


## **ЕКОНОМІКА**

DOI [https://doi.org/10.58442/2522-9931-2024-27\(56\)-75-104](https://doi.org/10.58442/2522-9931-2024-27(56)-75-104)

UDC 004.738.5:339

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## **ELECTRONIC COMMERCE IN GEORGIAN BUSINESS: CHALLENGES AND PERSPECTIVES**

**Abstract.** Electronic technologies are developing rapidly in world commerce, therefore, organizations are created that effectively follow the aforementioned tendency and take an honourable place in world business with the efficiency of using electronic technologies. E-commerce refers to companies and individuals buying and selling goods and services over the Internet. It affects different types of market segments and extends to smart devices. Almost every imaginable product and service is available through E-commerce transactions, including books, music, airline tickets, and financial services such as stock investing and online banking. Through E-commerce, goods and services can be produced and then sold using the Internet. The future of Georgian business is developing in this direction, that's why it is necessary to constantly inspect the mentioned processes,

share knowledge and support it, because it helps the business in productivity and efficient management, and it has a positive impact on the state income and economic situation. The research includes an overview of use of electronic technologies in international commerce and the analysis of the potential of electronic commerce in Georgia. The main task of the given research is to investigate the positive and negative outcome of E-commerce and E-business, including the tendency of E-commerce in Georgia and the experience of using E-commerce by different companies. The subject of the research is electronic commerce and technologies, analysis of world practice, study of electronic business environment of Georgia, current trends and possible perspectives of development of electronic commerce.

**Keywords:** business; E-commerce; electronic environment; economic development; electronic technologies.

## **INTRODUCTION / ВСТУП**

**Formulation of the problem.** Electronic commerce is an industry where the process of buying and selling services/products is carried out using electronic technologies such as the Internet and other computer network. The Internet is a source of information that we use on a daily basis. It shaped the economic, social, political environment around the world. It includes any type of activity and has simplified the communication ways between people. It is through the use of the Internet that fields such as: education, economics, public care are developing. The Internet contributes to the economic stability, growth and development of countries around the world. As a result of the invention of the Internet, E-commerce evolved over time and has spread all over the world. It is an one of the important sectors of the E-market that gives entrepreneurs the opportunity to invest in open markets anywhere in the world, where they will achieve a competitive advantage by creating high-quality services / products, create a consumer segment and constantly work on innovations, because any field, no matter how successful to be at a certain stage, it is necessary to permanently introduce innovations and discover/use innovative technologies. Investing in E-commerce is necessary for the economic development of Georgia, since electronic technologies were introduced late in Georgia, the E-market of Georgia is significantly behind the level of development of the countries in the world, and therefore the economic level is different. It should also be noted that the role of E-commerce is not properly evaluated, because we do not have proper information about the share of E-business in the GDP, how many E-commerce companies operate within the Georgian market. What is their annual

turnover and profit? How effectively do they use electronic technologies? What are the results for the economic development of the country?

It is necessary to form the E-commerce industry as it is in European and other developed countries, and the use of their practices will bring outcome for Georgia – in terms of employment of the local population, increase of incomes, attraction of foreign, high-budget investors and company representatives, interest and improvement and development of the state economic situation.

**Analysis of recent research and publications.** Nowadays, the portion of E-commerce, which is characterized by an Internet-based trading structure and offers a simple and effective way of improving business activity, is rapidly increasing. The simplicity and efficiency of this form of business activity is expressed in lower operational costs, unlimited access to the world market and increased productivity. The benefits of E-commerce are becoming particularly apparent during the pandemic of Covid-19. In the state of emergency, governments manage to avoid economic crisis through online platforms [7, p. 136].

As part of the company's market strategies, E-commerce offers the use of such techniques as an electronic business card, which includes information about the company's activities. Also, electronic catalog, electronic trade (E-trading); electronic store; electronic accounting, etc. [16, p. 2].

«Traditional methods of developing a new product online are not fast and flexible due to the production cycle, so companies are forced to be the first adopters of new opportunities to meet the customer needs and offer a new product in a timely manner. This method relies on flexibility and operational feedback from the customers» [4, p. 147].

New business models of E-commerce are becoming more relevant. With the E-commerce, the mobile commerce market is taking place and they are different from each other." As for mobile applications, there are many important applications that have the functions and capabilities of mobile devices to collect data about users and to use the collected data to effectively provide services to them. The new business model of electronic and mobile commerce, which are based on applications of mobile phones, or concentrated around applications (app-centric) through the similar channels [8, p. 71].

As a result of good organized electronic commerce, business processes become more transparent, and therefore the competitive environment becomes better, it can become an obstacle for hidden monopolies, management costs and state poverty are significantly reduced, and it's the best chance to use an eco-friendly electronic technology [5, p. 3–4].

«The use of electronic technologies in business has a great potential that needs to be managed wisely. In this field, electronic technologies have presented enormous horizons of goal achievement, profitability, expansion, production and

management efficiency. In recent years, the interest of companies in the Internet sphere has increased and they have even adjusted their potential and resources. By adopting electronic technologies, companies get direct or indirect profits. Companies use electronic marketplaces for offering their goods or services, for marketing research, for supplies, etc. Buyers use electronic markets to search for information, choose goods or services, place orders, pay by credit card or use electronic payments» [9, p. 53].

«In the development of electronic business, the introduction of the latest innovative methods of information technology and economics is evident. In developed countries, E-business is an important trigger for socio-economic development. A large number of companies are getting involved in E-commerce and E-business» [3, p. 84].

«The producer-consumer concept as a means of technological progress has the potential to be introduced in almost every sector of the economic situation and to increase the involvement of consumers in the creation of the products» [1, p. 31].

«Information technologies are changing the modern global economic system. There is an emergence of production operations based on absolutely new principles, which are related to the information flow. Accordingly, the mentioned tendency causes the changes of production technology and affects its economic side. The modern propensity to place the main information bases, flows, software in the network simplifies the processes of creation, movement, management and control of information flows in companies, which has a positive effect on the process of making investment decisions and selecting the optimal ratio of production factors» [11, p. 20].

«E-commerce has transformed the entire retail sphere within the company and significantly changed customer expectations for customer service and customer experience. It allows consumers and businesses to communicate without facilitators. It helps to establish the proper communications and make deals in a short period of time. Comfortableness is also a great advantage, without leaving home, a person can buy the product from the website at any time of the day» [12,127].

## **AIM AND TASKS/ МЕТА ТА ЗАВДАННЯ**

The *purpose* of the article is to study the positive and negative outcome of E-commerce and E-business, including the tendency of E-commerce in Georgia and the experience of using E-commerce by different companies.

In accordance with the specified goal, the following *tasks* are set in the article: to analyse the world practice of E-commerce and E-business; to study the

electronic business environment of Georgia, current trends and possible perspectives of development of electronic commerce.

