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LEVERAGING DIGITAL MARKETING OPPORTUNITIES FOR THE DEVELOPMENT OF GEORGIA'S ECONOMY

Abstract: Digital reality presents new challenges to the modern world. The development of technology drives the thorough reorganization of traditional systems and the emergence of new fields. Digital marketing represents one of the essential sectors of the 21st century.

This paper examines and analyzes the use of digital marketing within Georgia's economy, the role and importance of digital marketing in the Georgian ecosystem, and the involvement and role of the scientific community, educational institutions, investors, entrepreneurs, and the state in this process. The study evaluates the objectives of using digital marketing tools, the primary challenges in this field, and measures that have been implemented. The research is based on a review of statistical data, an assessment of the government's anti-crisis policies, and the main directions of state programs. Additionally, it offers insights into the current opportunities and new prospects for digital marketing in Georgia.

Based on research findings, the paper presents conclusions and recommendations for utilizing digital marketing capabilities in Georgia, improving the current level of application, addressing existing challenges, and exploring new, promising directions for development in the sector to grow Georgia's economy.

Keywords: Digital Technologies, Digital Marketing, Artificial Intelligence, Economic Growth.

JEL classification: M15, M31

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ციფრული მარკეტინგის შესაძლებლობების გამოყენება საქართველოს ეკონომიკის განვითარებისათვის

აბსტრაქტი ციფრული რეალობა თანამედროვე სამყაროს ახალი გამოწვევების წინაშე აყენებს. ტექნოლოგიების განვითარება განაპირობებს ძველის საფუძვლიან როორგანიზაციას და ახალი დარგების ჩამოყალიბებას. ციფრული მარკეტინგი სწორედ ასეთ, 21-ე საუკუნის ერთ-ერთ მნიშვნელოვან სფეროს წარმოადგენს.

ნაშრომში შესწავლილი და გაანალიზებულია საქართველოს ეკონომიკაში ციფრული მარკეტინგის გამოყენების პროცესები, ციფრული მარკეტინგის ადგილი და მნიშვნელობა ქართულ ეკონომიკაში, ამ პროცესში სამეცნიერო საზოგადოების, საგანმანათლებლო დაწესებულებების, ინვესტორების, მეწარმეებისა და სახელმწიფოს ჩართულობა და როლი. შეფასებულია ციფრული მარკეტინგის ინსტრუმენტების გამოყენების მიზნობრიობა და ამ სფეროში არსებული ძირითადი გამოწვევები, გატარებული ღონისძიებები. ნაშრომი ეფუძნება სტატისტიკური მონაცემების მიმოხილვას, სახელმწიფოს ანტიკრიზისული პოლიტიკის და სამთავრობო პროგრამის ძირითადი მიმართულებების შეფასებას, გამოთქმულია მოსაზრებები საქართველოში ციფრული მარკეტინგის არსებული შესაძლებლობების გამოყენებისა და ახალი პერსპექტივების შესახებ.

ნაშრომში კვლევის შედეგებზე დაყრდნობით წარმოდგენილია დასკვნები და შემუშავებულია რეკომენდაციები: საქართველოში ეკონომიკის განვითარებისათვის, ციფრული მარკეტინგის შესაძლებლობების გამოყენების, არსებული დონის ამაღლების და ამ სფეროში არსებული გამოწვევების დაძლევის გზებისა და განვითარების ახალი პერსპექტიული მიმართულებების შესახებ.

საკვანძო სიტყვები: ციფრული ტექნოლოგიები, ციფრული მარკეტინგი, ხელოვნური ინტელექტი, ეკონომიკური ზრდა.

JEL classification: M15, M31

Introduction. Today, digital technologies are used by a large part of the population of our country, citizens of different backgrounds, education levels, views, and values. Digitization of various activities has made it possible to purchase almost all products without leaving home. Currently, more than 500 large and small online stores operate in Georgia. The number of self-employed people who independently sell subscribed or own products through various online platforms exceeds thousands (Giguashvili et al, 2022). E-commerce and digital marketing have changed how businesses interact with customers and launched new channels to reach target audiences. All products need to be packaged and delivered to the customer, and since doing business is most profitable on the Internet, marketing has also gone digital, and advertising has moved to the social space where most customers are.

The purpose of the study. The main goal of the work is to study the processes of using digital marketing in the Georgia economy and evaluate and develop recommendations to overcome the existing challenges.

The research object is the economic objects in Georgia, the place and importance of digital marketing in the Georgian ecosystem, and the involvement and role of the scientific community, educational institutions, investors, entrepreneurs, and the state in this process.

