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Development Of Retail Trade in Uzbekistan

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Annotation. The article provides a statistical analysis of the dynamics of retail trade in Uzbekistan. The Global Retail Trade Development Index identifies key strategic directions for the countries with the highest ratings. A SWOT analysis of retail trade and its situation in Uzbekistan was conducted. Recommendations for the use of Omnichannel, ROPO, and SHOP-IN-SHOP in the development of retail trade.

Keywords: trade, retail trade, competitiveness, retail sales, trade enterprises, SWOT analysis, Omnichannel, ROPO, SHOP-IN-SHOP, retail innovation, offline sales, online sales.

Introduction

Retail trade meets the demand of the population in the country for consumer goods. Ensures macroeconomic development of the country. It shapes the well-being of the population and raises its spiritual level. Retail trade is also one of the most socially important industries.

Address by the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis "Identify types of customer products, private trading companies engage in finding and selling them the market, for this, it is necessary to develop a set of bills regulating trade activities", This applies to the local market as well as foreign trade[1]. The tasks set by the President mean the need for wider use of retail innovation.

The culture of trade is also part of the universal culture, in the process of advertising, selling, and serving goods, the formation of a culture of consumer food, clothing, use of household goods, furnishing homes with furniture and other goods, and contributes greatly to the development. It is known from scientific and historical sources that the economy and culture of the peoples of Central Asia have developed in ancient times on the basis of close ties with the countries of the East and the West.

The economic and social significance of the Great Silk Road in the development of production, trade, science and culture in Central Asia. Trade caravans from "Movarounnahr" high-quality satin, silk, cotton and wool fabrics, glass, bronze, household and art objects made of gold and silver, swords and embroidered sword handles, tents, sadaqs, arrows, wallets, leather covers for books, handicrafts, wheat, barley, rice, raisins, handicraft equipment and tools and paper.

Wealthy merchants formed caravans. The large caravans included about 3,000 camels and horses, and about 5,000 merchants, artisans, Muslim clerics, ambassadors, and others. The economic and cultural condition of the population of towns and villages on the caravan routes was enhanced by increased production of handicrafts and agricultural products, as well as income from trade[1].

During the years of independence of Uzbekistan, advanced scientific and technical achievements have been introduced to trade enterprises and raised to a modern level. However, the privatization of all trade facilities and the change in their activities have reduced the activity of the distribution network. Also, the development of information and telecommunications systems has led to increased competition in trade. As a result, it has exacerbated the problem of distribution and sale of goods. Reforms in the retail sector in recent years have led to the formation of a unique retail sector in the country.

The peculiarity of retail trade is that many trade enterprises operating in the country do not have specific management mechanisms, which do not allow them to operate in an effective competitive environment in the market. Therefore, in the context of digitalization of the economy and innovative development, retail enterprises are important to develop and implement effective strategic directions for innovative development. This article focuses on the development of proposals for the development of the retail sector in Uzbekistan.

Today, in the development of retail trade in the world, such issues as the development of Internet commerce, reducing consumer spending, turning customers into direct customers using direct marketing

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[1] http://uza.uz/oz/politics/zbekiston-respublikasi-prezidenti-shavkat-mirziyeevning-oliy-25-01-2020

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opportunities, the application of modern merchandising practices in retail enterprises are becoming a priority. Such directions are also developing in Uzbekistan. The article offers suggestions on how to use innovations in retail.

Literature review

Trade is an important socio-economic process that ensures the development of the country's economy, the adaptation of production and services to changes in world markets (demand, supply and price), the prevention of financial crises, the full satisfaction of the population's demand for goods and services.

The provision of highly cultured trade services to the population is achieved through the organization of retail sales and additional services in modern stores with a wide range of food and non-food products on the basis of advanced technology. These processes are reflected in the work of many scientists. The scientific and theoretical aspects of the development of trade and its socio-economic efficiency are the research area of many foreign scholars. In this regard, Hirschman E.C.[2], Hjorth A.[3], Robert A., Carter R.R. [4], Kamakura W.A., Basuroy S.J.[5] scientific works have become classics.

The main development trends in the field of retail trade are mainly related to the development of innovations in this area. Trends related to changes in consumer behavior are central to scientific research. Countries around the world are showing consumers change in several areas, namely low prices, short-term delivery, the introduction of digital technologies, and so on[2].

Albrecht K. [6] conducted research on the use of modern management technologies in ensuring the sustainable development of retail enterprises. Methodological bases of interaction-based marketing activity management in retail based on research Saul Dj[7].

