Молодой исследователь: вызовы и перспективы
«МОЛОДОЙ ИССЛЕДОВАТЕЛЬ: ВЫЗОВЫ И ПЕРСПЕКТИВЫ»

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LINGUISTIC PERSONALITY, ITS STRUCTURAL CHARACTERISTICS IN THE NEW PERSPECTIVE DIRECTIONS
Nafisa Teshaboyeva

Section 3. Philology
COEXISTENCE OF JOURNALISM WITH ANOTHER IMPORTANT SPHERE
Ayjamal Karamatdinova

Natural and medical science

Section 4. Mathematical science
A METHOD FOR SOLVING THE INVERSE PROBLEM OF ELASTICITY
Assel Kurmanbayeva

Social and economic science

Section 5. Regional studies
AN OVERVIEW OF THE PRINCIPLE OF NONVIOLENCE IN DIFFERENT RELIGIONS
Artem Ponomarenko Elena Musaelian

Section 6. Economy
BELGIAN STATE TOURISM POWER AND CULTURE
Orzigul Kilichova Dilfuza Norkulova
MAIN ASPECTS OF DIVERSIFICATION PROCESSES OF PRODUCTION IN INDUSTRIAL ENTERPRISES
Alisher Rustamov Maqsudjon Olimov
GERMAN STATE’S ROLE IN TOURISM AND TOURISM POTENTIAL
Orzigul Kilichova Dilfuza Norkulova

Казақ тілінде конференция баяндамалары
Табиғи және медицина ғылымдарының
Секция 1. Биологиялық ғылыым

ЖУЗІМ КӨШЕТTERІН ӨСІРУДІҢ АГРОТЕХНИКАЛЫҚ
ТӘСІЛДЕРІНІҢ ТІИМДІЛІГІ
Өділбек Жазира Өділбекқызы
Суримбаева Кулайша
MAIN ASPECTS OF DIVERSIFICATION PROCESSES OF PRODUCTION IN INDUSTRIAL ENTERPRISES

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Nowadays, the main priorities of industrial policy are to improve the quality of institutional reforms and access to entrepreneurial activity, modernization and diversification of industrial production, support of real sector enterprises, and implementation of program measures for medium and long-term industrial development.

In our country the strategy of action to improve the competitiveness of the leading sectors of the national economy is aimed at increasing the number of workers by improving the profitability and financial recovery of more than 4,400 enterprises in the basic sectors of the economy. As a result of these activities, the profitability of the enterprises will increase, the level of utilization of production capacities will increase and the number of employees will increase.

Diversification is important in industry, just as it is important in the financial world, where diversification is necessary for risk management. It is also necessary in order to be able to compete in the global marketplace. The diversity of the market itself also makes it a necessity that businesses be able to meet the needs of a variety of demographic groups. In this regard, the implementation of product diversification in industrial enterprises can also be considered a priority.

Product diversification is a strategy employed by a company to increase profitability and achieve higher sales volume from new products. Diversification can occur at the business level or at the corporate level.
There are three types of diversification techniques:

- Concentric diversification;
- Horizontal diversification;
- Conglomerate diversification.

*Concentric diversification* involves adding similar products or services to the existing business. For example, when a computer company that primarily produces computers starts manufacturing laptops, it is pursuing a concentric diversification strategy.

*Horizontal diversification* involves providing new and unrelated products or services to existing consumers. For example, a notebook manufacturer that enters the pen market is pursuing a horizontal diversification strategy.

*Conglomerate diversification* involves adding new products or services that are significantly unrelated and with no technological or commercial similarities. For example, if a computer company decides to produce notebooks, the company is pursuing a conglomerate diversification strategy.

Of the three types of diversification techniques, conglomerate diversification is the riskiest strategy. Conglomerate diversification requires the company to enter a new market and sell products or services to a new consumer base. A company incurs
higher research and development costs and advertising costs. Additionally, the probability of failure is much greater in a conglomerate diversification strategy.

In addition to achieving higher profitability, there are several reasons for a company to diversify:

- diversification mitigates risks in the event of an industry downturn;
- diversification allows for more variety and options for products and services. If done correctly, diversification provides a tremendous boost to brand image and company profitability;
- diversification can be used as a defense. By diversifying products or services, a company can protect itself from competing companies;
- in the case of a cash cow in a slow-growing market, diversification allows the company to make use of surplus cash flows.

Diversification is the general strategy whereby companies attempt to profit by using multiple strategies, rather than putting all of their eggs in one basket. Diversification helps to decrease risk by spreading risk out over a variety of strategies. If one strategy fails, then that failure hurts the business only to the extent that it is invested in that strategy. For instance, if a company has its resources invested in the creation of 10 different types of products and the market for one of those products dries up, then that only affects 10 percent of that business's profitability, assuming that each product is equally profitable.

References:

2. Product Diversification: Expansion into a segment of an industry or into an entirely new industry. https://corporatefinanceinstitute.com