## **THE THEORETICAL BACKGROUNDS / ТЕОРЕТИЧНІ ОСНОВИ ДОСЛІДЖЕННЯ**

Using an E-commerce strategy is essential for any business activity. In order for a company to achieve success, it must have a tight connection between corporate strategies and E-commerce strategies. Electronic commerce is an industry where products and services are bought and sold through electronic means, such as the Internet, which is one of the most important sources of information. Electronic commerce is based on mobile commerce, electronic transfer of funds, supply chain management, internet marketing, online transaction processes, and electronic data exchange. People use the mentioned ones every day and E-commerce is becoming a part of our life, because electronic technology has developed so much, that person can get the desired service/product without leaving home, using the remote services.

Electronic business is aimed at increasing the effective management of the company. It envisions the transformation of business processes through Internet technologies. Technological progress has radically changed the way of businesses activity. This industry has made it possible for companies to manufacture and offer their services/products even in countries where they never imagined they could do business activity.

## **RESEARCH METHODS / МЕТОДИ ДОСЛІДЖЕННЯ**

The scientific work includes the analysis and review of literature and empirical studies of Georgian and foreign authors, as well as the elaboration of the experience of using electronic commerce of international and local organizations.

Qualitative methods of information collection, analysis, contrast and comparison are used in the scientific paper. It is worth noting that the paper contains an electronic survey of the staff of one of the successful companies – «Majorel Georgia», since the company operates successfully in the E-commerce industry and achieves the desired results, continuing to improve the quality of service for customers, as well as the development and growth of the working staff.

## **RESEARCH RESULTS / РЕЗУЛЬТАТИ ДОСЛІДЖЕННЯ**

We live in a rapidly changing world where technology is developing very fast and of course this development is aimed at making our lives easier, but adopting new technologies has both positive and negative consequences. New

technologies create new markets and opportunities. One of the important sources of electronic technology is the Internet, and with the use of the Internet, many transactions are made possible through online platforms. When considering E-commerce, it is necessary to distinguish Internet advertising, because in terms of conducting activities, it is the most effective means of spreading information to a wide audience. Since the world uses the Internet, it is one of the most important sources of receiving information, the company should create strategic Internet advertising on such platforms, and it will be possible to spread information.

In Georgia, Internet advertising resources are not utilized, but it is necessary to develop and invest in the development of such Internet advertisements, which will help the companies operating in the Georgian market in effective management.

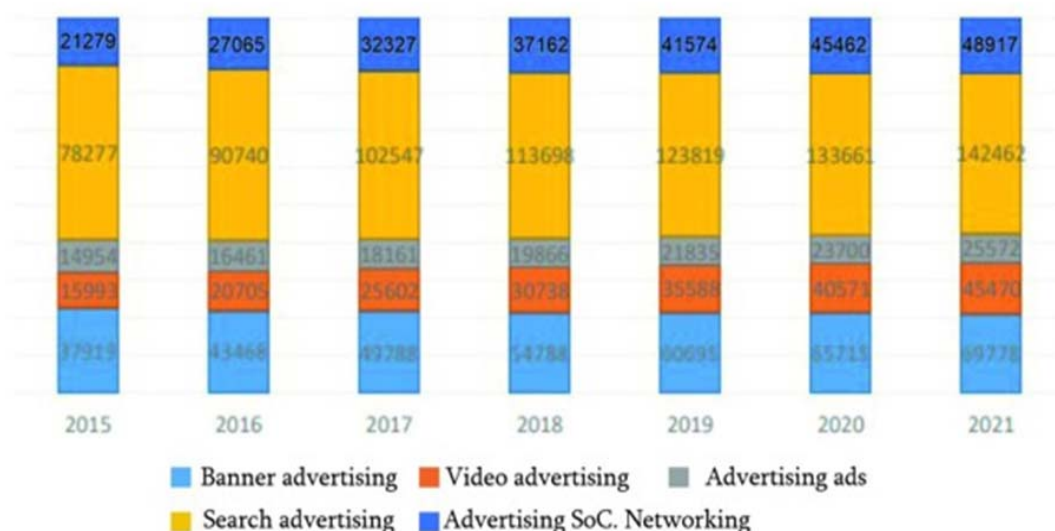


Fig. 1 Global internet advertising revenue 2015–2021 (Forecast period) [27]

When the company competes successfully and achieves the desired result (making a profit), it first of all affects the economic situation of the country. The more Georgian companies will operate in the market, the more the economic flow will increase, and this is good both for the political situation and for the improvement of the situation of the local residents.

Internet advertising is considered as the most effective means of communication and information influencing the audience. Its market is dynamic. Advertising on the Internet is much cheaper than when using mass media, print media [4, p. 45].

One of the examples of E-commerce platforms is «Trendyol», which is based in Turkey (the headquarter is located in Istanbul). «Trendyol» works within the structure of Trendyol Group. Founded in 2010 by Mr. Demet Mutlu, Trendyol is a private company specializing in the fashion and retail sector [16, p. 1]. In August 2021, «Trendyol» signed agreements to raise \$ 1,5 billion from several high-profile investors, valuing the company at \$ 16,5 billion. With this new funding, «Trendyol» becomes Turkey's first decacorn (a term given to startups valued at more than \$ 10 billion). The round was led by General Atlantic, SoftBank Vision Fund 2, as well as Princeville Capital and Sovereign Wealth funds, ADQ (UAE) and Qatar Investment Authority. The platform was approved as a research and development center in 2019 by the Ministry of Industry and Technology. «Trendyol tech» specializes in: native language processing; real-time data analysis; data visualization; data collection; Uniting different brands in one space; Offering fast service to customers all over the world [16, p. 1].

Companies operating in the E-commerce industry have also developed in recent years, especially since the COVID-19 pandemic. Majorel is one of the leading companies in the global BPO (Business Process Outsourcing) industry, which unites more than 73,000 employees in 35 countries and is a partner of about 500 companies worldwide. Majorel is one of the best examples of a business that uses E-commerce successfully and gets the desired results, both in terms of revenue and in terms of offering the highest quality service to customers and service personnel. For Majorel, continuous development of the staff, increase in motivation and creation of a comfortable, pleasant working environment are very important. The E-commerce project produced by the company is German, English and Russian and involves providing remote technical support to customers [20, p. 1].

E-commerce is the most important part of sales, which creates a comfortable environment for consumers and different types of businesses activities to trade. It should be noted that in Georgia, E-commerce has developed dramatically since 2020, due to the pandemic caused by COVID-19, and its income amounted to GEL 137,9 million. The mentioned amount will have a positive impact on the turnover of the state's economic situation, as well as on the living conditions of the local residents. The more efficiently the industry and the firms in it operate, the more the income level of the country increases and the economic situation improves. Economic development is necessary for Georgia, because it has the potential to be one of the most demanding markets for foreign investments. The state should be involved in attracting foreign investments in order to further develop E-commerce in Georgia.

The global outbreak of the COVID-19 has had a major impact on international trade, national economies, and even the existence of many

companies. First of all, the above-mentioned pandemic has created the need for social distancing. Those firms survived that quickly mastered online platforms and were able to move their activities to the online platform. However, it is a difficult process, but the business activities require rapid assimilation of innovations, constant study of the changing segment, and the further development of such products and services that correspond to the requirements of a specific market segment.

