

IMPROVING THE COMMODITY POLICY OF LOCAL INDUSTRIAL ENTERPRISES

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Annotation: The article describes the role of commodity policy and assortment in local industrial enterprises, the role of identifying low-profit goods in the range and optimizing production costs by improving commodity policy. The strategic directions of the commodity policy of local industrial enterprises were discussed.

Keywords: industry, range, product policy, BCG matrix, industrial marketing.

Introduction

Effective business in a competitive market means that the production of high quality advanced products that meet the requirements of the world market is only half of the success of business, and the other half is difficult to know sales and imagine without service. You need more than luck to succeed in affiliate business. An important criterion is the availability of high quality goods and the identification of low-profit goods in the assortment policy.

In this regard, the Decree of the President of the Republic of Uzbekistan Sh.M.Mirziyoev dated February 7, 2017 № PF-4947 “On the Action Strategy for further development of the Republic of Uzbekistan” states that “high-tech processing industries, first of all , further modernization and diversification of industry through a qualitatively new stage aimed at the rapid development of production of high value-added finished products on the basis of deep processing of local raw materials ... ”¹ is no coincidence. Zero industrial enterprises make up a significant part of the country's production.

Ensuring the rapid modernization and technical re-equipment of enterprises operating in our country today, high-tech automotive and gas-chemical, electrical and textile, food and pharmaceuticals, agriculture and food Particular attention is paid to the creation of new and modern production facilities in industry, information and telecommunications networks and other areas.

Review of literature

The role of industrial marketing in the development of marketing strategies in industrial enterprises is invaluable. After all, industrial marketing is the theoretical basis for the development of the strategy of each link of the enterprise.

Industrial marketing is the sale of goods and services to industrial customers and institutional customers. These include manufacturing companies, government agencies, utilities, educational and medical institutions, wholesalers and retailers, as well as other organizations [2].

In the strategic development of the marketing system in industrial enterprises, the economic portfolio matrix of the enterprise is a two-dimensional model that compares the strategic position of each type of activity (business) of the company. One of the most common

methods of assessing the quality of a modernized company is a matrix analysis of the business portfolio.

The business portfolio matrix consists of a table comparing the strategic position of each structural unit of a modernized company.

The matrix can be based on any pair of indicators that characterize the strategic situation. The most important are the growth rate of the industry, market share, the long-term attractiveness of the industry, its competitiveness and the stage of development of the product or market. Typically, one axis of the matrix represents the attractiveness of the network, while the other reflects the state of a particular type of activity. Three types of business portfolio matrices are widely used - the growth / share matrix developed by BCG, the network attractiveness / competitiveness matrix developed by General Electric, and the Hofer / A.D.Little network lifecycle matrix.

The BCG matrix compares and summarizes the state of the business unit of a diversified company on the basis of industry growth rates and relative market share.

The most widely used quadrants is developed by Boston Consulting Group (BCG), a leading consulting firm [3].

In many studies, the formation of assortment policy of industrial enterprises can be seen as an important direction of the assortment portfolio. The most common way to analyze a company's performance and develop marketing strategies for its range is the matrix method. The product range portfolio matrix is a two-dimensional indicator that reflects the positions of the company's business strategy.

The BCG, or "growth-share" matrix, consists of four quadrants that use sales growth rates and relative market share as arrows. The production or commodity type is arranged in circles in a quadrant matrix. Their location is determined by calculating the growth rate of the market for goods and the relative market share of goods. It is recommended to use a model called BCG matrix in shaping the brand strategy of manufacturing enterprises. To use this method, you must first build a BCG matrix.

