

**BATUMI SHOTA RUSTAVELI STATE UNIVERSITY**

**FACULTY OF ECONOMICS AND BUSINESS**

**DEPARTMENT OF BUSINESS ADMINISTRATION, MANAGEMENT  
AND MARKETING**

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**Particularities of the development of internet marketing in Georgia:  
Problems and Perspectives**

Specialty: Business Administration

This Dissertation

(Annotation)

is submitted in in order to get Academic Degree Of Doctor  
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## Introduction

**Actuality of the subject.** The invention of the internet is considered as the beginning of the epoch and the greatest achievement in the history of mankind. It changed everything – both the ways of communication and the ways of doing business. In business internet became an interactive channel of intercommunication, which transfers the sales in online regime.

Electronic and internet technology has become an integral part of our life. The digital age offers to the marketers new interesting ways in order to acquaint with consumers and to create goods and services customized on their needs. It helps to the marketers to establish relations with a wide range of users and also to establish an individual communication. The rapid development of this new sphere gave a basis to a new marketing direction – internet marketing, what means to buy and sell the information, service, and product by using internet. Nowadays, the concept of internet marketing has been expanded and includes more opportunities to stay close to the user. In fact, internet marketing covers the same task as marketing. It simply uses the advantages and opportunities, what is given by internet. It has no importance the size of business, the use of internet is prospective and favorable in all cases.

The heart of internet marketing, what means to buy and sell the information, service and product by using the internet, is a website – the face of the company or the image, the visiting card before the entire world. It performs the role of bilateral communication with internet-users and keeps permanent union of politics, which significantly reduces the necessary costs for pursue the communicative policy. Nowadays, there`s a small number of the companies, which don`t have their own internet representation.

Successful companies are trying to be more and more expanded “electronically”, what puts in the order of the day the needs of implementation of the strategy and model of successful internet marketing. In the developed countries, Internet marketing has already been well-tested, and in Georgia it`s still under development. It should also be noted that, the population of Georgia is less informed about internet marketing. The development of internet marketing in Georgia is directly connected to the development of the country`s economy, purchasing power of the population and to the development of market demand and competition.

Many researches of foreign scientists are dedicated to studying the issues and problems related to internet marketing and among them can be separated the following: J. Barnett, I. Cesaroni, P. Kotler, G. Armstrong, M. Liu, S. Pune, M. Jones, M. Porter, S. Krug, J. Reynolds, K. Christensen, R. Oliver, K. Shapiro, D. Hoffman, S. Gupta, A. Zuev, L. Myanikova, I. Uspensky, V. Kholmogorov, I. Rublevskaya. The above mentioned issues are discussed by Georgian scientist-economists too: N. Todua, G. Jolia, R. Abuladze, B. Mghebrishvili, R. Asatiani, G. Shubladze, D. Shonia, E. Baratashvili, M. Shelia, M. Vasadze, M. Kobiashvili, L. Kochlamazashvili, G. Khomeriki, G. Katamadze, D. Katamadze, Z. Gabisonia, G. Mamuladze, T. Toria, I. Gigaauri, B. Gechbaia, E. Khakhutashvili.

Despite of a large number of scientific works, in the national economic literature, there're less scientific works, which discuss modern state of internet marketing in Georgian reality. Positive effects are insufficiently examined by Georgian economists, which are got by the introduction of internet marketing models. Of course, in the periodical editions, some aspects of this issue are discussed, but others don't bear systemic character.

Taking into account the above mentioned, we've tried to fill the existing situation from the studying side of the issue and we showed the current situation of the development of internet marketing, its problems and ways of solving in Georgia.

Goal and objectives of the study. The main goal of the study is to reveal the existing problems of development of internet marketing of Georgia, to evaluate and analyze the effectiveness and modern trends of internet marketing and to offer the relevant recommendations to Georgian companies. Also, to show the web-page, as the most important practicability of the instrument of strategy of internet marketing, what gives the companies an opportunity to gain competitive advantage not only domestic but international market. The goal of the study is also to prepare the relevant analysis on the basis of different studies in the use of internet marketing, which shows the level and peculiarities of internet marketing by Georgian companies, problems related to the use of internet marketing and the prospects of its development.