Since 2018, E-commerce has been actively growing and developing. That is why the percentage of the market increased significantly (from 11 % to 23 %). In addition, before the pandemic, many home appliance brands were already actively using the remote sales and subsequently, such companies were ready to face 2020 and large-scale changes [23, p. 1].

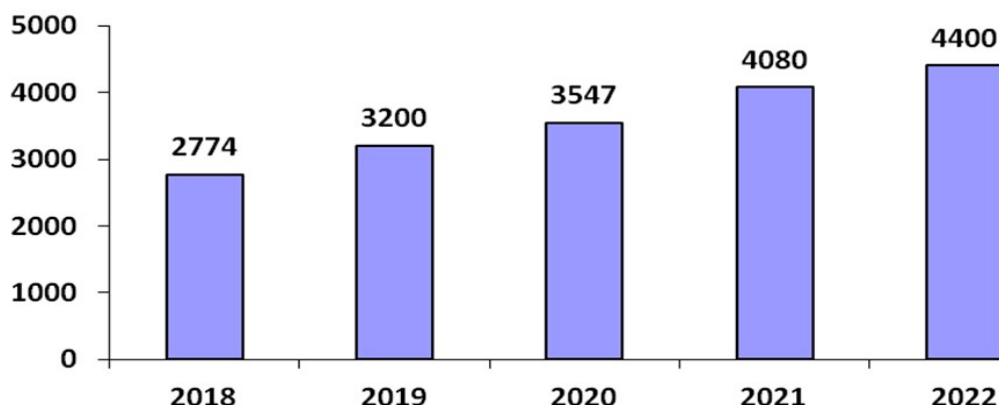
The analysis carried out since 2017 revealed that the best seller products in Georgia in the sphere of E-commerce were: household appliances, electronics, furniture, clothes, accessories and others. To buy the mentioned products, customers mainly use the following foreign platforms: «Amazon»; «Ebay»; «AliExpress». From Georgian platforms: «Mymarket»; «Extra.ge»; «Vendoo»; «be.ge» [23, p. 2].

In Georgia, the share of E-commerce users falls on the young population and is much more relevant among the population living in cities than among those living in villages due to such factors as – finances, income, level of Internet coverage, technical and material factors.

According to the data of 2018–2020, those who use E-commerce, the amount they spend in this direction is rapidly increasing, because the purchase process is convenient and sales are carried out in efficient ways, and all over the world. It should also be noted that by 2020, E-commerce in Georgia would make up only 1 % of retail trade, which is quite low compared to developed countries [15, p. 5].

Despite the fact that the E-commerce business is expanding, developing and the share of sales in this field is also increasing, online shopping is not available for Georgian consumers. In order to resolve this issue, the online retailer needs to have the following features: detailed product description; catalogs of products and prices, the possibility of refunds, the possibility of exchanging products, different payment methods, improving the delivery service. In America, businesses that use E-commerce will generate \$ 4.88 trillion in online sales revenue (as of 2022). E-commerce is gradually replacing traditional trade and is a direction that is effective for managing business effectively, as well as taking care of customers, getting the desired service/product in a safe way and meeting their needs and requirements [15, p. 8].





*Fig. 2 Dynamics of E-Commerce Development 2018–2022 [29]*

E-commerce has changed the world business and has given the world a trigger to improve and develop commercial business more. In the world market during the pandemic, mainly those companies survived who were able to use the online system and form a business in the direction of E-commerce [10, p. 9].

Countries are engaging in network commerce and this is affecting the internet economy. The income from internet sales worldwide is increasing every year. According to statistics, in 2018 Internet sales amounted to USD 2774 billion, and in 2022 – USD 4400 billion. Without the E-commerce, many businesses would not be able to develop and even exist. For many companies, this is a way of survival. The need for E-commerce was emphasized due to the pandemic. The whole world has been trying to develop an online system for learning, purchasing personal items, managing business, earning income, etc. Like other business models, E-commerce has both positive and negative effects.

*Table 1*

**Positive and negative aspects of E-commerce**

Positive Aspects	Negative Aspects
Low cost	Constant control of the platform
Worldwide Market	Personal safety
Constant Work	Product and price comparison
Feedback and Analysis	Great competition
Offering the best products	Internet access
Simplicity of hiring professionals	Using a credit card
Rapid growth and sales growth	Safety
Access to Clients' information	Quality and Time
Detailed description of each product	Rapidity
Multiple Choice	

Note: The table is prepared by the authors

Hence, the advantages of E-commerce are:

- a) Provision of global opportunities, which implies the absence of geographical barriers. Anywhere in the world it is possible to sell a product/service and have a customer. Buyers and sellers meet each other in the virtual world;
- b) E-commerce reduces costs and does not require a large budget to start. also gives the company the opportunity to make high profits;
- c) Fast delivery of goods/services to customers and time management;
- d) Good market expansion opportunity. It is possible to reach clients worldwide, at any time and attract different clients from anywhere in the world;
- e) E-commerce allows consumers and businesses to communicate directly with each other, without facilitators. It helps to establish the right communications and to make deals in a short period of time;
- f) Convenience is also a great advantage, without leaving home, a person can purchase food products from the website at any time of the day. It does not have business hours like a store.

E-commerce also has negative effects:

- a) Lack of interpersonal relationships that are important to many firms and the production of quality products/services. It may even affect a specific business area;
- b) Security is one of the biggest issues in E-commerce. misuse of credit card data; theft of personal information; theft of user card; This leads to customer distrust and anger;
- c) Inviolability from the customer's side is also a problem for some customers because they prefer to fit and pay on the spot in the store, rather than waiting for some time and having the fear that the purchased item will not meet their expectations;
- d) There are also problems that may arise as a result of placing an order, such as transportation, delivery.

The SWOT analysis (table 2) presents both the Strengths and Weaknesses of E-commerce.

It should be noted, that the growth of E-commerce has both positive and negative aspects. The negative side is mainly associated with security, but with the development of technologies, it is possible to control privacy and security. Nowadays, the investing in E-commerce is the right strategy and effective move. It should be noted that the modern world is impossible without the Internet, and the E-commerce industry has given many companies a second chance to survive, especially during the pandemic. Many businesses are profitable, that's why its importance is growing more and more in the world's leading markets.

According to the information of the Ministry of Economy and Sustainable Development of Georgia, Georgia's position in the 2021–2022 Global

Competitiveness Index of the World Economic Forum has improved in terms of innovation. The country's positions are increased in such components as [10, p. 15]:

- Innovations and adoption of new technologies (with 6 positions).
- Foreign direct investments (with 3 positions).
- State purchases in the field of technology (with 6 positions).

