosen for the enterprise. Table 3 shows the comparative aspects of different forms of sales channels in marketing.

**Table 3**

**Comparative characteristics of sales channels**

Channel types	Directly	With the help of independent intermediaries	Through affiliated intermediaries	Mixed channels
Characteristics				
Market	Vertical position (when the product is used by a small number of consumers in different industries)	Horizontal case (when there are many consumers in each sector)	Vertical	The one you want
Product sales volume	It wasn't that much	If there are many	Average	Big
Communication with manufacturers	Close enough	Not noticeable	Small	Average
Cost incurred in selling a product	The highest	Not noticeable	Small	Average
Price policy	Very variable	Changeable	Insufficient variability	In general, it is variable
To have information about the sale of goods	Excellent	Satisfactory	At a good level	Optimally
Area of activity	Thor	Wide	Thor	Fuller than all
Ownership of goods	From the manufacturer	From the mediator	From the manufacturer	Various
Financial status of the manufacturer	Strong	Weak-moderate	Weak	Average
Availability of technical service	High	Low	Average	Good
Positive report on sales and turnover	High	Low	The lowest	What he wants

Standardization of developed products	Low	High	High or medium	What he wants
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The following criteria are used to select the pitch and length of these channels:

- **Eligibility criteria.** Direct sales channels allow you to sell more products and get a decent profit. The manufacturing organization tries to sell the goods produced by itself, and the income from this goes to the account of the organization in full, that is, without the participation of an intermediary.
- **Cost criteria.** There is basically one rule in marketing practice. According to him, if the product is "directly delivered" to a retail store, it proves to be profitable, because it involves additional costs (for vertical and different contracts ) will be less, that is, it will be less than the markup set by the seller of the product, and it will be less due to the costs of attracting the customer, that is, for advertising the product.
- **Variable criterion.** Organization of sales channels is a dynamic process in itself. Instead, this process requires constant clarifications.
- **Control criteria.** If the more intermediaries are involved in the process of selling the goods produced by the enterprise, the lower the control will be. The intermediaries involved have their own economic interests. These conflicting interests create conflicts in the sales channel.

The length of the sales channel depends on the following characteristics:

Characteristics of buyers (extensive buyers - additional channels, limited group buyers - direct distribution channels);

Characteristics of the goods (low demand for the service of the goods - additional channels, high demand for the service of the goods - direct channels);

Features of production enterprises (full service of the channel - direct working channel, restrictions in the service process of the channel - additional channels, etc.).

The choice of sales channels and methods of selling goods in a specific target market in most cases depend on the characteristics of the goods themselves. The direct method of working, in which there is a personal relationship between the seller and the buyer, which creates a great advantage in the process of selling goods related to production, directly - the incorrect method, that is, it requires the participation of a sales intermediary in the sale of goods, which is mainly used in the sale of consumer goods.

The choice of sales channels is the most difficult decision-making process, which is necessarily led by the enterprise. All types of sales channels have their own advantages and disadvantages. One of the important stages of choosing sales channels is to determine the advantages and disadvantages of the channels.

**Table 4**

**Advantages and disadvantages of different sales channels**

Channel types	Advantage	Disadvantages
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Direct sales	strict control over prices, regional differences may occur;	high costs incurred in the process of selling goods;
Selling goods through an intermediary	to have the right to receive information about the market and the buyer;	cost of transporting the goods is low;
Trade through the system of many trading intermediaries	absence of premium prices imposed by intermediaries.	significant organizational costs for storing goods in a warehouse.

The sales channels chosen by small business entities do not fail to influence the decisions made in the field of marketing. The price policy depends on what kind of dealer is chosen by the company - that is, large and first-class or medium-sized and lowest-class. The fact that the enterprise has its own sales representative depends on the scale of trade and scientific work carried out by the enterprise, it is necessary to conduct such work with dealers. In addition, sales channel decisions impose long-term obligations on other firms. In this case, the management, that is, when choosing a sales channel, will have to look ahead and take into account the future.

Many producers offer their goods to the market through intermediaries. Each of them strives to organize their own sales channels.

Their services are used because they are very useful. With their help, the product is delivered as desired and to the desired place. Because of the connections, skills, expertise, and action they provide, intermediaries offer more benefits to small businesses and sole proprietorships than if they were to operate alone.

**CONCLUSION.** Small business entities study the work of the main sales channels and decide to improve this process. The next step is to manage the selected channel. Managing this channel requires selecting and incentivizing intermediaries and evaluating their subsequent performance.

By choosing sales channels, an entrepreneur determines which segments of consumers, to what extent there are alternative options for selling goods, which way to choose, in addition to the costs and income spent on the production of the goods, the image of the goods and the manufacturer plays a big role. The choice of sales channel is a strategic decision of the manufacturer. Usually, it's an impossible task to change channels in such a short amount of time. Changing these channels is risky because some consumers prefer to receive goods through specific intermediaries.

The most important issue for the company is to carefully study and determine which structure of the sales channel is possible for them. At this stage, the ways of selling goods will be discussed. Decisions are made on the following issues:

1. The length of the sales channel;
2. Types of intermediaries that can work together, i.e. (intermediaries engaged in wholesale trade, small-scale wholesale and retail trade);
3. The number of intermediaries of the same type at each level (that is, depending on market coverage);
4. Features of the channel for selling goods to the international market.

In order to effectively use the process of selling goods produced for the enterprise, it is necessary to find new markets, in which case it is necessary to expand sales channels.

The choice of sales channels is a very strategic decision for the company. A sales channel is a set of organizations or individual individuals that receive the goods themselves or deliver certain goods to another person for the purpose of later delivery to the consumer. The use of sales channels is subject to the following conditions:

the need and opportunity to save financial resources in the sales process;

efficient use of goods as much as possible in the process of sale;

to increase the volume of sales of goods and deliver more goods to markets aimed at a specific target. For this, it is necessary to determine which method of selling goods will bring more profit.

The above-mentioned criteria for choosing sales channels are not intended for special small business and private business entities. The relevance of the work is that the criteria for choosing sales channels in small business and private entrepreneurship have not been developed in our country today. In order to form sales channels in small business and private entrepreneurship, it is necessary to first develop the criteria for choosing sales channels. The operating small business and private business entities are diverse in terms of their products, sales volume, consumers, market position, and financial capabilities. This indicates that universal sales channels cannot be formed. For this purpose, it is appropriate to classify small business and private business entities based on certain characteristics and then develop criteria for choosing sales channels based on the classification. Based on this, it was determined that the formation of effective sales channels for small businesses and private enterprises will be carried out by classifying them according to logistic criteria.

Therefore, after classifying small business entities according to logistic criteria, criteria for choosing suitable sales channels for each group will be developed.

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