DIRECTIONS FOR THE FORMATION AND ASSESSMENT OF THE EFFECTIVENESS OF THE IMPLEMENTATION OF THE NETWORK MARKETING MODEL IN THE FIELD OF ENTREPRENEURSHIP

Kasimova Fatima Tulkunovna

Abstract

In this paper investigated directions for the formation and assessment of the effectiveness of the implementation of the network marketing model in the field of entrepreneurship. By author was analyzed the current trends in the development of entrepreneurship and establishes its relationship with increasing the competitiveness of the national economy, reveals the economic prerequisites and factors affecting the effectiveness of the organization of marketing activities of entrepreneurship, substantiates methodological approaches to the organization of marketing research in small businesses.

Key words: *network marketing, small business, market, marketing activities and competition, effectiveness.*

Introduction

Any business is ultimately created for profit. At the same time, the existence of a business is not limited only to this goal, and its effectiveness cannot be described using solely financial indicators. Accounting statements and execution budgets are tools that demonstrate the current state of the enterprise, but they cannot show the reasons for the current situation and explain what efforts can change this situation.

Analysis and results

In order to correctly determine the target business indicators, the leader must not only take into account the results that the company had in the past, but also set new benchmarks. To do this, he must answer a number of questions:

• What is the target market for the company, what is its potential and market trends, what needs of the consumer are not adequately met by the products and services offered to him today,

• What financial results the business needs to achieve in order to meet the expectations of creditors and shareholders,

• How processes should be redesigned for optimal customer service,

• What knowledge and technology is needed to ensure the effectiveness of key business processes and customer requests?

Answers to these questions will allow you to create a holistic picture of the desired state, formulate strategic goals.

The success and effectiveness of a company is determined by how quickly and with what resources the company achieves its strategic goals. The target management system (or the target management system) offers effective mechanisms for the implementation of goals, formalized using a balanced scorecard. The construction of a target management system can be schematically represented in the form of three main stages.[1]

To build a target management system, a company must go through the stage of realizing and formalizing its own goals (strategy development). The next step is the formation of the goals of departments and employees in accordance with the goals of the company, the development of performance standards, the formation of tasks and initiatives, the identification of competencies necessary to achieve the goals. The final stage of building a target management system is the solution of issues of motivation and incentives for personnel with reference to the developed goals.
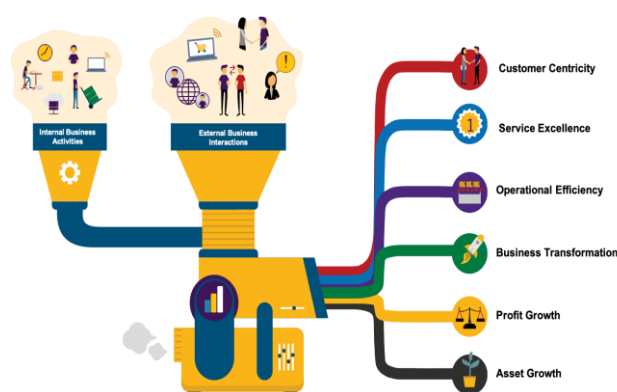
Fig.1.The strategy journey how to design a Target Operating Model
https://strategyjourney.com/target-operating-model-that-delivers/

The idea of management by objective was proposed by Peter Drucker in the 50s of the twentieth century. During this period, it became obvious that the existing approaches to management require improvement. Over time, his ideas were reflected in other management concepts. Today, enterprises can see the practical implementation of some of them: MBO (Management By Objective), business performance management - BPM (Business Performance Management), management based on key performance indicators - KPI (Key Performance Indicators). [2]

However, the most widespread concept was the BSC (Balanced Scorecard - Balanced Scorecard, in the Russian version - BSC), proposed in 1990 by Professors of the Harvard School of Economics David Norton and Robert Kaplan. Most Fortune 500 companies have now implemented and are using Balanced Scorecard to implement their own strategies.

