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## THE IMPACT OF TRADEMARKS ON SMALL BUSINESS ENTERPRISES' PERFORMANCE IN UZBEKISTAN

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### ABSTRACT

*In a competitive environment, brands have become an increasingly effective marketing tool because they encourage clients to discern between original products and counterfeit products and take actions based on more factual information. This article examines the role of Trademarkson small business and private entrepreneurship enterprises' performance in Uzbekistan and important aspects of its development.*

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### I. Introduction

The impact of trademarks on firm performance is very important. Trademarks are frequently related to the introduction of new products to the market, providing a good indication of a firm innovative activity. The small firm uses trademarks to show its products' quality, so that "search costs" of customers decrease and the firm can charge a higher price and thus, profits increase. This means that trademarks encourage firms to increase investment in improving the quality of their goods, so expecting higher returns.

A trademark is of great importance for the growth of business and it can be considered as just another term for "brand" or "brand name." A trademark can be any brand, term, emblem, image, voice, smell or device that helps to differentiate and separate one company or product from another in the

competitive marketplace. Admittedly, trademarking a product name can make it possible to protect that product from anyone else uses something close enough to deceive consumers. As a matter of fact, majority of small businesses experience difficulties in their performance because of trademark awareness among Uzbek customers. The main reason is that almost all customers are the keen of popular trademarks and the trademarks that small business owners are using, in most cases, encounter with difficulties. Then, these business owners try to copy well known trademarks. As a result, they are supposed to suspend copying the rights of patent owners. By taking these reasons into account, trademarks are extremely crucial for small business owners. The basic reasons why trademarks are essential are: creating brand awareness among customers, making it possible to obtain good team of employees, serving for realizing long-term goals, enhancing key competitive advantages.

## II. Review Of Literature

The majority of research has concentrated on inventions and patents, with less attention placed on trademarks, despite the fact that these intellectual property rights are more commonly used by all types of companies. Several global conventions have been created in order to implement various trademark registration processes across the globe and to ease the filing process for applicants wishing to target several countries. It can be observed that trademarks play vital role in business life because all types of businesses' efforts serve for improving their recognition of trademarks. The use of private brands allows trade organizations to avoid dependence on suppliers, promoting the products under their own brands and changing suppliers despite of producers (Mayorova, E. et al., 2016). The value of trademarks has been demonstrated through various brand rankings and in recent studies conducted in the United States and the European Union and by the World Intellectual Property Organization (WIPO) and many other scholars interested in the field of intellectual property in general and trademarks in particular. They address many questions, and the variables they take in considerations vary from firms' size, their financial performance, the use of trademark as innovation indicator and a combination of them. They show a positive correlation trademarks and firm size, financial performance, and in many cases serves as indicator to show how innovative firms are (Mirësi Ç, 2015). According to Richard (2005) the impact of trademarks on competition in the sense that a company uses trademarks to prove that its products are of high quality, so that consumers' "check prices" are reduced and the firm may generate more revenue, resulting in increased revenues; this concept emphasizes that trademarks can enable companies to expand investment in improving product quality, leading to increased revenues. Moreover, Montserrat (2012) mentioned in her research that trademarks enable companies to distinguish a single product and define it among customers: trademarks are used to distinguish brands in the eyes of consumers, but also to recognize particular features. We find trademarks are positively related to both Tobin's  $q$  and to productivity (Greenhalgh, C. et al, 2007). Based on the authors' empirical evidence, the fashion SMEs could improve their performance through two important marketing tools: registered trademark and social media. On the one hand, SMEs with a registered trademark are more present in the international markets, and it also implies higher performance. On the other hand, there is no significant relationship between SMEs with social media and a presence in

