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DEVELOPMENT OF NETWORK MARKETING IN UZBEKISTAN

Abstract: Today, almost all companies engaged in direct sales work on the principle of network marketing, i.e. distributors are both sellers of products and sponsors of new distributors. Consumers of products simultaneously become its distributors. Each network marketing company offers its own marketing plan, i.e. the conditions for the distributor to receive commissions and bonuses. The organizational form of network marketing is a little-studied phenomenon, and the boundaries of such an organization are constantly in motion.

The article discusses the development of network marketing.

Key words: network marketing, advertising companies, distributor, additional income, social networks, profitability.

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Introduction

Management in a network marketing organization is unacceptable from the point of view of a manager of a traditional corporation. There is virtually no direct control, there are catastrophically few managers for a large number of people, there are almost no formal rules of business. Unlike "traditional", "ordinary" companies, network marketing companies do not have formal barriers to entry for new employees. All these issues of control, managing the actions of distributors, recruiting new ones are solved with the help of social networks, through the formation of a special kind of intra-organizational relationships.

Network marketing brings an entrepreneur to completely new circles of communication and avoids the fate of the overwhelming number of businessmen: constant stress, the development of neuroses and it will allow businessmen to build an optimal work schedule. The organizational form of network marketing is a little-studied phenomenon, and the boundaries of such an organization are constantly in motion. The meaning of the organization of network

marketing is in a fairly stable system of sales and distribution of goods through distribution networks. In addition, network marketing takes care of the constant influx of new distributors from among buyers, i.e. in updating the distribution channels of the goods.

Advertising campaigns in many network marketing organizations are not carried out, because its ideology is such that the distributor himself, who is necessarily its consumer, advertises the product by his own example and story. The ideal model of network marketing involves "oral advertising" from satisfied consumers of products, telling their relatives, acquaintances, colleagues and, hypothetically, everyone they know about it. Those interested in the story purchase products for themselves through this registered consumer, and then register themselves to sell to their friends [1,2]. Advantages of network marketing: the best way to introduce products to the market; the opportunity to start a career with part-time employment; low initial costs, high income potential; control of your own time, effort and lifestyle; rapid career growth.

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The network marketing scheme brings additional income to distributors (additional relative to income from the difference between the purchase price of the product and the price at which it is sold), since they receive a percentage of the sales of distributors recruited by them from their "structure". The additional income of the company grows as the number of buyers of products increases and continues to grow until the market is saturated with the product. This principle of building an organization and marketing strategy is called network, since distributors build their distribution "network" from other distributors they recruit. A company in the network marketing industry is considered as a set of social networks used for economic purposes (selling products and recruiting new distributors, ultimately - to increase the profitability and competitiveness of the company); at the same time, each distributor can be considered a node of the network. The distribution network is the structural basis of the organization

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The network marketing system excludes the participation of numerous intermediaries, and entrepreneurs are in direct contact with customers. This principle of distribution of goods allows you to significantly reduce or even avoid some traditional costs, such as the cost of construction or rental of retail premises, advertising and sales promotion. Network marketing as a kind of product distribution systems has been used relatively recently, but it has already managed to prove itself and proved its viability and effectiveness. Further development of the network marketing system, in our opinion, is of great importance in modern socio-economic conditions of public life, since network marketing enables everyone, regardless of their education, age, financial situation, to start an individual entrepreneurial activity, that is, to receive an additional source of income without significant investment and time [9,10].

At the same time, a large number of people, under the influence of various factors, developed a negative, sometimes extremely hostile attitude to the concept of network marketing, which caused a slowdown in the growth rate of the number of participants in the network marketing system and sales volumes of network companies. Network marketing as a kind of product distribution systems has been used relatively recently, but it has already managed to prove itself and proved its viability and effectiveness. The further development of the network marketing system is of great importance in modern socio-economic conditions of public life, since network marketing enables everyone, regardless of their education, age, financial situation, to start an individual entrepreneurial activity, that is, to get an additional source of income without significant investment and time.

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- integrity and articulability;
- connections;
- organization;
- integrative qualities.

The process of organizing the interaction of elements of the network marketing system includes the organization and management of the following processes: the interaction of the network company and distributors, the interaction of the sponsor and his group, the interaction of the distributor and the consumer. The concept of network marketing involves the reduction of certain types of circulation costs inherent today in the wholesale and retail distribution system of consumer goods, such as the cost of construction or rental of premises for trading, remuneration of sales consultants, managers of trading enterprises, advertising and sales promotion costs. As a result, the level of margins in the distribution of goods through the network marketing system may be lower than the average level of margins in wholesale and retail trade, all other things being equal.