The basic principle of the BSC is that only what can be measured can be controlled. In other words, goals can be achieved only if there are numerical indicators that measure the degree of achievement of these goals. "Numbers are the alpha and omega for business." The absence of a measurement system for a process (or object) implies a lack of control over it. [2]

The BSC is a concept that describes a mechanism for identifying and agreeing strategic goals at the top level, decomposing them to the level of departments and employees to ensure control over their implementation. In other words, the MTP is a projection of the strategy on the current (operational) activities of the organization, a tool that provides a relationship between strategic initiatives and daily tasks and operational indicators. Due to this, the efforts of departments and individual employees are coordinated in the direction of achieving the company's goals.
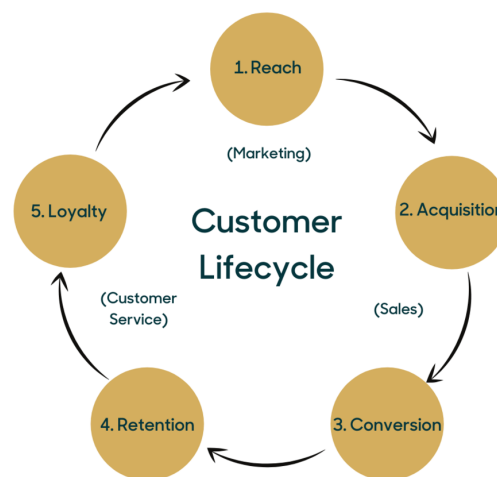

Fig.2. What is CRM process? 5 steps + main components

Identifying the factors most significant for success, the ability to highlight in the "information noise" those indicators that most accurately reflect the achievement of goals and the implementation of the strategy of a specific organization is a creative process that cannot be formalized and described by a set of algorithms. Nevertheless, the completeness and accuracy in determining the metrics will create a qualitative picture describing the state of the company, its potential, and identify the factors that limit development opportunities.

BSC is one of the options for building a system for planning, monitoring and measuring efficiency. The advantage of the BSC is that the companies that have implemented it receive a "frame of reference" for the actions of employees in accordance with strategic goals at all levels of management. From this position, the BSC is not so much a strategic management tool as an operational one. Using this tool, the manager ensures regular monitoring of the activities of all departments, business processes and employees.

There are other options for building a planning and control system, however, the BSC, without exaggeration, is one of the most systemic and effective practical tools that can benefit enterprises of any industry specialization and business scale.

For effective monitoring and management, it is necessary to choose such goals and indicators, the frequency of measurements of which corresponds, on the one hand, to the rate of changes occurring, and, on the other hand, to the level in the company hierarchy of the employee responsible for this goal (indicator). It is important to remember that the higher the position in the hierarchy of an employee, the more it is necessary to choose a period for assessing the effectiveness of his activities. For example, at the top level it is justified to use a financial ROI calculated for a quarter or a year, and at the lower level it is advisable to use "sales volume and marginality" as financial indicators, which can be measured daily. This is due to the fact that at the upper level of the BSC, the indicators of the entire business are

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Kasimova Fatima Tulkunovna
Ph.D, Associate Professor at Tashkent Chemical - Technological Institute, Tashkent City,
Republic of Uzbekistan

measured, where the dynamics of the ongoing processes is lower than at the lower levels. [2]

In other words, measuring the degree of achievement of goals at the top level (top management) is advisable no more than once a quarter or half a year, at the middle level (heads of departments), the frequency of tracking changes can occur at intervals of a month or quarter. At the lowest level of the hierarchy (ordinary employees and specialists), indicators can be selected, which will be measured monthly, weekly or even daily.

Some consultants point out that the company should have at least two independent scorecards: for strategic control and operational. However, this is impractical for a number of reasons: first, it will take twice as many resources to develop and maintain two scorecards. Second, in order to achieve strategic goals, it may be necessary to change the principles of measuring operational performance. This requires constant alignment of the two scorecards so that operational efficiency does not run counter to the implementation of strategic goals. Thirdly, in order to stimulate the staff, it is correct to use one system of coordinates and indicators, otherwise the disorientation of employees may occur and the positive effect of the implementation of the BSC will be lost.

Consider the technique of describing goals: the SMART method.

For the formulation of goals and the selection of target indicators, the SMART method is used (translated from English - smart). The abbreviation stands for the first letters of the characteristics that the goals and objectives must correspond to:
• Specific - Specificity, specificity
• Measurable - Measurable
• Acheivable - Achievability
• Relevant - Relevant to the context
• Time-related - Limited by

S - specific, significant, stretching - specific, significant. The goal should be clear and unambiguous. The goal should be clearly and concretely defined and formulated, and the result that needs to be obtained is clear to everyone involved in its achievement.