According to the goal of the study, the following tasks are identified in the work:

- To reveal the trends of the development of internet marketing and the peculiarities of globalization not only on the world but on Georgian market as well;
- To outline the importance of web-page, as the most important instrument of the strategy of internet marketing;
- To study-analyze the effectiveness of internet-sales and types of e-commerce, to outline its problems and prospects of the development in Georgia;
- To reveal the basic directions of the development of internet market in the modern conditions;
- To study-analyze the trends of the development of electronic business and internet marketing based on the experience and Georgian and international statistics;
- To study-analyze modern strategies of internet marketing;
- To reveal the peculiarities of integration in the traditional marketing strategies of the internet;
- To work out practical model of internet marketing mix and to show the practicability of its implementation for Georgian companies;
- To research internet users on the electronic market of Georgia and to reveal the peculiarities of their behavior during the making of internet purchases;
- To reveal the trends of the development of internet marketing in Georgia on the basis of the studies done;
- To work out the relevant recommendations for Georgian companies related to the use of internet marketing models;

**Research subject and objectives.** The subject of the study is the whole complex of the issues related to the problems of the development of internet marketing and the trends of the development of internet marketing in Georgia.

The object of the study is to show the attitude of the users and companies, acting in Georgia related to the problematic issues of internet marketing and internet sales.

**Theoretical and methodological basis of the research and information base.** Theoretical-methodological basis of the dissertation work is theoretical issues of the general marketing and internet marketing. In the work, it's used the works, articles, publications on internet marketing, internet market, strategies of internet marketing and electronic commerce by both Georgian and foreign scientists as well, information

base of the national service of statistics of Georgia, Global network and the results of analysis of the information, got from the marketing research, conducted by us.

During the working process of the dissertation work, there have been used such methods of the scientific study as they are: analysis, comparison and questionnaires, statistical methods and methods of expert evaluation. Systemic approach has been used, which gives an opportunity to discuss internet marketing as the system with its aims, their realization and by making certain results.

**Scientific novelty of the thesis.** The novelties got as a result of the study are as follows:

- It's grounded the necessity of the use of internet marketing; It's discussed the issues on its advantages, which promotes to increase the competitiveness of the firm on world and Georgian market as well;
- It's evaluated theoretical aspects of the internet marketing and it's revealed the existing trends in the mentioned field on the basis analysis of international statistical data and various studies;
- It's been studied the results of globalization influence in both international and local business;
- It's been studied the place and role of the most important instrument-web-page of the strategy of internet marketing in electronic business;
- Based on the research carried out, it's been evaluated the peculiarities of the use of internet by Georgian internet users;
- It's been analyzed the importance of electronic commerce, the effectiveness of its types and internet-sales. It's been revealed the trends of the development of electronic commerce and its prospects abroad;
- It's been evaluated the problems and peculiarities of the development of electronic commerce;
- It's been studied the strategies of internet marketing and it's presented the ways of its correct development. It's presented the peculiarities of internet integration in marketing strategies and it's been worked out the relevant conceptual scheme;
- At the end of dissertation, it's offered the model of internet marketing mix, which will help Georgian organizations to introduce modern methods of internet marketing;

➤ It's offered the proposals related to the use of internet marketing models for Georgian companies.

**Theoretical and practical significances of the work.** Theoretical and practical importance of the work is determined by the proposed proposals and recommendations promote to stimulation of the development of internet marketing on Georgian market. All these will make effective the activity level of the company, it'll help them to achieve competitive advantage and to gain long-term success.

To use theoretical and practical recommendations, presented in the dissertation work will become possible by local commercial and non-commercial organizations, also by the researchers acting in the business. The work will help to the students of the institutions of higher education to make deeper professional knowledge.

**Approbation of the work.** The main provisions of the dissertation work are reflected in the scientific articles published by the author. The issues related to the dissertation work have been presented in the materials of the international scientific conference as international reference and reviewed magazines.

**The structure of the thesis.** The dissertation work includes 164 printed paged of A4 format and consists of introduction, three chapters, nine sub-chapters, conclusion and proposals and used literature.