international markets (Rienda, L. Et al, 2020). Because of the value of trademarks regarding small and medium enterprises, as well as the reality that most research on the subject has been conducted on large corporations, the authors propose even more studies could require smaller businesses to see if the promising results hold true. The connection between trademarks and success has been established. The authors propose that future study should involve smaller firms to determine if the positive relationship between trademarks and productivity is verified. Trademarks account for the large majority of firm efforts to create brand identity and awareness in costumers' mind (Krasnifov, A. et al, 2009); however, the findings reveal two negative consumer reactions to crowdsourcing practices, i.e., feelings of exploitation and being cheated, that may jeopardize their success (Djelassi, S. Et al, 2013). This statement seems also confirmed by both the fact that the history of modern brands is to a significant degree related to that of trademarks (Agostini, L. et al, 2014); and a brand theory of trademark offers the opportunity to bring trademark law into the information age (Desai, D. 2012). Clifton (2011) mentioned in his research that in today's consumer culture, a product's intrinsic or symbolic characteristics are critical to its success or failure in the marketplace. Furthermore, this extends to both real and virtual goods. This raises an important research question: how do regions create and preserve their uniqueness in an increasingly globalized and standardized world? The answer to this question is provided by Jenay Sellers (2020):

- Understanding the distinction between files and brand properties. It's a vital difference to identify and one that will benefit you in long-term goals;
- Depending upon what customers think about one's brand's distinctiveness rather than what the marketing department does;
- Implementing the unique strengths in a marketing strategy – don't change the elements and heavily consider the elements of a brand redesign;
- Consistency is achieved by efficient and coordinated digital asset management. When asset management is simplified, the team will eventually concentrate on the most critical goal – developing a good brand.

### **III. Research Methodology**

Methods such as statistical analysis, systematic analysis, comparative analysis are widely used in scientific research.

Trademarks are considered as a reliable measure of a company's attempts to create brand recognition in order to gain understanding through this relationship. Furthermore, modern marketers are increasingly utilizing trademark protection to find new ways of creating a distinctive identifier for their brands in the minds of customers, not just for brand names, but also for a wide range of product features such as colors, aromas, sounds, and shapes. We divide trademarks into 2 groups: corporate trademarks, known as trade name and brand marks, and in fact, both are symbols of coordinated attempts to raise brand recognition. Not only do we examine the relationship between some trademarks and small businesses' financial functions, theorizing that trademarks are positively correlated with

results, but also if existing brand trademarks and corporate trademarks have various effects, theorizing a positive influence of both types of trademarks on SMEs' business and market performance. As a matter of fact, the study utilizes time based cross-sectional analyses over the years from 2017 to 2020 to identify the relationship between trademark importance and small business' performance in Uzbekistan. The basic database of Uzbek small and medium-sized enterprises functioning in the field of the fashion industry in Uzbekistan, which is indicative of the Uzbek system in terms of firm size distribution, was created by combining various data sources: data sources of trademarks taken from the Agency of Intellectual property under the Ministry of Justice of the Republic of Uzbekistan, global database taken from WIPO (World Intellectual property organization).

#### IV. Analysis And Results

First of all, SMEs performance is defined by measuring the growth of sales. Required data was gained from State Committee of Republic of Uzbekistan on statistics and Intellectual Property Agency under the Ministry of Justice of Republic of Uzbekistan. The table below demonstrates statistics of sales of small firms (Table 1).

Table 1

Statistics of sales of small firms

Years	Construction (billion soums)	Export (million USA dollars)	Import (million USA dollars)	Trade (billion soums)
2000	149,0	334,3	672,1	760,3
2001	230,4	293,6	836,2	1148,5
2002	306,9	224,3	675,7	1500,8
2003	331,9	272,1	998,0	1818,5
2004	556,6	354,4	1249,3	4237,9
2005	739,2	325,8	1379,9	4918,9
2006	1009,8	714,6	1633,5	6638,2
2007	1514,2	1333,5	2155,0	8410,8
2008	2090,0	1419,8	3460,4	10724,2
2009	2996,0	1723,6	4011,2	13672,9
2010	4163,2	1782,8	3287,9	18616,1
2011	6188,3	2826,2	3895,5	24741,9
2012	7925,5	1910,5	4946,0	32242,9