M - measurable, meaningful, motivational - measurable, meaningful, motivating. The goal must be measurable, in which case the result can be calculated. Measurability implies the presence of criteria (gauges) that allow you to determine whether a goal has been achieved or not. A goal that does not have a criterion of measurability cannot be achieved. The success of achieving the goal is determined precisely by comparing the planned and actual results.

A - Acheivable, attainable, agreedupon, achievable, acceptable, action - oriented - achievable, consistent, action-oriented. It is necessary to adequately assess the situation and understand that the goal is achievable in terms of external and internal resources at the disposal of the organization, department, employee. The reachability characteristic

delineates the objective upper bounds of the goal. When setting a goal, the leader must understand how to achieve this goal and what resources and knowledge will be required for this. Of course, good goals require some effort from people to achieve them, but the effort must be acceptable, otherwise such goals will only demotivate.

R - realistic, relevant, reasonable, rewarding, results - oriented - realistic, relevant, useful and results oriented. The goal should be in the area of responsibility of the employee, he should have the authority, ability and resources to achieve it. The goal should be realistic and appropriate in this context, be an element of the overall scheme for the implementation of the vision and mission of the organization, this makes it more attractive to all participants. [3]

T - time - based, timely, tangible, trackable - for a certain period, timely, trackable. Limited time. The term for achieving the goal is one of the main components of the goal; it is determined either by a date or covering a period. Limited time implies that if this condition is not met (the goal is achieved later or ahead of schedule), its meaning may be lost. [4]

All existing management tools (formalization and optimization of business processes, budget management, quality management system, etc.) are aimed at increasing business efficiency. In other words, they are used to achieve business goals at the lowest cost and in the shortest possible time. Applying any technology, the leader must understand what goals he wants to achieve with its help. Targeted management allows you to link all management tools into a single system.

Target management is easily integrated with management tools such as:
• the budget management system is used to determine and analyze financial indicators,
• customer relationship management (CRM) defines metrics for a "customer" perspective,
• the quality management system, production planning and operational accounting tools allow obtaining indicators for the perspective of internal processes, etc.

These tools greatly simplify the collection of actual indicators for analyzing the performance of employees, departments and business processes, since they are closely related to target management. To determine the correct planned values for indicators, it is necessary to collect a certain amount of statistical information for previous periods. The EPR system should become the foundation that supports all the listed tools.

There is a misconception that the use of target management and BSC is justified only for large enterprises. The reason for this is the complexity of the system, the high cost of its development, implementation and maintenance. However, if you look closely at the work of the head of a small and medium-sized business, it turns out that he plans activities and makes management decisions, also relying on various indicators (sometimes

unconsciously), data on which he receives from various sources:

• accounting systems (size of stocks in warehouses, liquidity level, number of orders, etc.),

• interaction with customers and analysis of current activities (satisfaction with products and services, speed of order execution, etc.).

However, with this approach, data collection occurs situationally, irregularly, some decisions are made not on the basis of facts, but intuitively, a lot of time is spent on analyzing the situation and controlling. Such control can be called "manual", unbalanced. This is similar to how the driver of a car takes turns driving each wheel. As the business grows, this practice will lead to an overload of the manager, and as a result will affect the efficiency of the business and limit the possibilities for its development. [3]

The greatest costs when using target management systems (BSC including) in small and medium-sized businesses consist of the work of regularly collecting and storing such indicators. The use of an automated tool makes the use of BSC and target management available to any enterprise, including small ones.

It can be assumed that the decrease in the company's profitability is not a direct indicator of the effectiveness of marketing activities due to the significant costs of activating the direct distribution network. In this regard, we will formulate criteria for evaluating the effectiveness of marketing and develop a concept of management by goals for small enterprises of the Republic of Uzbekistan. The above developments are concentrated on Mavis LLC due to the possibility of approbation, however, the model includes flexible elements, which will allow them to be used at other small enterprises of the Republic of Uzbekistan, regardless of the field of activity.

Note that this list is extremely flexible. In addition, it can be used to derive an integral indicator of marketing effectiveness. To do this, it is enough to determine the planned and actual performance indicators and rank their value, if necessary, by determining the weight coefficient for each individual indicator. The value of each indicator is determined from 1 to 0, where 1 is effective marketing, and 0 is the complete lack of economic efficiency of marketing activities.