Models of continuous improvement of retail sales processes studied in U.E. Deming . Valigurskiy D.I., Avdokushina M.N., Aleksunin V.A., Arustamov E.A.[8] and etc the main features of retail trade, its development, the methodological basis for the implementation of innovations in enterprises, the main focus is on the scientific and practical aspects of specific areas of global development of retail trade.

V.M. Timiryanova studied the effective management of the competitiveness of retail enterprises on the basis of human resources and factors aimed at stimulating the achievement of positive results.[9]

Research aimed at shaping modern consumer-oriented management models of retail trade was conducted by scientists such as A. Koxli[10] , P. Fader[11] , V. Kumar[12] and B. Conducted[13], Skiper[14].

Methodology

Retail trade has been a pertinent and relevant part of the world's economic activity. The Global Retail Development Index is used to determine the development trends of retail trade in the world[15]. Based on the Global Retail Trade Development Index, this sector is used to identify the most developed countries and identify their main strategic directions and opportunities to use the experience.

The analysis of the sectoral activities of the process of the retail trade system of foreign countries is used to explain the directions of its effective organization, interpretive and positivist approaches are used to identify opportunities for the use of experience in the effective organization of retail trade.

In the study and evaluation of the main directions of advanced countries in the development of retail trade, the selected criteria of the Global Retail Development Index are taken as a basis.

In positivist research, surveys are used to selectively collect primary and secondary data and analyze them statistically and generalize the results to the population. For the positivist direction, a SWOT analysis is conducted based on the assessment of statistical indicators of trends in the development of retail trade in Uzbekistan.

Analysis and results

As commercial markets mature, retailing faces intense competition, margin pressure, and consumer service expectations, making emerging markets all the more attractive to global retailers[3]. Countries are

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[2] Final Report from the Expert Group on Retail Sector Innovation.
http://ec.europa.eu/research/innovationunion/pdf/Report_from_EG_on_Retail_Sector_Innovation_A4_FINAL_2.pdf
[3] https://www.kearney.com/global-retail-development-index

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selected from 200 nations based on five criteria: country risk, population size, retail area, retail sales, and wealth. The index is calculated as a weighted average of four sub-indices: country risk, market attractiveness, market saturation, and time pressure. The 35 emerging countries ranked are based on a set of 26 factors[16].

According to the data Kearney 2019 Global Retail Development Index[4] retail trade is one of the fastest growing service industries in various countries around the world. The study found that a 21 percent increase in population in developing countries would increase retail sales by 350 percent, and today account for 50 percent of world trade. While maintaining its leadership in the Global Retail Development Index in 2019, China has shown that the sector has the fastest growing and most attractive investment sector. While maintaining its leadership in the Global Retail Development Index in 2019, China has shown that the sector has the fastest growing and most attractive investment sector. This index is based on indicators such as the attractiveness of the retail market, the risk of doing business in the country, market saturation (share of modern trade formats, foreign companies, etc.). (Table 1).

Table 1
Global Retail Development Index[5]

Figure
2021 Global Retail Development Index

2021 rank	Country	Population (million)	GDP PPP per capita (US$)	National retail sales (US$ billion)	Market attractiveness	Country risk	Market saturation	Time pressure	Final 2021 score	Rank vs. 2019
1	China	1,402	17,192	4,072	100.0	88.4	13.1	100.0	72.8	0
2	India	1,400	6,461	1,163	59.1	50.7	63.7	82.7	64.4	0
3	Malaysia	33	27,402	112	74.5	74.0	27.2	43.9	54.1	0
4	Indonesia	272	12,222	407	51.3	30.7	57.6	60.7	53.0	+1
5	Bangladesh	170	5,307	171	15.7	2.4	96.0	88.4	53.0	New
6	Morocco	36	7,620	46	31.5	92.6	66.5	51.8	52.2	+6
7	Egypt	101	12,790	200	34.3	20.5	71.5	73.8	52.0	+19
8	Ghana	31	5,693	24	13.5	70.2	96.5	52.7	51.9	−4
9	Vietnam	96	10,869	125	27.8	42.2	56.0	98.4	51.8	+2
10	Dominican Republic	11	18,608	25	44.5	70.2	62.2	39.7	51.4	+4
11	Serbia	7	19,146	21	61.0	55.2	27.7	62.8	50.8	+16
12	Saudi Arabia	35	46,811	119	75.8	98.6	16.9	26.9	50.6	−5
13	Kazakhstan	19	26,565	26	32.8	54.0	68.0	56.6	50.2	+2
14	United Arab Emirates	10	58,753	71	78.4	100.0	0.2	42.9	50.0	−5
15	Russia	147	27,903	429	75.0	52.8	0.0	70.0	49.3	+8
16	Cote d'Ivoire	26	5,365	19	10.6	24.0	94.9	69.6	49.0	New
17	Jordan	11	10,306	16	37.3	69.2	67.1	35.3	49.0	−9
18	Senegal	17	3,478	11	10.9	37.6	93.2	61.0	48.3	−12
19	Bulgaria	7	23,817	23	69.4	52.0	21.3	44.7	48.3	−2
20	Azerbaijan	10	14,431	15	32.7	37.7	84.5	26.8	47.5	−1