<b>2013</b>	<b>10377,7</b>	<b>3752,3</b>	<b>5909,4</b>	<b>40564,5</b>
<b>2014</b>	<b>13944,9</b>	<b>3657,8</b>	<b>6352,6</b>	<b>50197,8</b>
<b>2015</b>	<b>16954,0</b>	<b>3377,7</b>	<b>5523,1</b>	<b>61972,3</b>
<b>2016</b>	<b>19671,0</b>	<b>3139,2</b>	<b>5676,8</b>	<b>78935,6</b>
<b>2017</b>	<b>22469,4</b>	<b>2759,3</b>	<b>7511,9</b>	<b>92973,0</b>
<b>2018</b>	<b>37451,7</b>	<b>3810,8</b>	<b>10916,2</b>	<b>114896,4</b>
<b>2019</b>	<b>53960,9</b>	<b>4714,8</b>	<b>14972,2</b>	<b>138920,7</b>
<b>2020 (january- december)**</b>	<b>63614,9</b>	<b>3100,6</b>	<b>10972,7</b>	<b>160085,3</b>

*Source: Stat.uz database; last updated 02/21*

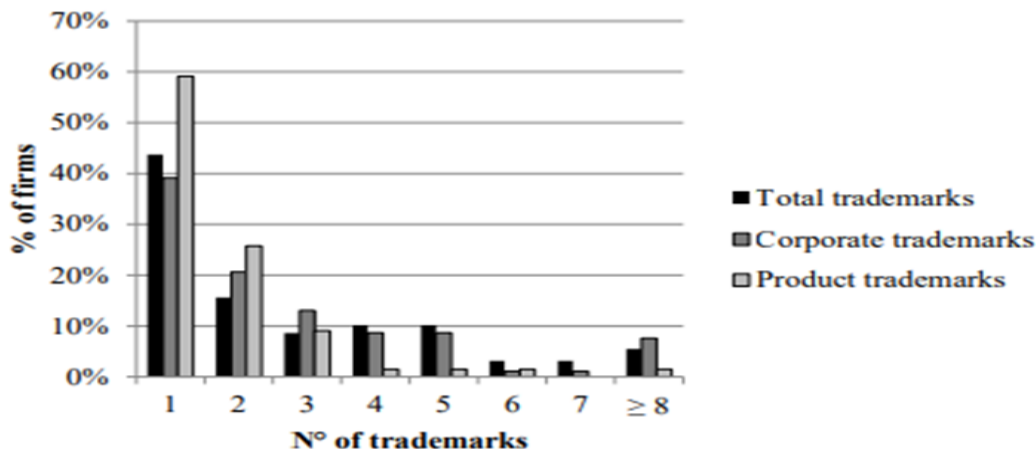
When it comes to small business enterprises trademarks registration some descriptive statistics from Intellectual Property Agency will be used again. It reveals that 30.1 percent of SME (128 out of 425) have at least a trademark, with the average number of trademarks per trademarking company being three. A higher proportion of firms have corporate trademarks (16.9 percent) than product trademarks (13.8 percent), resulting in a mean number of corporate trademarks per trademarking firm of 1.3 versus 0.9 for product trademarks per trademarking firm. (Table 2).

**Table 2**

**Number of registered and unregistered trademarks by small business enterprises**

<i>Status</i>	<i>Number</i>	<i>Rate</i>
<b>No trademarks</b>	<b>297</b>	<b>70.9%</b>
<b>Having trademarks</b>	<b>128</b>	<b>30.1%</b>
<b>Corporate Trademarks</b>	<b>72</b>	<b>16.9%</b>
<b>Product Trademark</b>	<b>56</b>	<b>13.8%</b>