Thus, the planned indicator of the marketing efficiency of the small enterprise Mavis LLC is 10.9 points, and the actual indicator is 10.2. Thus, there is a reserve for increasing the effectiveness of marketing (93.6%).

To unify the assessment, we introduce the permissible levels of negative deviation of the actual indicators from the planned ones:

0-15% is an acceptable value, indicating insignificant unused reserves of marketing by SE;

16-30% - a value that shows the need for a partial transformation of MT marketing due to the insufficient level of its effectiveness;

31-50% is a critically acceptable level that requires urgent action;

51% or more is an unacceptable level that threatens bankruptcy.

So, within the framework of this work, the concept of marketing MP marketing by goals has been implemented. The introduction of targeted management for small businesses in the conditions of the Republic of Uzbekistan will contribute to the achievement of the following results:

1. Management efficiency increases, and costs for it are reduced. The participation of top management in operational management is significantly reduced. For the owner, it becomes possible to transfer the authority to manage the company to a hired manager without losing control.

2. There is a significant improvement in key business indicators (sales, profit, customer satisfaction, production, quality) while maintaining the size of the wage fund.

3. Growth of efficiency of business processes and dynamics of development of small businesses. This happens due to regular control and a system of personnel bonuses, tied to the performance indicators of business processes.

4. The speed of communicating tasks to employees is growing, and performance discipline is significantly improved. Management actions become more understandable and predictable for the team. Real material and psychological incentives for self-improvement and development are created for the personnel.

5. Employees become more proactive and independent in solving everyday tasks. The operational workload of the manager is reduced, there is more time for planning and forecasting.

6. The system of balanced target indicators allows the head to control the work of the organization in real time, to timely make adjustments to the course of work. When there is a signal that the target is in the critical zone, the manager can take proactive actions to prevent losses.

7. Planning is improving. The organization becomes proactive by focusing on the leadership's actions to exploit market opportunities rather than solving problems.

The basis for sustainable development of the country's economy is the development of small business, which is characterized by high mobility, dynamism, flexibility, creates additional jobs, weakens monopoly and promotes the development of innovative processes. As an irreplaceable and independent element of the market economy of the Republic of Uzbekistan, small business contributes to the structural restructuring of the economy, filling the budget, smoothing out social conflicts.

An important role in the development of small business in the world is played by network marketing companies, whose business model allows not only to ensure the sale of products, but also to realize the possibility of independent entrepreneurship with little initial investment.

However, this model is not applicable for the Republic of Uzbekistan due to the reluctance of small businesses to integrate their developments (goods and services) into big business and, at the same time, already having superiority in the market.

However, a developed, integrated state of the XXI century cannot but use the advanced world experience in this matter, because it was the last years that were marked by the extremely rapid development of network marketing companies in the world. According to the World Federation of Direct Selling Associations, the network industry today exists in 125 countries around the world. The total turnover of the industry in the world in 2017 was $ 240 billion. At the same time, it should be noted a steady upward trend: from 1998 to 2017, the growth in sales by the network marketing method amounted to 225%. The indicated volumes were provided in 2017 by 102.7 million distributors worldwide.

The place of RUz in world volumes is insignificant and accounts for only 0.035% of the total world turnover. However, there are positive growth trends both in monetary and physical terms. Thus, in the first half of 2017, a 37% increase in turnover by network marketing method was recorded in monetary terms and by 7.7% in physical terms compared to the same period in 2016. This growth is due to the growth in the number of distributors, as entrepreneurs are looking for alternative sources of income and leverage the power of network marketing.

Note that for small businesses, the formation of a distribution network both in terms of goods and services is a completely unexplored area. In addition to the lack of a unified regulatory framework for the organization of legal relations (which is beyond the scope of this study), there is a lack of understanding of economic mechanisms. The company "Mavis" is not in this issue either: as the evaluation of the marketing of this small enterprise has shown, there is a significant problem in the quantity and quality of distribution. And this is at a time when the company has already opened its brand stores across the country.