Research Methodology. In the research process, a systematic approach was used to identify major challenges, conduct an in-depth analysis of the current situation, review existing studies and state programs, and analyze statistical data. Based on this, conclusions and recommendations were developed.

Literature Review. In the digital era, any economic activity or successful business is unimaginable without digital marketing, as most consumers begin searching for information, products, and services online, making digital marketing a powerful and essential tool. Digital marketing is revolutionizing how companies advertise, creating new opportunities and challenges for traditional advertising methods (E-COMMERCE., 2023). One of the main advantages of digital marketing is that companies can create targeted advertisements for specific audiences and deliver them at the right time through digital marketing tools (GROWTH OF E-COMMERCE, 2023). Furthermore, as the number of internet users grows worldwide, people's behaviors are also changing. Modern technology has transformed the buying and selling process. Previously, marketing meant reaching the target audience at the right time and place; now, it means meeting people where they already spend time – online.

Despite differing perspectives in the literature, there is consensus that digital marketing encompasses marketing activities aimed at attracting and engaging consumers through the Internet and modern digital technologies, ultimately turning them into clients. The essence of digital marketing is best captured by the following definition: Digital marketing is any marketing activity carried out through modern technological innovations (Zghuladze, 2023).

In Georgia, the most effective digital marketing platforms are social media, Google's search engine, email marketing, and video advertising. Facebook marketing is an indispensable and most effective platform in Georgia, although activity on Instagram and TikTok has also grown, especially since 2020-2022. Google's search engine offers numerous advertising opportunities, accounting for 89% of Georgian internet searches. Therefore, PR on Google can be achieved through advertising in the search engine and website SEO optimization. Regarding video

advertising, video clips are a powerful tool in digital marketing, as they can be used on almost every platform multiple times. Video ads can be animated, consisting of real footage, or combining animated elements with that footage. For Georgian businesses, YouTube is one of the most effective video advertising platforms [Dr. Tsotne Zhghenti et al, 2022).

It is noteworthy that in developed countries, companies' spending on digital marketing has exceeded traditional marketing costs (television, radio, billboards) for several years. The same trend is observed in Georgia, where companies invest in digital marketing, particularly website creation, social media development, and others.

Discussion/Results. Georgian citizens actively use well-known websites such as amazon.com, eBay.com, Alibaba.com, taobao.com, and other popular international online retail platforms. The local market for retail online sales - a B2C platform, provides established businesses and new entrepreneurs with a complete online store setup, catalog creation, and flexible payment system (Makasarashvili et al, 2024).

Regardless of its scale, companies and businesses need digital marketing. Through digital marketing, it is always possible to attract a wider audience and more potential clients, as doing so in the digital world is much easier, cheaper, and more effective.

Consequently, in recent years, the share of enterprises in Georgia engaged in selling goods/services via the web through the company's website or apps (including extranet) has significantly increased. The share of enterprises that conduct web sales through e-commerce market websites or apps used by multiple companies to sell goods or services (such as MyMarket.ge, Wishlist.ge, Vendoo.ge, My.ge, Procurement.gov.ge, Booking.com, Hotels.com, eBay, Amazon, Amazon Business, Alibaba, etc.), has also grown.

The share of enterprises that had web sales of goods / services, %

		2020	2021	2022	2023
Total	By enterprise's websites or apps (including extranets)	3.0%	2.7%	2.9%	3.1%
	By e-commerce marketplace websites or apps used by several enterprises for trading goods or services (e.g. MyMarket.ge, Wishlist.ge, Vendoo.ge, My.ge, Procurement.gov.ge, Booking.com, hotels.com, eBay, Amazon, Amazon Business, Alibaba and etc)	1.1%	1.9%	1.9%	1.7%
	Did not have	96.8%	96.0%	96.2%	96.2%
Of which:					
Small	By enterprise's websites or apps (including extranets)	2.7%	2.4%	2.5%	2.7%
	By e-commerce marketplace websites or apps used by several enterprises for trading goods or services (e.g. MyMarket.ge, Wishlist.ge, Vendoo.ge, My.ge, Procurement.gov.ge, Booking.com, hotels.com, eBay, Amazon, Amazon Business, Alibaba and etc)	0.9%	1.8%	1.7%	1.6%
	Did not have	97.0%	96.3%	96.5%	96.6%
	By enterprise's websites or apps (including extranets)	8.8%	7.8%	12.0%	11.2%