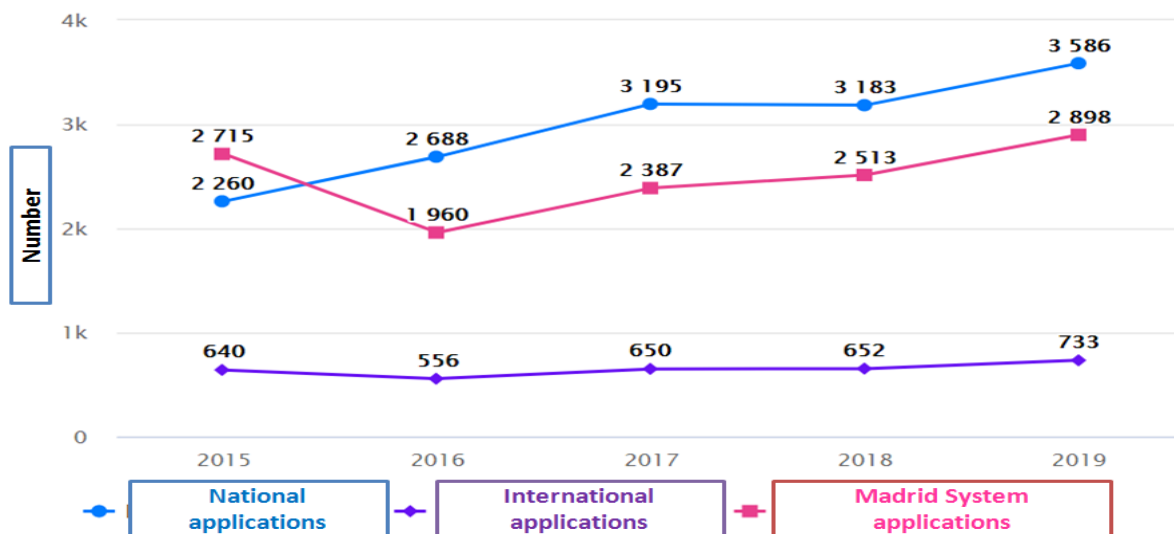
*\Source: Table is organized by author based on the statistics of my.ima.uz* Another critical consideration is the size of a company's trademark portfolio. The majority of trademarking firms only have one trademark, which is especially noticeable in the case of product trademarks. Admittedly, almost 60 percent of businesses with around one product trademark have only that one, while the majority of the others have four or five.



**Figure 1. IP (Intellectual property) filings and Trademark portfolio**

Source: WIPO statistics database; last updated 03/21

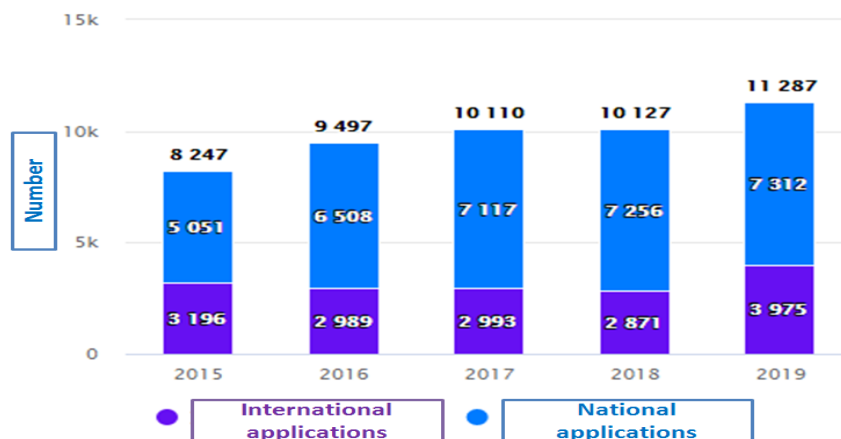
According to Intellectual Property Agency, dealing with trademarks are developing day to day contrasting with the past. As a matter of fact, a good deal of SMEs were particularly utilizing the trademarks of popular brands in the past. They did not have their own trademarks. As a result, those small firms were supposed to sell their products with copied trademarks only limited areas, that means they could not export their products to foreign countries. The President of Uzbekistan Sh.M. Mirziyoev mentioned “If we do not raise the issue of intellectual property to the level of state policy, then Uzbekistan will not be competitive in 10 years.” That was the reason of formulation of Intellectual Property Agency in 2019. And also the President ordered to implement new innovative strategies to improve the protection of trademarks in order to encourage our own national brands. The graphs below provide the shows of trademark registration, provided by Intellectual Property Agency (Graph 1).