Table 2

### SWOT analysis of E-Commerce

<i>S – Strengths</i>	<i>W – Weaknesses</i>
Low cost	Hidden costs
Availability	Expenses
Feedback	Personal Safety
High Qualified Personnel	Delays in Shipment
Income Increase	Price and Product Comparison
Consideration of Customer Needs	Lack of Interpersonal Relationships
Simple Transactions	Long Delivery
Time saving	Fake websites
Comfortable	
Multiple Choice	
Dissemination of Information Worldwide	
<i>O – Opportunities</i>	<i>T – Threats</i>
Constant Development	Privacy and Security
Sales Growth	Server Error
Competitiveness	Delivery/Transportation Delays
Global Expansion	Monopoly
New Technologies	Competition
Feedback (24 Hours)	Innovations
Business expansion and growth	Changes of the Environment, Law and Regulations
Reducing local competition	Risks
Advertisement/Promotion	

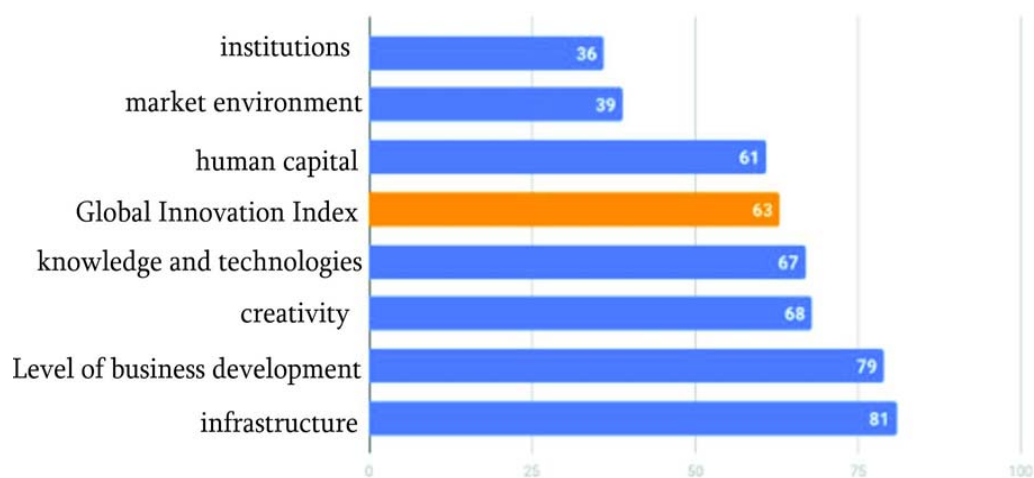
Note: The table is prepared by the authors

Since 2012, the «Global Innovation Index» has been published every year, and its purpose is to show the world's trends in terms of innovation. It indicates to countries the conditions and environment necessary for innovation to develop [19, p. 1]. Investing in E-commerce is necessary, because it is a good chance for companies to achieve the desired goal in a simple way, using new technologies. In order to attract investments, the following criteria should be considered: human capital, market development, infrastructure, knowledge and technology production, institutional arrangement. «One of the special

requirements of the direction of modern investments is the presence of scientific and technological skills in the country, which is directly related to the development of intellectual and patent policy. All attention should be focused on the following components – the quality of research institutions, spending on research and development» [11, p. 56].

The more sustainable the economic situation, the better the country's potential, the employment and quality of life of the local residents. Accordingly, E-business must be developed in Georgia, because Georgia still stands behind developed countries in terms of the use of E-commerce, and for our country it is a necessary source for increasing income and economic status. It is also worth noting that selling products online allows overcoming geographical boundaries. Companies should expand their product range worldwide, and this is possible by analyzing risks, studying the market segment, based on the definition of customer requirements/needs. As a result of observing the indicators of Georgia, the index revealed a positive trend in terms of the connection between the GDP of the country and innovativeness.

Based on the review of recent years, in the 2019 study, in terms of innovation development, Georgia ranked 48th with 36,89 points, as a result of which it entered the top fifty for the first time in the history of the index. However, as of 2020, the rating has deteriorated by 15 places. In the same year, the number of investments decreased and the production of innovative products decreased accordingly. Government policies can significantly improve the situation. The government can change its approach to the market and develop safety standards. Without its involvement, it is impossible to form and improve a business environment favourable for entrepreneurial activity [18, p. 2].



*Fig. 3 Ranking by categories [28]*

The promotion of Georgia's position in the ranking of the Global Index of Innovation is remarkable, but it should be noted that the country is facing significant challenges that need to be approached and overcome in the proper way. Georgia is considered a country with a low innovative culture in the strategy prepared for Georgia by the European Bank for Reconstruction and Development. According to the document, low-level innovations and research are caused by the fact that small and medium-sized entrepreneurs of Georgia invest less money in research and development, which prevents the creation of innovations and ultimately results in ineffective results. According to the Global Index of Innovation study, Georgia still occupies a low position in the components that are the main source of innovative development in the long term. In particular, the situation is not favourable in terms of political stability and security. Also, in relation to the GDP, Georgia occupies the 86th place in terms of spending on education. It should also be noted that the country is not innovative in terms of creativity, and its refinement is one of the important factors for attracting investments [19, p. 3].

It is necessary for the competent bodies to carry out such measures that will contribute to the elimination of existing problems, improvement of the state of the country and the process of sustainable development, so that all the mentioned factors are reflected in the economic growth of Georgia.

In Georgia, as well as in other countries, the state is actively involved in conducting activities based on information technologies. There are many events that contribute to the development of this direction, but compared to other countries, this process is taking place at a slow rate in Georgia. The share of online trade in total sales has increased significantly during the period of COVID-19.

According to «GALT & TAGGART» data, the size of the local E-commerce market in Georgia increased 3,2 times annually in 2020 and amounted to GEL 137,9 million. Despite the rapid growth, the growth rate of E-commerce in Georgia stands behind the level of developed markets. Compared to other countries, the average annual consumer spending on online shopping in Georgia is significantly low – 950 GEL in 2020, which is 3 times lower than the indicators of European countries [22, p. 1–2].

The most demanded category of local E-commerce in Georgia is electronics, household appliances. It should be noted that companies in this sector started investing before the spread of the pandemic, therefore compared to other sectors; they were more prepared to face the difficulties and imposed restrictions [18, p. 1].

With the use of modern technologies, the use of the Internet has become available world-wide. Internet is a necessary resource for E-commerce, because if a person does not have a good internet connection, he will not be able to make online purchases. In some regions of Georgia, there is still a problem of internet

coverage. The state should achieve large-scale access to the Internet, as this is a necessary factor for investors as well. The proportion of online traders is higher among urban residents than among rural residents [22, p. 5].



Fig. 4 The share of people who purchased goods/services online [22]

The share of consumers is higher for urban residents (27,4 %) than for rural residents (9,1 %). Despite the growth, the share of Internet merchants in Georgia is still low compared to developed countries. The younger generation has embraced the online space more easily than the older generation. Georgian consumers are mainly interested in international online trade. This is due to international companies offering a variety of products at low prices. It is worth noting that the spread of the COVID-19 pandemic has forced local companies to expand their digital offerings. Local online stores can expand the market, increase competition and attract customers from foreign companies, so they must use all the resources they have at their disposal.