Compared to sales representatives who represent a specific company, distributors act at their own risk. Taking into account that direct selling companies undertake obligations to buy from the distributor, under certain conditions, the balances of unsold products, it can be concluded that a credit relationship has arisen between the distributor and the company, and this relationship is an interest-free loan in which the distributor acts as the creditor. and the borrower is the company. This indicates the presence of opportunity costs on the part of the distributor, the amount of which is at least equal to the amount that he would have received by investing these funds in the bank for the period from the purchase to the purchase of the product by the company.

The next problem is the inconsistency of the model of building a subordinate network through the practical inconsistency of the pyramidal scheme, which is its basis. This groundlessness lies in the existence of a growth boundary for the base of redistributed income, which is not taken into account in the classical pyramid. As a rule, MLM structures operate in cities, the market size of which is a finite value, depending on many factors. Residents of these cities become distributors, that is, they are limited in their mobility within the framework of their locality. Attracting more and more distributors naturally leads to market saturation and intensified competition both between companies and between individual distributors of one company, which results in a decrease in specific income. At the same time, it is the distributors who are the loser here, since income decreases in proportion to the increase in their number, since it is they who are forced to reduce prices, make more efforts, while companies do not lose anything - the decrease in the number of products purchased by each distributor is compensated by the outstripping growth in the number of new distributors the prospects for new income and opportunities. These new entrepreneurs, as a rule, first develop an active activity, purchasing goods and educational materials, trying to build their network, attending various paid events, which brings the company the desired income and ensures the subsequent sale of products.

So, it is vitally important for modern distributors to maintain a marketing mix focused on maintaining a high MLM reputation.

Another problem of network marketing is the dissonance of the officially declared prospects for the development of the direct selling industry with real prospects. It has been argued that virtually all products can be sold through direct selling and network marketing, while other forms of retailing should fade into the background. The main component of network marketing - direct selling - does not correspond to the current trends in retail trade focused on telecommunications and Internet technologies. Moreover, the MLM structure does not take into account such a basic principle as focusing on the economic efficiency of trade for the consumer, that is, providing maximum utility at an optimal price. Also, according to network marketing apologists, direct selling already occupies one of the leading positions in the retail system. However, as can be seen from the statistical data even for the company Mavis LLC (Table 2), the share of goods sold by MLM structures in the total volume of retail trade does not exceed 20%. Retail growth as a whole has outpaced that of the direct selling industry since 2015. This indicates market saturation and the transition of the direct selling industry to an aging stage, which is in line with global trends. For the past twenty years, direct selling has been one of the fastest growing methods of trading and distributing goods. However, this growth has slowed down significantly recently. The analysis made it possible to reveal the extensive nature of this growth, a decrease in the marginal efficiency of attracted distributors. The main problems and obstacles to the further development of the network marketing industry were also identified,

among which saturation should be emphasized. With the development of the retail network, specialized stores appeared, in which the role of consultants was assigned to specially trained sellers, designed to help the buyer in choosing a product. This method was actively implemented in 2017 in the work of Mavis LLC, however, the lack of distributors in terms of planned indicators has not yet been eliminated.

Table 1. The ratio of direct and MLM sales for 2012-2017 at Mavis LLC

Year	Direct sales in SSU	Direct sales in%	MLM in SSU	MLM in %
2012	32	61,5	20	38,5
2013	29	56,9	22	43,1
2014	32	57,1	24	42,9
2015	30	54,5	25	45,5
2016	26	51,0	25	49,0
2017	19	39,6	29	60,4

Network marketing for small businesses in Uzbekistan cannot successfully exist without a precise strategy. The network marketing strategy is that the company offers to become a distributor and distribute the products it produces, and then use new consumers as distributors, who, in turn, will disseminate information about the product. The company offers marketing tools, resources and guidelines for distributors to operate effectively. Therefore, we believe that this method of direct sales is an alternative to the linear method of selling products, but its use is possible only if all the features of marketing are taken into account.