## **STRUCTURE**

### **Introduction**

#### **Chapter I. Theoretical-methodological basis of internet marketing**

- 1.1. The place and role of marketing in the system of market relations
- 1.2. Internet, as the main instrument of the origin and development of internet marketing
- 1.3. The peculiarities of using internet marketing as marketing instrument in global space

#### **Chapter II. The existing situation and present trends on the internet markets**

- 2.1. Web-page, as the most important instrument of the internet marketing strategy
- 2.2. Electronic commerce, internet-sales and the prospects of its development
- 2.3. The basic directions of the development of internet market in the modern conditions

#### **Chapter III. Problems and perspectives of the development of internet marketing.**

##### **Current models of internet marketing**

- 3.1. The current condition of development of internet marketing and perspectives in Georgia
- 3.2. The conceptual model of Internet integration in modern marketing strategies
- 3.3. Model of internet marketing mix and its characteristics

##### **Conclusions and suggestions**

##### **References**



### **The main content of the work**

In the introduction of the work, it's formed the aims and objectives of the study, it's been grounded the actuality of the theme, the subject and object of the study, it's been given theoretical-methodological basis of the study and information sources, it's been formed theoretical and practical importance of the work.

In the first chapter of the work - **"Theoretical-methodological basis of internet marketing"** – it's been discussed the place and role of marketing in the system of market relations. It's noted that marketing is closely related to the human life – to his past, present and future. That's why, what kind the marketing will be is related to the what kind of world and humanity in general will be in the future. Some people think that only big firms must be interested in marketing services. In fact, marketing determines all success of the firm, it will be commercial or non-commercial, national or international. In the enterprise sector, marketing entered in such fields as manufacturers of long-term consumption goods (mainly food products) and manufacturers of industrial goods. In the last decade, marketing has been widely used in such service sectors as they are: airlines, insurance and financial institutions and others. Also, some specialists of private sector were interested in marketing.

In the same chapter of dissertation work, it's discussed the internet, as the main way of the origin and development of internet marketing. The technology boom created a digital age. Technological environment is the fastest growing environment that affects us. The digital age offers to the marketers the interesting ways to get acquainted with consumers and to create the product and goods customized on their needs. It helps to the marketers to establish communication with a wide range of groups and to establish individual communication as well. The strongest digital technology is internet. A number of internet users are 3,885,567,619 by 30 June, 2017 year. According to the world regions, Asia has 49.7% of internet users, 17.0% Europe and 10.5% - Latin America – Caribbean.<sup>8</sup> Internet is universal unique global information system, which is effective environment and way of marketing. There's no doubt that internet changed the world. The rapid growth of internet made the source to weaken traditional media: television, radio, newspaper and magazine. Marketing through the internet is internet marketing – to sell the products and service by internet and the main aim of it is to get maximum result from the potential

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<sup>8</sup> World Internet Statistics <http://www.internetworldstats.com/stats.htm> [10.09.2017]

audience of the site. It's mentioned that, internet marketing solves the same tasks as marketing, it simply uses the advantages and means, what gives the internet. It has no importance the size of business, the use of internet is prospective and favorable for both of them. It reduces the expenses of finding the information and the costs of transaction. Internet can be used for generating the awareness, for passive delivery of information, for demonstrating the product and if user requests, for interactive dialogue.

In the same chapter of the dissertation work, it's outlined the peculiarities of internet marketing, as the use of marketing instruments in the global space. Accompanying political, social and economic processes of globalization influences on the development of business. In the Global transformation process, new values appear and absolutely different new forms of social-economic relations are set, which request the changes in marketing activities. In marketing, strategic planning and management are directly connected with regulating the global market demand and with the formation of sustainable relations to the users. In the conditions of global market, for the satisfaction of the users, only high quality of product and service is not enough. It's necessary to establish such systems of values, which is close to the values of target segment. It often requires the impact on user's perception, motivation, behavior, which is carried out through modern marketing technologies and programs. On global market, to study the consumer is begun before the product is created. They spent much on the study of users' behavior, in order to define the dynamics of users' behavior in time, how they react on various stimulating marketing methods. According to the cultural values of the country, users' interests, life style, are different on global market, what is reflected in their various requirements. The task of marketing strategy is to evaluate exactly the own position of each company together with intensive offer on the international market of the product. When the firms want to maintain the competitiveness in today's international global environment, it's necessary to be foreseen different cultural environment, peculiarities of international and local business, prospective and risks (Mooij 2009). Global competition created the necessity of cooperation between the international firms, in order to maintain their advantage under the strong competition. Recently, it has significantly increased the demand on global product and service, also on the latest technological capabilities, what indicates on sustainable development of globalization.