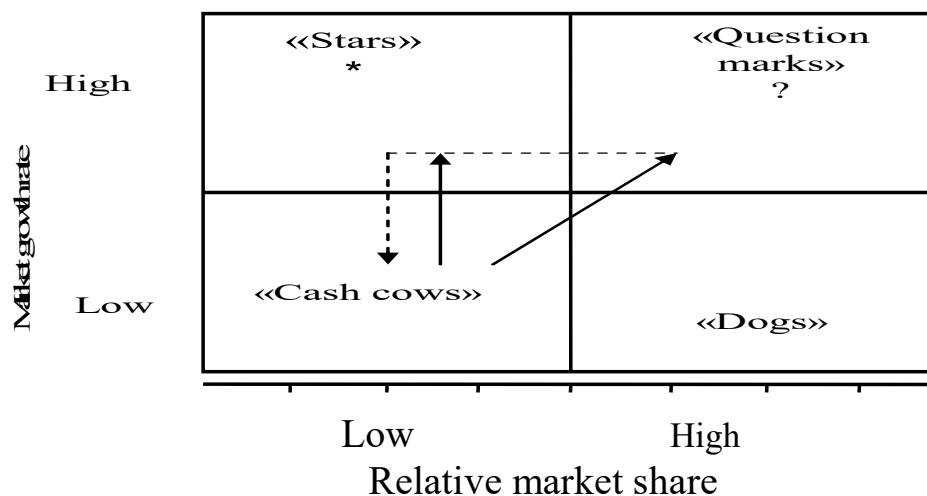


Figure 1. Growth-market share matrix²

Two indicators are used to construct the BCG matrix:

1. Commodity market growth rate or sales volume;
2. The relative share of the enterprise in the market relative to the main competitor.

Each of these four quadrants requires a different approach in terms of financing the production of goods and developing a product strategy.

Quadrant 1 represents the high growth rate and relative market share of the commodity market and is called the symbolic star. It is necessary to develop a strategy to strengthen and consolidate the production of goods located in the quadrant.

Quadrant 2 shows the low growth rate of the commodity market and the high relative market share of the commodity. These goods generate more revenue than the amount of money required to maintain market share. They are a source of funding for diversification or research development.

Quadrant 3 shows the low growth rate of the commodity market and the low relative market share of the commodity. Chronic production of such goods is costly and unlikely to improve. Therefore, the goods in this quadrant are conventionally called dogs.

Quadrant 4 shows the high growth rate of the commodity market and the low relative market share. There are opportunities for the development of goods in this group as the market expands. But if left unmanaged, they can be left astray and lose the right path. This requires a market share and a reinvestment strategy.

Research methodology

In order to properly use the BCG matrix in the development of product strategy in the practice of manufacturing enterprises, it is necessary to accurately assess the growth rate of the market and the relative market share of the enterprise. We recommend that you use no more than one report from the following year to assess market growth. The research uses grouping, structural analysis, and BCG analysis.

Analysis and results

A logical analysis of the BCG matrix leads to such a conclusion. Its application determines the current state of production of the enterprise. Based on this situation, a brand strategy is developed. A sound balance of financial support for the developed strategy will be created. As a result, the company's current product range is evaluated. In the future, the necessary assistance will be developed for the company's product range, and an assortment program will be formed.

It can be concluded that, in some specific cases, debilitated dogs are subjected to a BCG harvesting strategy, a reduction strategy, or a complete termination strategy, depending on which option is more beneficial.

In order to use the BCG matrix to expand the range of goods of JSC “Jomboy Don Mahsulotlari”, we need to determine the growth rate of the range of goods and the relative market share of the company.

Table 1
Information on sales of JSC “Jomboy Don Mahsulotlari” and a competing company (as of 2019)³

№	Product name	Sales volume (thousand soums)	Competitive enterprise sales volume (thousand soums)	Percentage of sales
1.	Flour products	58070	51005	81,22%
2.	Mixed feed	34650	35600	16,62%
3.	Bread and pasta	1710	1790	1,83%
4.	Seeds	8900	8810	0,33%
5.	Bioproducts and broilers	2070	1950	100%
	Total	105400	99155	

According to the table, at the end of 2019, JSC “Jomboy Don Mahsulotlari” sold products worth 105,400,000 soums, and a rival company sold products worth 99,155,000 soums. This shows that our company has a higher sales rate than its competitors.

