



INTERNATIONAL JOURNAL OF BUSINESS

# **MANAGEMENT AND ACCOUNTING**

# International Journal of Business, Management and Accounting

Volume 1, No.2, May 2021

**Internet address:** <http://www.ejournals.id/index.php/IJBMA/issue/archive>

**E-mail:** [info@ejournals.id](mailto:info@ejournals.id)

Published by ejournals PVT LTD

Issued Bimonthly

DOI prefix: 10.52325

Potsdamer Straße 170, 10784 Berlin, Germany

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**WAYS TO INCREASE THE COMPETITIVENESS OF SERVICE  
ENTERPRISES BASED ON MARKETING STRATEGIES**

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*Abstract. The competition is the trigger force of any market economies. Under modern contemporary conditions, competition is determinative for the business development, while competitiveness is the most important condition for overall business prosperity. The area of service enterprises, having extraordinary potential for flexible adaptation to the economic circumstances in the country and changing market conjuncture - is of major significance for the national economic development. On the basis of the above - mentioned, we can conclude that the purpose of this article is to define and analyze the key factors for ways to increase service enterprises competitiveness based on marketing strategy and how they can provide best service. In this study I am going to have deeper look to the Uzbekistan competitive strategy and assess its impacts.*

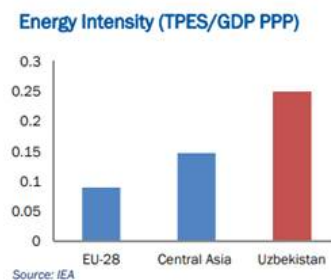
**1. Introduction:**

Economic development of modern Uzbekistan today is heavily influenced by the globalization of the world economy. For our country, this resulted in a deterioration of its competitive advantage in global markets, as well as the weakening of the domestic producers in their own national market. In this situation, a deeper understanding of the category "competitiveness" is required.

**Country Context**

Under its last strategy, approved in 2005, the EBRD concentrated on developing the private sector and supporting entrepreneurship, with a special focus on SMEs and promoting foreign investment. From 2005 to 2010, the Bank invested in excess of ^ 80 million across more than 20 projects in the country. Although activities were greatly curtailed starting in 2010, a new Memorandum of Understanding was concluded in March 2017 that set out a further series of short-term priorities, laying the groundwork for a more in-depth engagement in the country.

Production capacity of larger, private firms was also strengthened. During 2005-2010, the Bank carried out 8 investment operations with Uzbek companies in the agribusiness, manufacturing and services sector, although some clients struggled to expand in a heavily regulated business environment. o Marginal progress in efforts to develop the financial sector: the Bank worked with private sector companies to introduce new product lines, such as TFP, leasing and Express Loans. While Express Loans were highly successful, uptake on TFP lines and leasing was more limited due to tight state controls and limited access to foreign currency.





## **2. Methodology**

The main purpose of the analysis is not only to examine the current status or standing of the Service sector, the potential for the development of the overall activities of a given enterprises, but also to assess the effects of the factors for Service competitiveness impacting upon their business performance under conditions of economic recovery. For the purposes of the study, Service enterprise competitiveness is viewed as a potential for achieving high Customer Satisfaction, grounded upon a creative approach towards human, capital and physical resources. The existing situation in the Service and its ability to overcome the difficulties caused by the global financial crisis are examined through the prism of ways to increase compactivities of service enterprise for sustainable development and competitiveness.

## **3. The competitive strategy**

consists of the business approaches and initiatives undertaken by a company to attract customers and to deliver superior value to them through fulfilling their expectations as well as to strengthen its market position.

This means that competitive strategy is concerned with actions that managers undertake to improve the market position of the company through satisfying the customers.

Improving market position implies undertaking actions against competitors in the industry.

Thus, the concept of competitive strategy (as opposed to cooperative strategy) has a competitor-orientation. The competitive strategy includes those approaches that prescribe various ways to build sustainable competitive advantage.

Management's action plan is the focus of the competitive strategy. management adopts an action-plan to compete successfully with the competitors in the market. It also aims at providing superior value to customers.

The objective of competitive strategy is to win the customers' hearts through satisfying their needs and finally to attain competitive advantage as well as out-compete the competitors (or rival companies.)