Medium	By e-commerce marketplace websites or apps used by several enterprises for trading goods or services (e.g. MyMarket.ge, Wishlist.ge, Vendoo.ge, My.ge, Procurement.gov.ge, Booking.com, hotels.com, eBay, Amazon, Amazon Business, Alibaba and etc)	3.1%	3.9%	6.7%	4.9%
	Did not have	90.6%	90.5%	86.5%	87.3%
Large	By enterprise's websites or apps (including extranets)	14.9%	18.0%	22.1%	22.2%
	By e-commerce marketplace websites or apps used by several enterprises for trading goods or services (e.g. MyMarket.ge, Wishlist.ge, Vendoo.ge, My.ge, Procurement.gov.ge, Booking.com, hotels.com, eBay, Amazon, Amazon Business, Alibaba and etc)	6.6%	8.4%	8.5%	12.1%
	Did not have	84.0%	80.6%	76.8%	75.7%

Note: The percentage is calculated only for those enterprises that had access to the Internet during the relevant period.

Source: <https://www.geostat.ge/en/modules/categories/105/information-and-communication-technologies-usage-in-enterprises>

It is noteworthy that the Georgian government actively promotes the adoption of modern digital technologies in the country. The internet environment in Georgia is free, and digital resources are accessible to both the population and businesses. Creating websites and blogs, publishing advertisements, and running marketing campaigns is easy. Consequently, the same trend observed in developed countries is evident in Georgia, with increasing investments by companies in digital marketing, particularly in website development, social media growth, and more (Makasrashvili et al, 2023).

The digital marketing main channel is the Internet; however, it utilizes both online and offline channels. These include email marketing, websites, content marketing, SEO (search engine optimization), social media, online advertising, pay-per-click systems, affiliate marketing, mobile applications, SMS, blogs, and viral marketing. In Georgia, as globally, mobile marketing stands out among digital marketing tools with growing significance, marking a new era in marketing. The opportunities offered by mobile marketing are essential for the digital world. Advertising and marketing are no longer done solely through traditional means; the everyday use of smartphones and other mobile devices has made mobile marketing relevant, providing companies with another way to offer more advertisements and, consequently, sell more products and services. Today, if traditional marketing does not evolve into a mobile strategy, it cannot keep pace with the demands of modern consumers.

According to Geostat data, in the second quarter of 2024, the main purposes for internet use among the Georgian population aged 15 and older were as follows: internet (audio/video) communication (94.7%), social networking (94.6%), internet banking (50.4%), searching for health-related information (47.2%), reading online news/newspapers/magazines (46.6%), searching for information about goods and services (43.1%), receiving/sending emails (37.9%),

downloading software products (excluding games) (15.5%), and searching for jobs or submitting applications (11.8%) (geostat.ge).

Share of population aged 15 and older by purposes of internet use %

		Total	Urban	Rural	Female	Male	15-29 years	30-59 years	60 years and older
June, 2024	Participating in social networks	94.6	94.5	94.7	95.3	93.8	98.7	96.4	86.2
	Reading online news sites/newspapers/news magazines	46.6	52.4	35.8	45.4	48.0	55.2	46.9	37.4
	Sending/receiving e-mails	37.9	45.1	24.2	37.3	38.6	60.4	37.9	15.3
	Telephoning over the internet/video calls (via webcam) over the internet	94.7	97.6	89.2	94.8	94.6	95.5	95.3	92.4
	Seeking health-related information	47.2	50.9	40.2	55.3	37.8	44.8	50.1	42.7
	Finding information about goods or services	43.1	48.9	32.1	44.0	42.0	60.9	45.3	20.0
	Looking for a job or sending a job application	11.8	15.3	5.3	10.2	13.7	27.6	9.9	0.8
	Internet Banking	50.4	59.0	34.2	47.6	53.6	65.0	56.3	21.5
	Downloading software (other than games software)	15.5	19.8	7.3	12.4	19.0	33.2	12.7	4.5

Source: <https://www.geostat.ge/en/modules/categories/106/information-and-communication-technologies-usage-in-households>

As in the rest of the world, enterprises in Georgia are increasingly utilizing modern digital marketing tools, including social media platforms. According to information on the National Statistics Office of Georgia’s website, the use of social media by enterprises has increased in 2024. Specifically, businesses actively utilize social networks (e.g., Facebook, LinkedIn, Xing, Viadeo, Yammer, etc.), corporate blogs or microblogs (e.g., Twitter, Present.ly, etc.), multimedia content-sharing websites (e.g., YouTube, Flickr, Picasa, SlideShare, etc.), and knowledge-sharing tools based on Wiki platforms. However, enterprises proportion still either do not use any of these social media tools or use them solely for paid advertising purposes (geostat.ge).