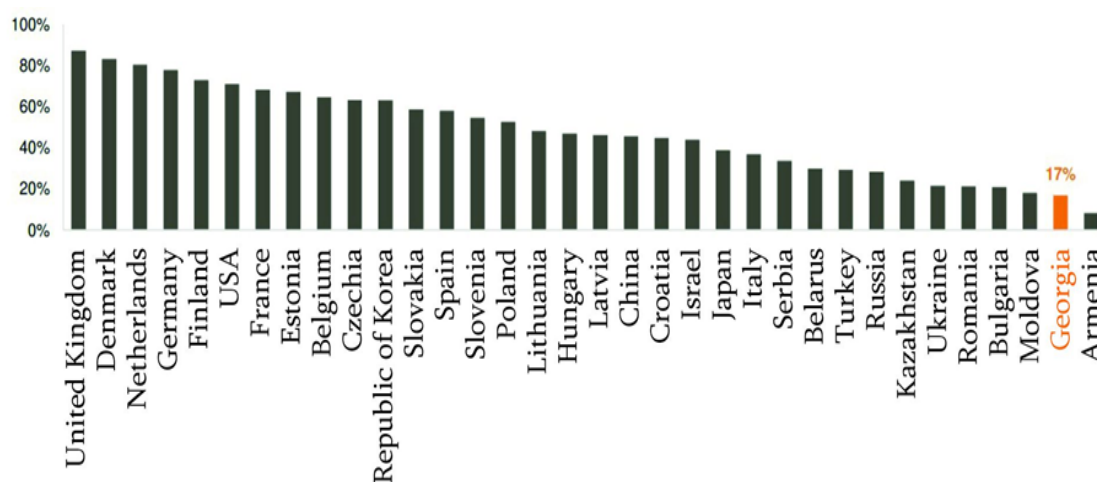


Fig. 5 Share of online retailers in total population (2019–2022), based on latest data [22]

Despite the fact that finances are an obstacle to the spread of the Internet in Georgia, our country still actively tries not to stand behind technological innovations and actively uses the Internet economy in the leading sectors – tourism, taxation and etc. To fill this deficit, direct foreign investments are an important element for the development of countries with developing and transition economies, because it is an important means of inflow of capital, knowledge, and new technologies. It helps to create new jobs and stimulate the rapid growth of the economy, which is necessary for Georgia to be able to develop more and take a solid position in the world market. «In order to attract investments in the service sector, it is necessary to promote new technologies. One of the important recommendations in this regard is to accelerate the transition to 5G, which will encourage local and foreign startups to implement business projects based on technology and innovation» [13, p. 17].

For developing countries, direct foreign investment flows are particularly important. Competition is increasing globally, so companies are trying to increase their investment offers as well. After the pandemic, direct support financial mechanisms became more important for investors. 80 % of business leaders surveyed by «EY» in 2021 consider motivation packages offered by governments as the most important when selecting investment locations.



*Fig. 6 Decisive factors in choosing investment locations [28]*

In the sphere of tourism, in the absence of online bookings, the travel process would be very complicated and the comfort of customers would not be at the same level as it is now. Today, the fastest source of information dissemination is the Internet. Many platforms have been created where people have the opportunity to socialize with each other; to purchase services/products without leaving home and to receive large-scale information related to issues of interest to them. Having information helps consumers make decisions. The presence of the Internet also contributed to the establishment of mobile banking. This system made transfers easier. The Internet significantly increases the level of education. This process promotes employment, which has a positive impact on the country's economic situation.

Almost all home services can be purchased online (food for example). There are two biggest players in the market of food products delivery in Georgia – «Glovo» and «Wolt». Both are international companies and are present in more than 20 countries around the world. According to «GALT & TAGGART» estimates, in 2020 E-commerce expenses outside the borders of Georgia amounted to GEL 459 million. Between 2019 and 2021, these costs have increased by an average of 40,3 % annually. The 4 largest companies account for 2/3 of all purchases: Amazon; AliExpress; eBay; Taobao. It is necessary for large companies to be interested in the resources available in Georgia, because the more investments will be made in the mentioned direction, the faster the economic, political and social situation of Georgia will develop. The number of employees will increase and, accordingly, the incomes of the local population will increase [22, p. 8].

The number of visits to online stores in Georgia in 2019–2021 increased 3–4 times and reached its peak in January 2021. Unfortunately, non-specialized online stores met the pandemic in Georgia with more or less organized online platforms. The situation created as a result of the pandemic was even fatal for some companies [22, p. 10].

Improving technical functionality will increase the time visitors spend on the website and the probability of purchasing products. User-friendly interface, personalized recommendations, efficient search engine, lead to more engagement in international online stores compared to local websites. Georgian users, on average, spend twice as much time on international E-commerce websites than on Georgian websites. Improving user experience is important to attract and retain customers.

Cyber security is one of the most important areas of Georgia's security policy, which includes the protection of infrastructure and facilities from attacks, as this poses a threat to the population, the business process and the state. Developing E-security is a necessary precondition for investing in E-commerce.



The state should develop security systems that will protect consumers from cyber attacks.

*Table 3*

**Data of users of Georgian and foreign online stores [22]**

Date	Georgian online stores			International online stores		
	Number of pages per 1 visit	Average Duration Minutes: Seconds	Bounce Rate	Number of pages per 1 visit	Average Duration Minutes: Seconds	Bounce Rate
May - 20	5.4	06:58	40%	9.4	13:27	31%
June - 20	4.9	05:34	44%	9.0	14:51	29%
June - 20	5.1	07:51	43%	8.4	12:52	29%
August - 20	5.8	06:51	42%	7.6	12:02	29%
September - 20	6.4	07:48	39%	8.5	11:15	30%
October - 20	4.8	06:10	45%	9.4	11:58	28%
November - 20	5.2	07:45	40%	8.5	12:34	29%
December - 20	5.6	07:13	39%	8.7	12:00	27%
December - 20	5.0	07:04	44%	8.0	10:50	26%
January - 21	4.8	06:44	46%	8.5	12:15	30%
February - 21	4.7	08:10	45%	8.6	13:35	29%
March - 21	4.9	07:53	47%	8.5	14:54	31%
April - 21	4.4	05:34	44%	8.8	15:59	34%

According to the research of the National Statistics Office of Georgia, in the last 12 months, 23,8 percent of the population purchased goods or services through digital channels. Compared to last year, sales increased by 2,6 %. 28,8 % of Internet users use E-commerce in urban settlements [22, p. 15].

E-Commerce Association believes that the importance of E-commerce will increase significantly in 2020. It was especially difficult for the regions to form a supply chain during the pandemic. They were forced to switch to an electronic system. As a result, E-commerce has proved to be efficient and convenient for them as the growth rate has been maintained. Digital education is necessary to stimulate E-commerce because people who have used online shopping at least once are ready to use these services again. The role of electronic commerce is becoming more and more important, both for Georgia and for other countries worldwide. This is due to the rapid development of digital technologies and changes in consumer behaviour. It should be noted that the creation of an online store is of critical importance for any merchant if he wants to take a place in the market and compete with other companies. Although the business sector of Georgia is characterized by a positive trend, its development is still facing challenges. Improving the investment environment and increasing competitiveness requires the implementation of reforms in this sphere, finance, development of entrepreneurial skills and encouragement of innovation, which

will have a positive impact on the country's sustainable economic development [17, p. 7].