## **4. Key Challenges and Forward Plan**

Context for implementation: Over the last decade Uzbekistan's economy has been negatively affected by a lack of integration with the region and increased pressures on macroeconomic sustainability. However since December 2016 there has been new momentum for structural reforms and improved international cooperation. Under President Mirziyoyev the Government has initiated dialogue with the people and a number of significant political and economic reforms - most importantly, currency liberalisation - to reduce the state's presence in the economy, improve public administration and strengthen the business environment. Uzbekistan has also moved to improve relations with its neighbors and engage more fully with international organisations, including the EBRD. These positive developments have provided a basis for the Bank to support ongoing reform efforts. Substantial progress on the priorities outlined in the March 2017 MoU has already been made.

### **Types of competitive strategy**

The significant presence and preferential treatment of SOEs and incumbent foreign-owned companies has hindered the entry of new firms and scaling up of existing ones. The domestic market was strongly protected until Sept. 2017, with currency convertibility restricted and a multiple exchange rate regime in place. Volatile electricity supply, insufficient access to finance and limited access to foreign markets has negatively

impacted SME competitiveness. Private sector access to credit is moderate, with outstanding loans to GDP only around 29%. The business environment remains challenging, though Uzbekistan improved in the 2018 Doing Business Rankings.

**Cost Leadership Strategy or Low-cost strategy**

A company strategy of selling its products at a price lower than its competitors is known as a cost leadership strategy.

The emphasis is placed on the production of standardized products at a low per-unit cost for price-sensitive customers.

Charging lower price becomes possible when the company can ensure post-reduction by operating business in a highly cost-effective manner.

The strategic target of this strategy is a broad section of the market where the company offers economical prices. The company emphasizes cost reduction without reducing quality. The company intends to gain market share by underpricing the competitors.

**Differentiation strategy:**

Differentiation strategy is concerned with product differentiation. It refers to making a company's product different from the similar products of the competitors.

**Best-cost strategy:**

As a concept, Best-Cost means high quality and low price of a product. This term is used to indicate a situation where the company tries to achieve the best (lowest) cost relative to the competitors who offer similar products and simultaneously tries to improve quality.

The best-cost strategy is the strategy of increasing the quality of products while reducing costs. This strategy is applied to give customers "more value for the money."

**Market-niche or focus strategy:**

Focus strategy concerns itself with the identification of a niche-market and launching a unique product or service in that market. A niche-market is a narrow segment of a total market.

A niche can be identified based on certain issues:

- particular buyer group (such as women, youths, adolescents or aged 50+),
- geographic uniqueness (such as south of USA or South of France),
- special product attributes that appeal only to niche members (such as specially designed neck-tie or fancy Punjabi),
- a particular product line (such as lemon juice, children's shoes or detergent with bleach).

5. Ways to increase competitiveness of service enterprises

- Focus on Core Competencies. Today, companies in every industry are racing to add greater value than their competitors.
- Attract and Retain Necessary Talent.
- Become More Customer Centric.
- Drive Down Costs.
- Expand Internationally.
- Avoiding complacency.

Sole suppliers in an industry quickly stop innovating simply because they no longer have any need to. Sadly, they unknowingly commit to maintaining the status quo. Competitors have a habit of keeping you on your toes

Building brand clout: Make it your mission to stand out as the leading authority in your domain of expertise. Your audience will admire your thought leadership and

naturally choose you over other vendors.

**Developing self-awareness:** Rivals force you to assess your strengths and weaknesses. Use your superpowers to create a more unique value proposition to customers. Understand your shortcomings and find ways to overcome them

**Encouraging differentiation:** Competitors will consistently try to offer better customer service, product quality and marketing. In healthy markets, buyers will demand the best solutions for their specific needs. Differentiate your offerings with the goal of creating tremendous value for the users you serve.

**Exploiting industry trends:** Competition signals strong consumer demand. It provides validation for what you are doing. In new markets, this is an opportunity to promote an emerging trend that will get buyers and the media excited about your work.

**Forming unexpected partnerships:** Create alliances with like-minded businesses. Exchange technology and tools, expand the overall market, cross promote each other's products and collaborate on novel research to educate consumers. Perhaps one day, you might merge with, or acquire, your biggest competitor.

**Mutual learning:** Watch the competition carefully. The knowledge and resources they have may be both better and different than yours. Actively learn from how they manage and grow their operation. Soon, you will discover ways to apply those lessons learned to your business.