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In 2019, China's gross domestic product was $ 18.110 billion at purchasing power parity, and the share of retail trade at purchasing power parity was 21.5 percent. China's Global Retail Development Index rating has been a key factor in expanding the supply of modern services and unique products in consumer stores based on consumer demand. India plans to grow food retail by 18 per cent over the next five years based on the transition of food retail to online retail.

In China, the main strategic goals for 2020 are to increase consumer awareness of the protection of brand protection and intellectual property rights in retail trade, the creation of large shopping malls for the rural population.

One of the main innovative trends in Chinese retail is the creation of an Omnichannel Retail model. This model is a model that allows the customer to implement a complex approach, with retail to make the purchase, independently selecting the most optimal channel. Its main feature is that the price and range of goods remain unchanged, regardless of which channel the buyer chooses.[17] Companies are using modern methods of selling goods online in supermarkets. The Omnichannel concept not only expands channels, but also covers the needs, connections and interactions between customers, brands and retailers.

The main direction of Ghana's high ranking in the global retail index can be explained by the sharp increase in the level of urbanization.

The total retail trade turnover in the Republic of Uzbekistan in 2020 amounted to 199518.8 billion soums, and according to statistics, the annual growth of retail trade turnover for 2000-2020 averaged 110.8%.


Figure-1. Main indicators of retail trade[6]

In 2000, the total number of retail outlets in the Republic of Uzbekistan was 53.9 thousand, and in 2020 their number reached 132.9 thousand (Figure 1).

As a result of further steady increase in incomes and living standards of the population of the Republic, measures taken to provide social protection to citizens incomes, wages and pensions, as well as population growth, the demand for food and non-food items are changing dramatically, and the self-retail trade turnover has been steadily increasing over the years.

Effective sales activities and the competitiveness of retail organizations are largely due to the convenience of the retail store location for potential consumers.[18] During 2000-2020, the number of retail enterprises in the country increased from 53,000 to about 170,000. Their sales area in 2000 was 3235.5 thousand m2, and in 2020 it reached 5114.9 thousand m2. Thus, the average sales area in the country decreased from 60.0 m2 in 2000 to 30.2 square meters in 2020. This is leading to an increase in the number of outlets and their fragmentation. This indicates the low level of development of large commercial facilities and industries.

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[6] Data of the Statistics Committee of the Republic of Uzbekistan

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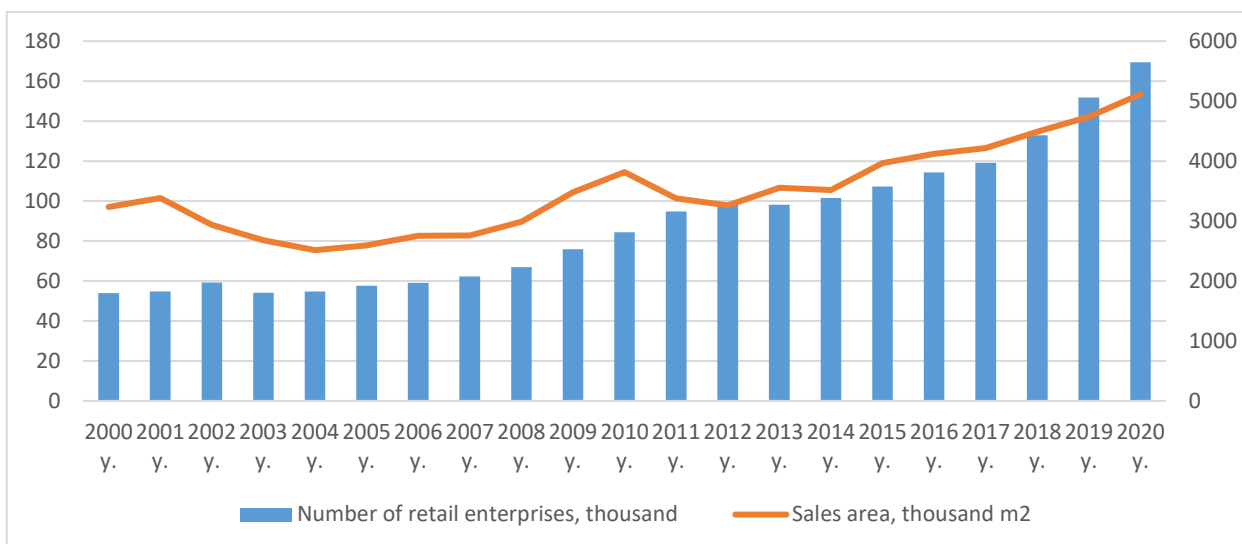
Figure-2. Number of retail enterprise's in the Republic of Uzbekistan[7]