Table 2
Information on the market share of JSC “Jomboy Don Mahsulotlari” and a competing company (as of 2019)⁴

№	Product types	Sales volume by years (thousand soums)		Market share %	
		2018	2019	“Jomboy don mahsulotlari” JSC	“Oqtosh don” JSC
1.	Flour products	57064801	61474354	34	19
2.	Mixed feed	16820241	15788090	21	28
3.	Bread and pasta	2731515	2731515	3	2
4.	Seeds	197654	156816	14	9
5.	Bioproducts and broilers	143748	152642	10	17

Using the BCG matrix, we raise the issue of defining and formulating the product strategy of JSC “Jomboy Don Mahsulotlari”. To do this, we determine in advance the rate of change of the market by product types and the relative market share based on tabular data.

To determine the growth rate of the network, the last 2019 sales volume is divided by the previous 2018 sales volume.

To determine the relative market share, the enterprise market share level is divided by the competitor market share level. The following table summarizes the findings of this study.

Table 3
Data for constructing the BCG matrix⁵

Service number Indicators	Flour products	Mixed feed	Bread and pasta	Seeds	Bio- products and broilers
Network growth rate	1,1	0,9	1,0	0,8	1,1
Relative market share of JSC “Jomboy Don Mahsulotlari”	1,8	0,8	1,5	1,6	0,6
The share of services in total	76,6	19,7	3,4	0,2	0,2

We place the BCG matrix in the coordinate plane. To do this, we place the relative market share of the hotel on the abscissa axis, and the growth rate of the network on the ordinate axis.

To build the BCG matrix of JSC “Jomboy Don Mahsulotlari” we determine the arithmetic mean of the growth rates of the industry and the relative market share:

$$T.\dot{y}.c = \frac{\sum_{i=1}^n B.\dot{y}.c}{n} = \frac{1,1 + 0,9 + 1,0 + 0,8 + 1,1}{5} = \frac{4,9}{5} = 0,98$$

$$B.H.y = \frac{\sum_{i=1}^n B.H.c}{n} = \frac{1,8 + 0,8 + 1,5 + 1,6 + 0,6}{5} = \frac{6,3}{5} = 1,2$$

To find the relative market share, we first determine the company's leading competitor in the sale of similar goods, and the leading competitor in the total market capacity for the sale of this product and the share of JSC “Jomboy Don Mahsulotlari” in the total market capacity are determined and placed in the table. The company uses the fact that it considers itself one of the leading competitors in the existing regional markets (JSC “Oqtosh Don”) to find a relative market share. That is, it compares its performance with that of a market leader and evaluates its position.

We place the BCG matrix in the coordinate plane. To do this, we place the relative market share of the enterprise on the abscissa axis and the growth rate of goods on the ordinate axis.

To build the BCG matrix of JSC “Jomboy Don Mahsulotlari” we determine the arithmetic mean of the growth rates of the industry and the relative market share:

Putting the calculated values on the axes of network growth rate and relative market share, we divide by 4 quadrants of the coordinate plane and form a BCG matrix. The data in the table above are the coordinates of the “Growth Rate of Goods” and “Relative Market Share”, and the diameter of the circle containing the points corresponding to these coordinates indicates the share of that commodity in total sales.