In the E-commerce industry, a customer and a company representative communicate via the Internet. In Georgia, as in other countries, online trade is quite widespread. The population uses such large-scale sites as: «Amazon»; «E-bay»; «Alibaba.com»; «Taobao.com»; «Trendyol».

The number of visitors to online stores continues to grow. Amazon.com is one of the largest players in the E-commerce industry, attracting an average of 350,000 visitors per month from Georgia. Amazon is followed by ebay.com, aliexpress.com – with 160 thousand Georgian visitors daily [22, p. 14].

It should be noted that the rate of development of E-commerce is determined by the level of economic development of a specific country, digital infrastructure, availability of banking services and demographic trends. Georgia should make maximum use of the existing trends – high accessibility to the Internet; developed banking sector; but at the same time, Georgia has a low purchasing power and a low rate of urbanization.

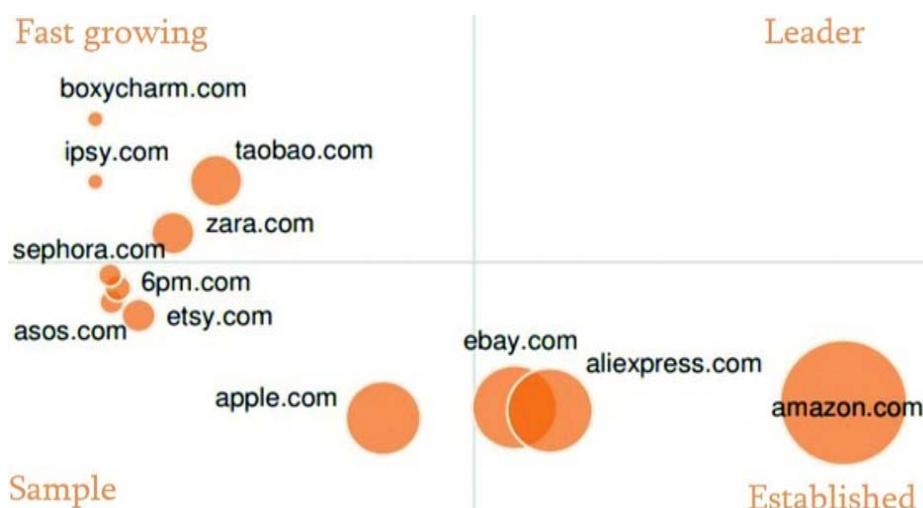
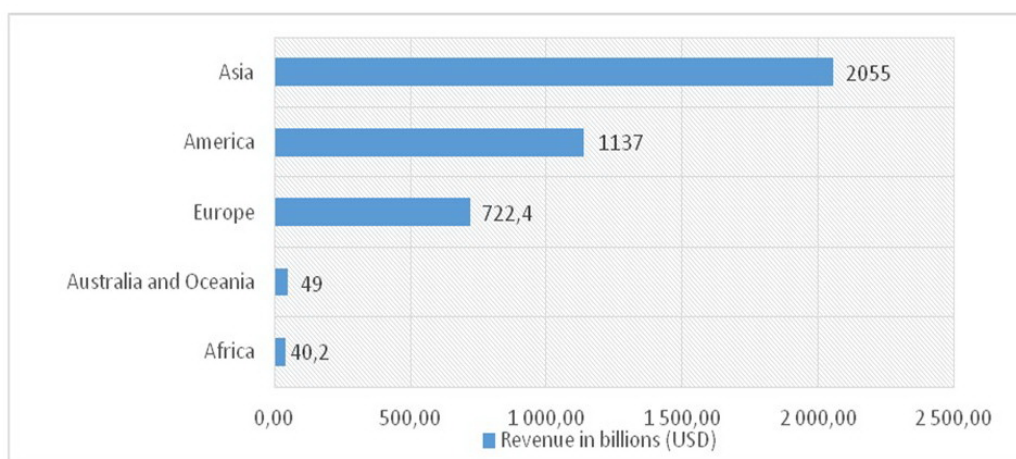


Fig. 7 Leading foreign online stores in Georgia 2020–2022 [22]

The role of E-commerce is becoming important all over the world. According to information published by the communications regulator CNMC, E-commerce in Spain started to grow by 24,8 % in 2017. During the first three months of the year, more than 115 million transactions were carried out in the Spanish market. Direct marketing, CDs, books, and newspapers are the areas of activity where E-commerce transactions predominate [22, p. 16].

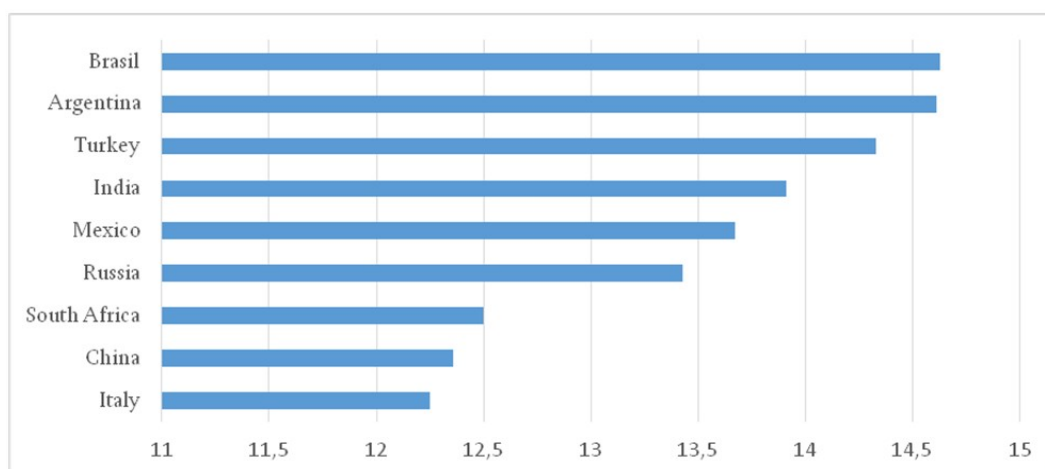
Online shopping has a growing progress rate. E-commerce challenges people to come up with innovative ideas to surprise their customers and offer services that destroy the competition. Companies are trying to develop effective

strategies in order to create a unique service in the E-commerce industry and to provide their customers with the desired product with ease and quality. For example, the company «flytrex» launched a fully autonomous aircraft on the market, which can reduce delivery time by 75 %, and shipping costs by 60 %. Autonomous drones can travel much faster and cheaper than trucks [22, p. 19].



*Fig. 8 Total retail E-commerce revenue worldwide by region (2023) [28]*

Over the past few years, E-commerce has become an indispensable part of global retail. Like many other industries, the buying and selling of goods has undergone a substantial transformation, and thanks to the digitization of modern life, consumers worldwide have the benefits from online transactions. As global Internet access and adoption has grown rapidly, with more than five billion consumers worldwide who regularly use the Internet, purchasing products/services online has certainly influenced the development and expansion of the aforementioned industry.