Based on the above analysis, the SWOT analysis of the current state of development of retail trade in Uzbekistan is presented in Table 2.

Table 2
SWOT analysis on the development of retail trade in Uzbekistan

Strengths	Weaknesses
Development of multidisciplinary retail trade; Simplify the process of administrative reform, reporting, as well as obtaining permits; Encourage the construction of retail facilities; Development of franchising Online market expansion; Active state policy on the formation of the digital economy	High differences in the price of consumer goods between large shopping centers and modern outlets; Legislative system of trade management; Insufficient range due to restrictions on imported goods; Lack of effective communication to inform the public about retail outlets and their range
Opportunities	**Threats**
An increase in the number of potential consumers. Creating new programs for major sales and services. Trade investment; Creation of a new legislative system; The transition from a form of tax regulation of trade to a form based on consumer control;	Uneven development of retail trade in the regions of the republic. Unchanged consumer demand. Lack of credit, high interest rates. Low ability of enterprises to adapt to structural changes in the country's economy

Innovative changes in retail trade in Uzbekistan in recent years include:
- Increasing use of discount cards to increase the number of regular customers in large retail outlets;
- use of digital technologies in service methods and customer attraction;
- Increasing forms of periodic payments for non-food products by trade enterprises;
- Active use of marketing news, in particular, the new channel of advertising and social networks;
- Expanding the use of QR-code scanning systems, etc.

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[7] Data of the Statistics Committee of the Republic of Uzbekistan

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Conclusions and recommendations

The processes of globalization and integration in the global and national markets, as well as the intensification of competition, encourage the active introduction of innovations in retail trade. Based on the generalization of the views of the studied economists, the main development trend of retail trade in the future will require the introduction of modern consumer-oriented management models.

In the digital economy, the use of Omnichannel strategies in the retail sector of the country should be considered as an effective strategic approach to sales and customer service not only in retail stores but also in online stores. Using the Omnichannel principle, a trader can offer a wider choice and naturally increase the number of buyers.

The use of the ROPO method, which is used in foreign countries in retail trade, is also highly effective. Its main feature is to study the product online and buy it offline. According to a Google study, a European country accounts for about 37 percent of shoppers making offline purchases after an initial search of online stores. In particular, offline sales accounted for 61% in Germany, 36% in the UK and 8% in the Netherlands. Korzinka, one of the largest trade networks in the country, has launched a system that constantly updates its electronic catalog korzinka.uz. Mediapark trade network effectively uses online trading and ROPO systems. There are many opportunities to increase sales in enterprises by launching ROPO systems in all retail chains.

Another important trend in sales development is the "virtual seller" system. In the world practice, the network is car showrooms, which have abandoned the traditional trade, relying on modern technologies. In international practice, this trend is that cars are sold using digital technology. It is advisable to focus on the effective use of "virtual sellers" based on artificial intelligence in retail.

One of the trends influencing the efficiency of retail enterprises in a competitive environment is the form of the retail store, which is a form of "SHOP-IN-SHOP" (translated from English as "shop to store"). According to research, this approach can help increase sales in a particular place by 30-200 percent[19][8]. This practice is a system that creates a "brand platform" aimed at the sale of a nomenclature of goods belonging to a particular brand in one place.

The SHOP-IN-SHOP format is useful for almost any business, as this multi-format solution allows to increase the efficiency of trade-oriented investment and increase the competitiveness of all participating partners. It helps to recognize the brand and increase loyalty to it. It allows consumers to use multiple methods of influencing all means of communication at the same time. Requires the presence of staff who pay maximum attention to customers and provide information about all the benefits of the product.

In conclusion, the use of modern trends in retail trade, which provides the population with the necessary consumer goods, will increase the competitiveness of enterprises, as well as the formation of a culture of consumption and welfare of the population.

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