**Narrowing down a niche:** Someone will always be better than you at something - and that is OK. Customers deserve the best products and services to fulfill their individual needs. To build a profitable business, focus your efforts on making a smaller segment of the overall market very happy. By narrowing your niche, you develop a competitive edge that deters further competition.

**Planning long-term:** Without competitors, most firms get lost in the day-to-day exercise of maintaining their business. As other companies join the market, you will need to start challenging yourself to accomplish more.

**Prioritizing customer needs:** Instead of focusing your energy on outdoing the competition, invest in becoming a customer-centric organization. This way, you will boost buyer loyalty and easily defend against aggressive suppliers or vendors intent on stealing your clients.

## **6.Recommendation to the Uzbekistan Government**

In order the Uzbekistan government gain competitive strategy they should follow the priorities as under:

Government Reform Priorities.

EBRD Reform Areas Broadly Agreed with Authorities

Increased private sector participation in the economy, including enhanced small business support and advisory

Strengthened lending capacity of financial institutions

Development of effective mechanisms for public-private partnerships, e.g.via best practices and enabling legal framework

Promotion of energy efficiency and green economy solutions, including regulatory support for renewables and energy efficiency

Improved commercialization and sustainability of municipal operators, including tariff reform

Support for local currency lending and capital markets development

Promotion of stable business environment, incl. through business councils and other

platforms for Government-investor dialogue

### **Key Messages from Civil Society to EBRD**

The Bank's strengthened engagement in Uzbekistan is welcomed. Although there have been many positive developments, including in relation to freedom of expression, the environment for CSOs is still restrictive and human rights challenges remain.

For all investments strong environmental and social standards are essential, both in due diligence and follow-up monitoring.

Inclusive development remains a substantial challenge, with many people in the regions, especially women and youth, not yet benefitting from reforms.

Institutional support and capacity building from IFIs will be critical given existing administrative gaps.

Improved energy efficiency and development of renewables are much needed, although projects should be cost-sensitive.

The sustainable development of cultural heritage resources and related infrastructure is a welcome innovation. The Government's 'Strategy of Actions in Five Priority Areas for the Development of Uzbekistan, 2017-2021' includes the following reforms:

**Economic liberalization:** Reducing the role of the state in the economy and promoting privatisation; promoting development of private entrepreneurship and small businesses; improving the investment climate and attracting foreign investment; enhancing efficiency of the banking sector; restructuring the agricultural sector, investment in modern technology.

**Development of the social and environmental spheres:** Creating jobs, especially for young people and in regions; enhancing the role of women, including promotion of entrepreneurship; improving municipal services and utilities, including public transport and access to electricity; introducing modern waste and wastewater management; increasing energy efficiency, including by energy saving technology and renewable energy sources.

**Constructive foreign policy:** Improving the legal framework for foreign economic activity; improving relations with neighbours to create a belt of security and stability around Uzbekistan; resolving border issues.

**Rule of law:** Measures to ensure the independence of the judiciary and protection of civil and property rights; strengthening the legal system, including commercial and administrative law; new mechanisms for fighting corruption.

**Good governance:** Strengthening the role of parliament, political parties and civil society; reform of public administration, including through training, decentralization and e-governance; increasing transparency, public accountability; strong mass media.

### **6. Conclusion**

The paper examines the existing situation in the Service sector and its sustainability through the prism of Increasing ways for sustainable development and competitiveness. The observed high degree of interconnectedness between all the Ways to increase of competitiveness emphasizes the importance of a more closely integrated system measures for enhancing enterprise competitiveness. The facilitated access to finance is to be combined with measures for best practice implementation, stimulation of innovation, registering of intellectual property and increasing the level of internationalization. This means that it might be more effective and efficient to stimulate a small proportion of enterprises (those that have demonstrated potential for development in terms of their human capital, intellectual property, innovativeness and/or internationalization), which



is to be done in a systematic way so as to bring about synergy effects of the respective economic policies. In other words, what is needed is a more comprehensive support for service of enterprises with a competitive potential. To achieve this objective, however, the state should apply a systematic and unified methodology to help identify those particular Service Enterprises (through examinations, measurements and analyses and etc.) that demonstrate potential in terms of some or all crucial factors for development and competitiveness. It is only in this way that the state could be able to provide timely, adequate and objective support for precisely those Service Enterprises in particular that are capable of bringing about sustainable growth in the sector.

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