So, let's highlight the features of marketing of small businesses in the competitive conditions of the Republic of Uzbekistan and determine the possibilities of using the potential of network marketing. The analysis of statistical and analytical information carried out earlier made it possible to identify the main problems of the activities of small enterprises in the competitive conditions of the Republic of Uzbekistan. In fact, the essential features and characteristics of small businesses in RUz form this list, which is based on the competition between companies, prices for goods and services, the lack of large funds for promotion and the problem of building a distribution network. The latter problem is specific to the Republic of Uzbekistan and means that SEs most often sell their goods and services independently and, with rare exceptions, are able to build a wide network of distributors.
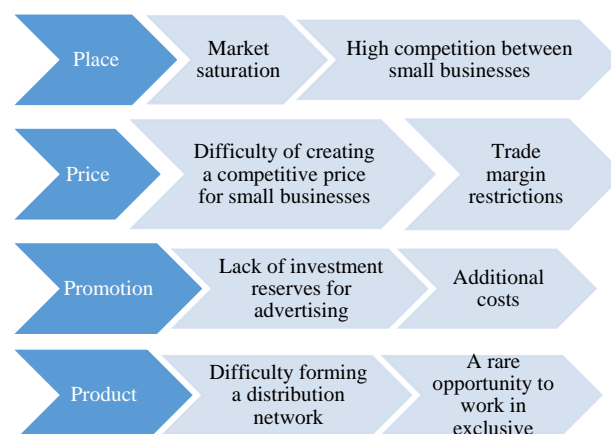

Fig.3. Features of marketing of small businesses in the competitive environment of the Republic of Uzbekistan

To solve this problem, it is proposed to use material incentives in the process of interacting with small businesses and stimulating sales from network marketing. In world trade, on average, almost 20% of total sales are used annually to pay distributors. It should be noted that this indicator is growing annually, in contrast to the Republic of Uzbekistan, where priority is given to the opening of its own brand store, the second point for the sale of services, etc.

Therefore, within the framework of this study, it is proposed to form a clear mechanism for identifying the possibility of attracting resources from already existing intermediaries, taking into account the benefits in comparison with traditional retail. The development will be based on the ABC method, which will be used for the first time in network marketing. Borrowing the basics from logistics and product promotion, the method is based on the principle of dividing into 3 groups. The first group includes priority distributors who can form a high level of sales of goods and services and, accordingly, can be stimulated by additional margin, provided they work exclusively (without the presence of competitors on certain conditions - in a store, on a shelf, etc.). The second group includes points of sale, including our own, which form a sufficient volume of sales and do not need additional margin from the economic point of view of the small business. The third group includes points that are important for the formation of the distribution network, but which do not bring a sufficient level of implementation, but are important for occupying a certain territory, positions for the future with the possibility of partial stimulation through margin. The conditional distribution of the described groups is presented in Fig. 3.

Thus, small businesses need a Standard for categorization of retail outlets, which is implemented by the example of Mavis LLC. Let us indicate that for a small enterprise in the competitive conditions of the Republic of Uzbekistan, the undoubted priority is to work in an exclusive manner with the complete absence of competitors at the point / at the distributor. This is the only way to achieve an optimal assortment,

a tedious level of sales, the use of commercial equipment, etc.

Conclusions

We would also like to pay special attention to working with national key clients (the so-called NKA). The purpose of this is to achieve leadership in distribution, placement on display and promotion of products and services of small businesses in rapidly developing large retail chains of modern trade formats - supermarkets, hypermarkets, discounts, cash & carry, because their sales can reach more than half of the annual turnover. In the highly competitive market of RUz, NKA are the trading channel with the greatest potential for profit growth for small businesses: in countries with developed markets, the share of NKA in total retail sales is from 50 to 90% (in France, Germany and England, only 3 largest CAs account for more than 40% of all retail sales in the country, in the Nordic countries and Switzerland, a similar figure exceeds 80%).

At the same time, NKA are the most independent and difficult to manage clients because:

- the share of small businesses in the NKA business is often no more than 0.5%;

- The technologies used by international networks to impose their conditions on suppliers have been developed and refined over decades;

- unlike a distributor, one NKA cannot be replaced by another without losing customers (buyers);

- Compared to other distribution channels, NKA has the highest competition among suppliers for shelf space.

In general, one can note the focus of the business in terms of sales on the development of MT and an increase in its share in total sales, as well as a smooth transition to two main distribution channels with the inclusion of the NKA channel will contribute to standardization in the context of the formation of a network marketing system for small enterprises in the Republic of Uzbekistan in the existing competitive environment. Further development and implementation of the network marketing model in the activities of small businesses will contribute to a wider involvement in interaction with companies and the development of small businesses on this basis.

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