### Graph 1. Number of trademark applications, total - Uzbekistan

Source: *my.ima.uz statistics database*

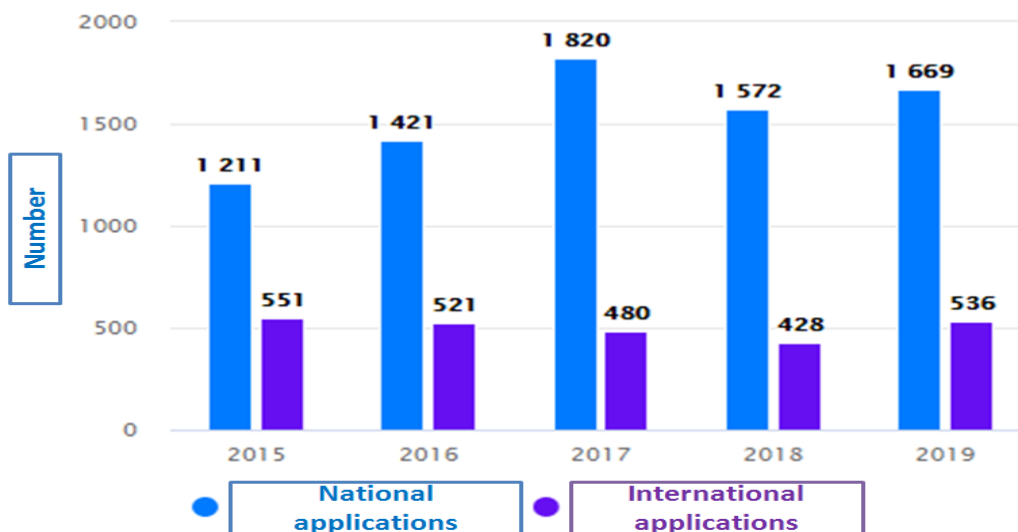
Graph 1 illustrates number of filed national, international and Madrid System applications in 5 years from 2015 to 2019. From the graph we can see that there was a dramatic increase in the quantity of national applications. However, the amount of international and Madris System applications fluctuated over the years, but overall they rose.



### Graph 2. Examination of received trademark applications

Source: *my.ima.uz statistics database*

From the graph 2 provided it can be seen that the application rate of trademarks were increasing from 2015 to 2019.



### Graph 3. Examination of received trademark applications

Source: *my.ima.uz statistics database*

In graph 3 demonstrated national and international registered trademarks from Uzbekistan. When It comes to International trademarks registration, foreign companies tend to register their trademarks for Uzbekistan in order to protect their trademarks from others to copy them. In terms

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of national trademarks as it can be clearly seen the rate is highly increasing year by year. The reason why this table is different from the first table provided above is that the second table only provides the shows of registered trademarks. But the first table shows all applications for registering. In fact, there is a kind of rules to register the trademarks that's why it should be unique. According to the second table, in 2018 the number of trademarks registered is 1572, and in 2019 it is 1669.

### Conclusions

Brand awareness is an important element of the marketing strategy, and geographical indicators contain information about the features of the product related to its origin. They serve as a means of individualizing the product in the market, giving consumers the opportunity to distinguish clearly the product from other products based on its geographical origin. One of the important tasks facing us is to increase the authority of national producers and ensure the added value of products.

For the development of trademarks' role on small business enterprises' performance in Uzbekistan, it is advisable to adhere to the following practical recommendations:

- development of the national strategy of the Republic of Uzbekistan in the field of intellectual property development;
- introduction of scientific achievements in each department and industry to strengthen the protection of intellectual property;
- commercialization of scientific developments, popularization of national brands;
- establishing close cooperation with the World Intellectual Property Organization.

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