*Fig. 9 Annual growth rate of sales in the sphere of retail E-commerce (2023–2027) [28]*

In 2022, retail E-commerce sales will exceed \$ 5,7 trillion worldwide. (See Chart 7 for total retail E-commerce revenue worldwide by region). As the data shows, Asia has the highest total retail E-commerce revenue by 2023 – more than USD 2 trillion. America has the second highest income – USD 1.1 trillion. And Africa's E-commerce revenue remains the smallest in the world at \$ 44 million [15, p. 20].

According to the data, we can conclude that the share of online merchants in Georgia is still low compared to developed countries.

Georgians' E-commerce spending abroad was GEL 459 million in 2020 and grew by an average of 40.3 % annually. Moreover, the four largest online platforms – Ebay; Amazon; Taobao; Aliexpress accounts for 2/3 of all foreign purchases, but smaller companies are also realizing the benefits of E-commerce and are increasingly competing in the clothing, accessories, beauty and cosmetics retail sectors. Low prices and a wider selection of products are the main advantages of foreign online stores [22, p. 12].

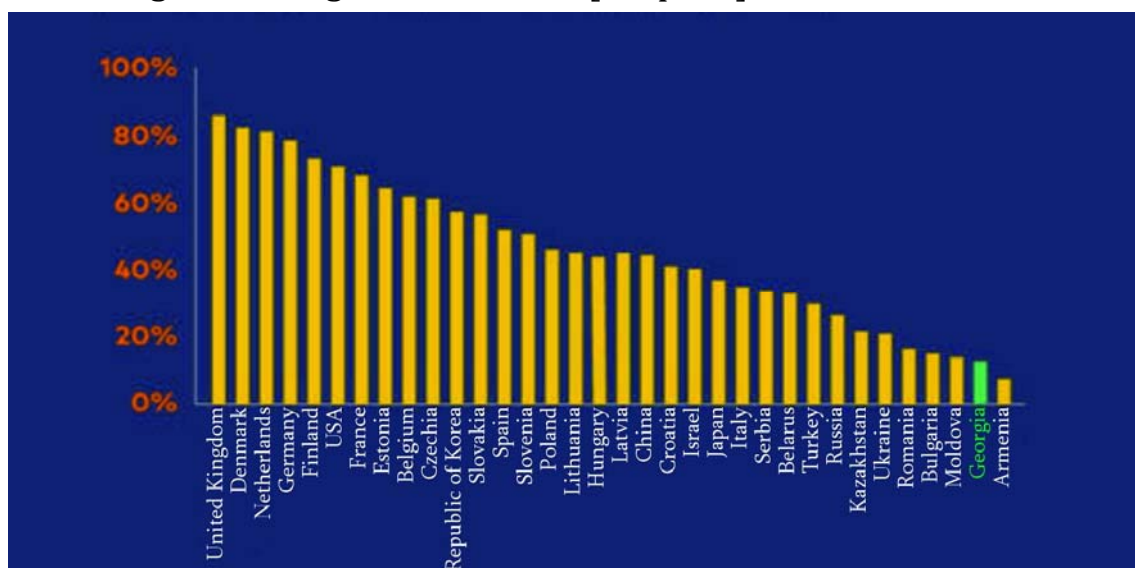


Fig. 10 The share of online merchants in the total population (2018–2021) [22]

In accordance with the foreign platforms, four largest online shopping networks are distinguished in Georgia [22, p. 10]:

Mymarket.ge (mainly C2C model), which is the largest retail platform in Georgia and is visited by more than a million visitors every month, which is quite a good indicator.

Extrage – the largest BC2 platform (with about 500 thousand visitors every month);

Vendoo.ge – with 230 thousand visitors;

Be.ge – with 130 thousand visitors;

In order to increase the share of online trades in the online market of Georgia, it is necessary to improve the digital infrastructure, increase the use of Internet/mobile banking, so that the population becomes more accustomed to the online space, since the online system is not protected and has security problems, therefore the companies They need to create online services that will meet customer needs and offer them high-quality products/services quickly and easily.

In developed countries, to encourage online shopping, companies offer various types of promotions, discounts to consumers, which increase their motivation to purchase items online. This practice is still relevant in America. Therefore, when a customer can buy the desired item from the comfort of their home, relatively cheaply, with the prospect of return/exchange, they will obviously prefer online shopping. In developed countries, the degree of trust and security between the customer and the company is at a high level. Trust and loyalty make it easier to establish a solid business relationship, which is an important factor for the existence of the mentioned sphere. The interest of large companies in E-commerce shows that the field is developing and growing. E-commerce accounts for about 20 % of retail trade in the world, and this index is about 2 % in Georgia. Georgia has the opportunity to use its resources and develop the E-commerce industry, which will lead to the creation of new jobs, employment of the local population, development of local production. Currently, more than 400 large and small online stores operate in Georgia [2, p. 10].

Investing in the mentioned business does not require large capital investment and its initiation is accessible to everyone. Due to the fact that E-commerce is not well developed in Georgia's neighbouring countries, Georgia has the prospect of becoming a regional center, and in order for E-commerce to develop faster, it is necessary to remove certain legislative barriers, which will simplify the process of international negotiations in terms of investment.

Majorel is one of the leading companies in the global BPO (business process outsourcing) industry, which unites more than 73,000 employers in 35 countries and is a partner of about 500 companies worldwide.

Majorel is one of the best examples of a business that uses E-commerce successfully and gets the desired results, both in terms of earning income and offering the highest quality service to the client and service staff. Majorel is one of the largest BPO companies in Georgia and serves clients from diverse industries such as: transportation, airlines, E-commerce, social media applications. Currently, the company has about 3000 employees and operates successfully from 5 offices in 3 cities [21, p. 2].

In terms of sustainable development, Majorel has created various programs – the «Feel Good» program is Majorel's global initiative, which serves to increase employee engagement and satisfaction. This program plays a big role in creating a

productive, creative and fun work environment. The program is also tailored to the interests, wishes, and requirements of the service personnel. It is based on the main values of the company – creativity, perfection and mutual respect. The goal of the program is very simple – at each location, each employee should feel good, comfortable and appreciated. The program combines several sub-programs, in particular [20, p. 2–3]:

Feel Good Support – Adaptation, integration, relocation and health care

Feel Good Body – In a healthy body there is more energy and effort, therefore, along with work, it is especially important to maintain balance and maintain sports activities, proper nutrition and create the healthiest life possible. This program serves to perform all these activities in simple ways.

Feel Good Mind – One of the most important qualities of a person, especially for development and growth, is curiosity about work. Majorel cares about creating an appropriate environment for his team members.

Feel Good Soul – Helping employees in both professional and personal development and helping them achieve their goals.

Feel Good Community – Through special campaigns and CSR (Corporate Social Responsibility) activities, Majorel promotes education, life opportunities, participation and inclusiveness both locally and globally.

The goal of Majorel is to always be in progress, to develop, stimulate and motivate the employees. All the mentioned factors affect the company's success, development of correct strategies, creation of high-quality services and continues to operate effectively in different markets of the world. Majorel is sustainable from the ecological, economic and social spheres. It creates an environment where it provides staff with services that will improve their health and mental state. Here is a calm and comfortable environment, where a person is focused on work, is motivated to develop more, because he feels that his opinion, ideas are valued.