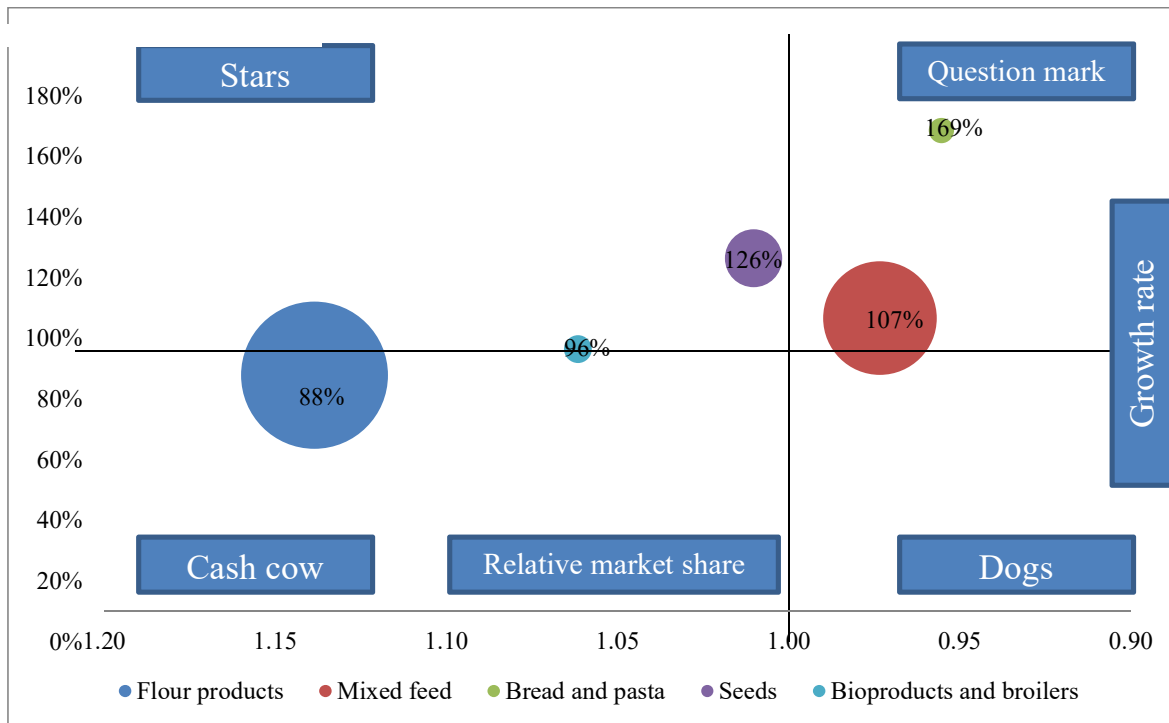


Figure 2. BCG matrix for products of JSC “Jomboy don Mahsulotlari”⁶

The benefits of flour and non-pasta products are very important in this BCG matrix. In the BCG matrix, these goods are “Cash cow” and “Stars”. They are a group of relatively mature, stable and leading industries in a shrinking industry.

If the production of a commodity is in a stable state and has gone through a period of major movements, of course, the profit from sales will also be more than necessary to maintain its market share, and to develop and maintain other commodity groups or individual commodities.

Under such conditions, the company seeks to maximize profits, and the means to achieve this are usually the provision of distribution channels, price reductions, incentives for repurchases.

Dogs are a very small share of a commodity or group of goods in a shrinking market. “Dogs” often refer to goods that are not recognized by consumers, or goods that lag far behind those of competitors, or goods that are more costly and less likely to grow. Options for strategic decisions: lower prices and reduced production, profit through simplification, exit from the market.

The choice of pre-existing strategies (active) or passive depends largely on the market position of the enterprise (Table 4).

By reviewing the current range of products produced by the company, we can determine which marketing strategies will be used in the future.

Table 4
Marketing strategies based on the analysis of the BCG matrix of the range of goods of JSC "Jomboy Don Mahsulotlari"⁷

№	Territories occupied by goods	Goods	Recommended marketing strategies
1	Cash cows and stars	Flour products, Seeds and Bread and pasta	"Protection of the market", "Blocking the market", "Save space"
2	Question mark	Mixed feed, Bioproducts and broilers	"Kiss" "Go on course" "Capture"

Conclusion

Using the information in the table above, it can be said that the company needs to consider and change the product range policy separately. As a result of these changes, the company will have to remove low-profit products from the range or produce new modifications of those products.

In conclusion, it is necessary to study the composition of the product range of any manufacturing enterprise, to produce more goods with high profits and high sales. It is advisable to remove low-profit and low-share products from the range or increase sales through the production of updated modifications.

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