One of the most notable trends in digital marketing development is artificial intelligence (AI). Over recent years, AI has transformed many industries and marketing is no exception. AI can analyze large volumes of data, make predictions, and provide personalized experiences, making it a powerful tool for marketing professionals. From automating customer service to generating personalized product recommendations, AI is reshaping how companies interact with customers,

increasing sales, and helping companies optimize marketing expenses, thereby reducing costs and boosting revenue (AI Marketing, 2023).

AI can establish patterns in consumer behavior that assist marketers in making better decisions. It can be used to optimize marketing campaigns, improve return on investment (ROI), and identify new growth opportunities. Additionally, AI-generated content and ad creation can help marketers produce attractive and relevant content for social media, email marketing, and other channels. AI can analyze customer data, identify trends, generate information, and create content that is highly relevant to a specific target audience, saving marketers time and resources while also enhancing content effectiveness.

Image and video recognition using AI can be applied in marketing applications such as identifying brand logos in videos, recognizing facial expressions in images, and detecting objects in visuals. This can provide valuable insights into consumer behavior and preferences, and improve the effectiveness of visual marketing campaigns. AI can also analyze customer sentiment, which supports market research.

As AI continues to develop, it is likely to have an even greater impact on the marketing industry. Its capabilities open up broad opportunities for implementation in various directions within enterprises, although, as it stands, usage remains relatively limited. The table below illustrates the distribution of AI usage by enterprises based on objectives, showing that AI is most widely used by companies for marketing and sales.

The distribution of the use of artificial intelligence by purposes

purpose	2020	2021	2022	2023
For marketing or sales	34.8%	24.4%	22.9%	29.9%
For production processes	19.2%	13.8%	12.4%	16.1%
For organisation of business administration processes	11.0%	6.8%	15.1%	12.2%
For management of enterprises	12.5%	15.6%	11.0%	5.4%
For logistics	3.4%	5.9%	19.0%	9.0%
For ICT security	10.7%	18.0%	10.9%	12.3%
For human resources management or recruiting	8.4%	15.4%	8.7%	15.1%
Total	100.0%	100.0%	100.0%	100.0%

Note: The percentage is calculated only for those enterprises that had access to the Internet and used artificial intelligence technologies during the relevant period.

Source: <https://www.geostat.ge/en/modules/categories/105/information-and-communication-technologies-usage-in-enterprises>

The digitalization of marketing and business processes, the development of e-commerce, the improvement of customer experience, and the enhancement of quality are outcomes of the effective integration of artificial intelligence (AI), ensuring sustainable development for business and the economy (AI Georgia).

It should be noted that the European Union and ten other countries, including the USA, the UK, Andorra, Georgia, Iceland, Norway, Moldova, San Marino, and Israel, signed the Council of Europe's Framework Convention on Artificial Intelligence, Human Rights, Democracy, and the Rule of Law. The framework was developed through collaboration among the Council of Europe's 46 member states and 11 non-member countries. The document regulates the use of AI by both government and private companies. It obliges parties to ensure compliance with human rights standards in the technology application or to impose restrictions on their use if compliance is unachievable. In March 2024, the convention was approved by members of the European Parliament, and in May, it was adopted by the Council of Europe member countries. The Georgian government's directive No. 1249, dated September 2, 2024, states that Georgia will sign the Council of Europe's Framework Convention on Artificial Intelligence, Human Rights, Democracy, and the Rule of Law (Decree No. 1249, 2024).

Conclusion. Thus, digital marketing is a powerful tool capable of making any business competitive. To succeed, active online engagement is essential - an effective website, an engaging blog, an active social media presence, a versatile internet advertising strategy, and using digital marketing tools. Social media plays a primary role in business worldwide and in Georgia, where it is a significant platform for customer communication. Social media advertising is highly effective and popular in Georgia, especially on Facebook and Instagram, as these are the most widely used and active platforms in the Georgian market. Social media advertising allows businesses to segment their audience in detail by gender, age, interests, geography, and other elements. By leveraging the influence of social media, Digital marketing is revolutionizing advertising activities despite ongoing challenges such as security on social media and data privacy.

Regarding another emerging direction in marketing, the utilization of AI capabilities, it was observed during the research process that AI use in digital marketing requires appropriate technologies and experts in this field, which may be difficult and costly for some companies, particularly in Georgia. There is also the risk of errors and shortcomings, which could negatively impact businesses. However, there is no alternative to AI in digital marketing, as it helps companies improve their marketing strategies and enhance effectiveness. Most risks can be mitigated through appropriate security measures, effective quality control systems, and staff retraining adoption, ultimately contributing to further economic growth.

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