The number of similar companies is increasing in the Georgian market, and «Concentrix» has started operating. «Concentrix» is among the top five companies in the world in the sphere of remote delivery of business services. Taking care of the environment is just as important to them as it is to Majorel, and they organize «Earth Days» to protect and clean up the environment. They celebrate Earth Day #EarthDay and do it with pride [26, p. 2].

As well as the Lithuanian company «Girteka», which fully brought the operation center to Georgia. The presence and investment of similar companies in the Georgian market is necessary. Georgia has a competitive advantage, including the qualification of IT specialists, as well as language skills. These skills are a priority for the large companies we discussed, that's why our country's success in this field is inevitable.

## **CONCLUSIONS AND PROSPECTS FOR FURTHER RESEARCH / ВИСНОВКИ ТА ПЕРСПЕКТИВИ ПОДАЛЬШИХ ДОСЛІДЖЕНЬ**

Based on the review of theoretical, empirical literature and various studies, as a result of statistical information and analysis, we can make conclusions about how E-commerce affects the state's economic situation, what challenges E-commerce faces in Georgia. Online commerce, as a leading direction, is developing more and more and becoming more demanding for countries. E-business is an activity where business processes are carried out with assistance of Internet technology in order to manage business effectively, correctly, safely, easily and flexibly. Within the scientific progress, the Internet, which reflects one of the main technologies of electronic commerce, is an important resource not only for our daily existence, but also as a tool for managing various activities, which is clearly visible in the economy of time and material costs.

Nowadays, most of the population enjoys E-commerce and spends a lot of time browsing online. Large-scale companies operating in the E-commerce industry are being created all over the world and are getting the desired result – increasing profits and income. E-commerce is quite a promising direction, and it can be seen in the main results of our research. The main advantage of E-commerce for the user is time saving and convenience. Also, the ability to get the desired service/product easier, faster, at a relatively low price and with better quality than in physical facilities. The share of electronic trade and commerce in the world market is growing at a high rate every year. Of course, electronic commerce has many positive features, but at the same time, its negative aspects should be considered, which are mainly related to security.

It should also be noted, that E-commerce platforms are not limited to selling products. Using modern technologies, it is possible to offer individual services to users: trainings, consultations, mentoring, translation and others. Without the E-commerce many business activities will not be able to develop in the near future and for many companies, it will be the only way to survive, which will bring the desired result and achieve the goal, which includes making a profit.

For the economic situation in Georgia, it is important to encourage and develop the mentioned sphere to invest. The income that E-commerce can bring has a great impact on the improvement of the economic, political and social situation of Georgia. Although the business sector of Georgia is characterized by a positive trend, its development is still facing challenges. Improving the investment environment and increasing competitiveness requires the implementation of reforms in this field, finance, development of entrepreneurial skills and encouragement of innovation, which will have a positive impact on the state's

sustainable economic development. Our country does not have a lot of high-tech industries, that's why it is necessary to achieve social development and economic stability with the Internet economy. With the use of modern technologies, the use of the Internet has become available anywhere in the world. Internet is a necessary resource for E-commerce, because if a person does not have a good internet connection, he will not be able to make online purchases.

There is a great chance in Georgia for the development of E-commerce, for this it is necessary to create more such companies in the market, the direction of which will be E-commerce. More foreign companies need to be interested in the Georgian market and invest in Internet commerce. For the success of an online store, an important detail is the tax system, which should be comfortable for online users to use, therefore details that have a significant impact on the process of creating services/products should be organized. In the direction of electronic commerce, Georgia suffers from a lack of foreign investments. There is a need for the government to focus on such important details that have an impact on E-commerce and investors interested in this business. Investing is also necessary for raising the qualifications of the workforce and the state's competitiveness. Because direct foreign investment in electronic commerce is an important element for the development of countries with developing and transition economies, as it is an important means of inflow of capital, knowledge, and new technologies. It helps to create new jobs and stimulate the rapid economic growth. The more investments are made in the direction of E-commerce, the more the country will develop and we will make the most of such unique resources that Georgia has in terms of geographical location, climate, terrain, and natural conditions. The easier and more efficiently the country will adopt innovations, news and use advanced technologies – of course, it will have a positive impact on the economic, political and social situation of the country. Companies with a similar profile have started operating in the market, which have invested in electronic commerce and will increase their activity in the mentioned direction. However, it will be beneficial for the country's economic situation if the "first swallows" are followed by a large number of similar industrial companies. Therefore, if a particular industry is profitable for the country, it is necessary for the state to allocate financial resources and take care of the interest of both local and foreign investments and further development.

**Prospects for further research in this direction.** E-commerce today must be personalised, fast and uninterrupted – otherwise customers will quickly move on to the next available online platform. In other words, the customer experience must match their expectations, as this is one of the most important ways retailers can differentiate themselves from the competition. Modern technologies help companies to provide services to customers as effectively and



qualitatively as possible. Some service tasks can be outsourced to, for example, chatbots and intelligent virtual assistants, which are available 24 hours and allow automatic execution of these tasks.

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## ЕЛЕКТРОННА КОМЕРЦІЯ В БІЗНЕСІ ГРУЗІЇ: ВИКЛИКИ ТА ПЕРСПЕКТИВИ


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**Анотація.** Електронні технології стрімко розвиваються у світовій торгівлі, тому створюються організації, які ефективно слідують зазначеній тенденції та займають почесне місце у світовому бізнесі за ефективністю використання електронних технологій. Електронна комерція стосується компаній і окремих осіб, які купують і продають товари та послуги через Інтернет. Він впливає на різні типи сегментів ринку та поширюється на розумні пристрої. Майже всі

продукти та послуги, які можна уявити, доступні через транзакції електронної комерції, включаючи книги, музику, авіаквитки та фінансові послуги, такі як інвестиції в акції та онлайн-банкінг. За допомогою електронної комерції товари та послуги можна виробляти, а потім продавати через Інтернет. Майбутнє грузинського бізнесу розвивається в цьому напрямку, тому необхідно постійно перевіряти згадані процеси, ділитися знаннями та підтримувати їх, оскільки це допомагає бізнесу в продуктивності та ефективному управлінні, а також позитивно впливає на доходи держави. та економічна ситуація. Дослідження включає огляд використання електронних технологій у міжнародній торгівлі та аналіз потенціалу електронної торгівлі в Грузії. Основним завданням даного дослідження є дослідження позитивних і негативних результатів електронної комерції та електронного бізнесу, включаючи тенденції електронної комерції в Грузії та досвід використання електронної комерції різними компаніями. Предметом дослідження є електронна комерція та технології, аналіз світової практики, вивчення середовища електронного бізнесу Грузії, поточні тенденції та можливі перспективи розвитку електронної комерції.

**Ключові слова:** бізнес; електронна комерція; електронне середовище; економічний розвиток; електронні технології.

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*Стаття надійшла до редакції  
10 січня 2024 року*