



PRODUCT DIVERSIFICATION AS A MEANS TO ENHANCE THE ECONOMIC STABILITY OF ENTERPRISES

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Annotation: This article discusses the issues of market modification through increasing sales volumes, gaining consumer trust, introducing products to new market segments, focusing customers' attention and interest on the products produced by the company, and encouraging customers to intensively consume these products.

Keywords: Product, production, innovative activity, enterprises, diversification, financial stability.

Abstract

The experience of developed countries shows that the widespread introduction of innovations in the economy enhances international competitiveness and creates a strong foundation for sustainable development.

Product innovation involves the development and implementation of new products, and it is divided into product differentiation and product diversification in terms of implementation.

Product diversification is a type of product strategy in which a company expands the number of products it produces, aiming to capture new markets and gain additional profit by simultaneously expanding and developing two or more unrelated types of production.

Product diversification embodies the process of developing a series of product modifications that make a product stand out from competitors' products.

Market modification involves increasing sales volumes, gaining consumer trust, introducing products to new market segments, focusing customers' attention and interest on the products produced by the company, and encouraging intensive consumption of these products by customers.

In product modification, the focus is on improving product quality, enhancing product properties, improving product packaging, and improving the external design.

In marketing mix modification, the aim is to fully utilize marketing elements and to form and apply these elements with optimal goals.

Diversification is based on improving the appeal of products through their variety.

The goal of product diversification is to increase the product's appeal by considering consumer preferences, the characteristics of a particular market or market segment, and enhancing its competitiveness.

Product diversification is implemented based on the following factors:

Additional features of the product, efficiency of product use, comfort, reliability, product design, and style.

Product diversification plays an important role in the company's product policy. This strategy is applied when planning to produce additional products as part of offering new products to the sales market. Diversification serves as an effective tool to ensure sustainable growth in company activities.

There are three types of diversification: horizontal, vertical, and concentric.

Concentric diversification involves producing new products for the company.

Horizontal diversification refers to producing products that are similar to previous ones and are close in terms of production, technical, supply, and sales conditions.

Vertical diversification refers to deepening the product range by expanding sales channels for previously produced goods. For example, a store selling meat products may support the production of meat and breeding through selection.

In searching for ways to penetrate the target market, alternative strategies are identified using the “product-market” matrix proposed by I. Ansoff in 1966. This is shown in the table below.

"Commodity-market" matrix

| Products | Markets | |
|----------|--|--|
| | Current | New |
| Current | Market Penetration Strategy Accelerating sales Searching for new customers Breaking competitors Expanding the product’s consumption area | Market Development Strategy, New markets New sales territories International markets Creating new areas for product usage New Product Development Developing new products with its own strength Developing agreements |

Table 1 shows that there are four main strategies for increasing the sources of a company’s advantage:

1. **Market penetration strategy**
2. **Product improvement strategy**
3. **Market development strategy**
4. **Diversification**

The development and application of new products are carried out in line with the principles and methods of innovation policy, particularly in accordance with the process of product innovation.

The product innovation process includes six stages:

- Searching for ideas for new products
- Selecting ideas
- Economic analysis of the commercialization of the new product idea
- Product development
- Testing in market conditions
- Product launch

The product innovation process begins with searching for ideas for new products. The search for new product ideas is based on internal and external sources of ideas about the product.

External sources of product ideas include: trade enterprises, customers and consumers, competitors, fairs and exhibitions, research institutes, suppliers, ministries, and other government institutions.



Internal sources of product ideas include: marketing research departments, production departments, all divisions of the marketing department, international economic cooperation departments, and product preparation departments.

The stages of the product innovation process express the process of planning a new product. The goal of new product planning is to search for and develop alternative options.

Various methods are used in new product planning. Market research and creative techniques are used when evaluating ideas for new products.

In the economic analysis phase, profit comparison, cost-benefit analysis, and risk assessment methods are used.

In the product development phase, product development techniques, brand development techniques, and cost calculation methods are applied.

Product diversification is a type of product strategy in which the company increases the number of products it produces and simultaneously expands and develops two or more types of production that are unrelated to each other. The goal is to capture new markets and gain additional profits.

Product diversification encompasses the process of developing a series of product modifications that make the product stand out from competitors' products.

Market modification involves increasing sales volumes, gaining consumer trust, introducing products into new market segments, focusing customers' attention and interest on the products produced by the company, and encouraging intensive consumption of the products.

Profitability refers to the degree of profitability of a company's operations. It has three indicators: return on assets, return on equity, and return on sales. These indicators are determined by comparing the net profit with the average annual value of the company's assets, the amount of outstanding shares, the volume of private capital, and the cost of sold products.

Economically insolvent enterprise refers to a company that is unable to meet creditors' claims regarding payment for goods (work, services), as well as mandatory payments to the budget and non-budget funds.

Financial rehabilitation refers to a set of measures aimed at eliminating bankruptcy or increasing competitiveness, thereby improving the financial situation of the company.

The measures taken in this regard have helped relieve the national economy from excessive debt, ensure the payment of 1 trillion soums in creditor debts for the budget and wages, establish more than 100 new types of production facilities based on bankrupt companies, and create over 17,000 new jobs.

In conclusion, in order to develop the company and increase its efficiency, it is necessary to use the available opportunities, and in our opinion, strengthening the company's connections with science and research is required. The company should work under contracts with leading economists to analyze its activities and identify factors that will lead to its development. We believe this will yield positive results.

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