If earlier the absolute majority of consumer goods in the world (more than 90%) were sold through the wholesale and retail trade system, then the second place in the volume of sales of consumer goods is

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occupied by the network marketing system. There is a tendency to increase the share of sales of network companies in total sales, which may occur due to a decrease in the share of wholesale and retail trade. Other direct sales routes currently account for just over 2% of total sales and do not play a big role in the promotion of consumer goods from manufacturer to consumer.

Research has shown that the Network-21 system is of great importance for network marketing, where the volume of sales of goods in 2003 amounted to 11.6% of the total sales of all goods of more than 4,000 network companies. At the turn of the XX - XXI centuries, a number of world-famous manufacturers of consumer goods joined the Network-21 system, such as Philips, Sony, Panasonic, Microsoft, IBM, Tefal, Adidas, Canon, Pierre Cardin, Seiko, Levis, Coca-Cola, Kodak, Braun, Siemens, Bosch, etc. (there are more than 500 manufacturers in total). These manufacturers use the Network-21 system as an additional sales channel for their products. Since network marketing does not require significant capital investments, network marketing is preferable to any other type of business in terms of return on invested capital. Network marketing attracts many people with the possibility of obtaining very high incomes. About 5% of distributors of network companies receive incomes over \$100,000 per year [9.10].

The most successful participants earn more than \$1,000,000 per year. In the USA, about 1/3 of all millionaires have left network marketing. The concept of network marketing involves the constant development of a network company, that is, an increase in the number of distributors and sales volume. Any network company must constantly develop and cannot be in a static position. If the network marketing system cannot develop for some reason, then perhaps network marketing as a distribution system of goods will cease to exist. On the other hand, if we assume that the network marketing system is not a temporary phenomenon and will constantly evolve, then sooner or later it will reach a level corresponding to the maximum limits. As a result, it will be a system through which most consumer goods will be distributed.

This option is more likely, since the network marketing system today is a stable, stable system that has received wide recognition. This conclusion is also based on the assumption that the manufacturer will not be able to do without the services of intermediaries or sales partners.

The need to expand the network marketing system and create a unified consumer network based on it is due to the fact that:

- network marketing is a more efficient way of distributing consumer goods compared to the wholesale and retail trading system, as it has a significantly lower level of margins and allows

consumers to reduce their costs for the purchase of goods;

- network marketing provides more opportunities for organizing your own entrepreneurial business compared to wholesale and retail trade;

- violation of the terms of payment for the supply of goods between the wholesale and retail seller leads to overdue accounts receivable from the manufacturer.

Marketing management of a network business in retail involves the management of several structures whose activities are an element of this business in the context of a business model, i.e. a system of relationships within the network, in its external environment, in the industry and in the market. In this case, the managerial emphasis shifts to the analysis of the environment, the boundaries of which are expanded by including in the business model all potential exchange participants operating within a single business space. This provision necessitated the study of trends in the development of retail trade in the country, acting as a macro environment for the functioning of the network business. It was found that during the pandemic, the dynamics of sales volume acquired a negative orientation. The growth rate of sales of non-food products has slowed down, as the cost of consumer loans has increased significantly.

The pandemic has changed the macrostructure of retail trade turnover towards an increase in the share of food products, which indicates a reorientation of consumer behavior in the direction of reducing the cost of purchasing expensive goods and saving on food. Despite the reduction in the number of commissioned facilities, the retail trade has reduced the shortage of retail space. The anti-crisis policy pursued by retail operators has led to a reduction in costs due to the dismissal of staff and a corresponding increase in labor productivity by more than 27%. The factors that caused the increase in labor productivity were an increase in the degree of consolidation of retail trade, the development of modern trade formats, which are about three times more productive than traditional ones. Modern network marketing in Uzbekistan is based on the creation by the organization of a network of sales agents distributing goods independently.

A network organization is a legal entity that carries out trade on the territory of Uzbekistan independently or through sales agents through network marketing [11.12]. According to the Resolution of the Cabinet of Ministers of Uzbekistan "Rules of retail trade in the Republic of Uzbekistan" dated 13.02.2003 No. 75. the role of a sales agent is an individual, i.e. an individual entrepreneur without the formation of a legal entity, directly selling goods through stationary outlets, as well as working with potential buyers by accepting orders at home, in institutions, organizations, enterprises, transport or on

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the street, whose income depends only on sales volume.

The monthly tax for trade in non-food products for individual entrepreneurs of Tashkent is 10 minimum wages (MRZP), for Nukus and regions – 6.5 MRZP and 3 MRZP - for other settlements. This is not counting additional deductions for wholesale

and retail trade, the purchase of a cash register, etc. In most cases, sales agents are ordinary people, and few of them even know that in order to engage in such activities, it is legally necessary to register as an individual entrepreneur. For them, network marketing is a combination or a small income.

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