Innovation is an important marketing instrument of company's success, to show new ideas and products on the market. It, together with its characteristics, significantly differs from existing product and its share on the market doesn't exceed 10 % (Rogers 1995). Modern global market is unimaginable without innovative ideas and its practical implementation. Direct foreign investments are stimulating means of innovations in various countries, what promote to spread new ideas and products. The success of the innovation on the market is stipulated: Comparative advantage of the new product is focused not on the objective profitability of the product but on the advantage perceived by the users. Also it is very important to compare the compatibility quality of the new product with users' value and lifestyle.

In the second chapter of the work – **“The existing situation and present trends on the internet marketing”** – it's discussed Web-page, as the most important instrument of the internet marketing strategy. It's mentioned, that web-site is the face or image of the company, visiting card before the entire world. So, we have to take it seriously. Web-page is the most real instrument of marketing communication. It performs the role of bilateral communication and the policy of maintaining the permanent connection, which significantly reduces the necessary expenses to pursue the policy. Nowadays, the number of companies is smaller, which don't have their internet-representation, because the existence of WEB-site is a necessary weapon of competitive struggle (3yeb 2012). Usability is number one element, which should be provided during the creating of web-page. The visibility of search system is the second most important factor. No one can refuse the specialty of search system in internet marketing and if their spiders can't find the web-page, i.e. the fact is that potential user will find it.

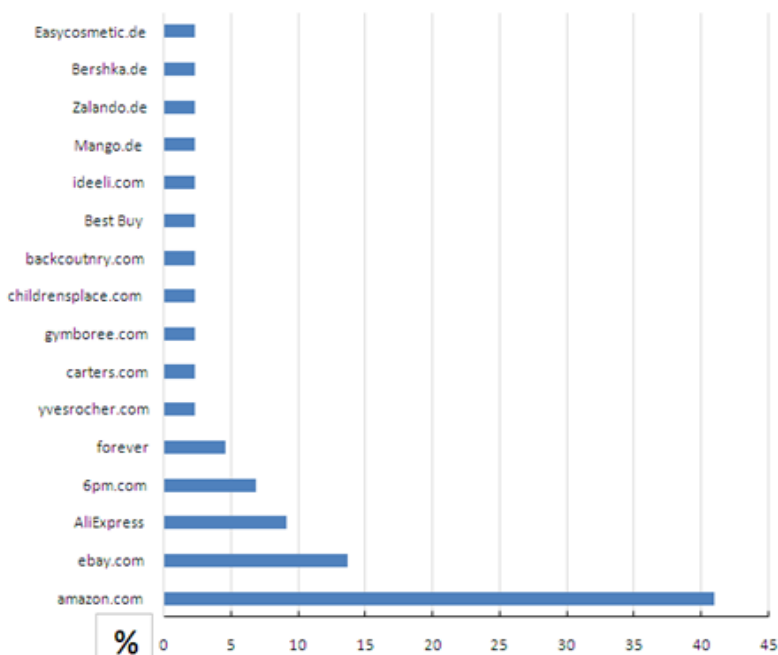
Based on the statistical data of July of March 2017 of Statista.com, on the basis of visitors' approval, it's been worked out the rating of web-sites. As we see, popular web-page is Amazon sites according to 183 million visitors' opinion, then eBay – with 96 million visitors, Wal-Mart 87 million and etc.<sup>9</sup>

In order to find out which foreign web-sites are popular for Georgian online users, as a result of analysis of the study done, diagram 1 was worked out by the author. As we see on the diagram 1, Amazon is the most popular, eBay is on the second place and Aliexpress – on the third.

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<sup>9</sup> <https://www.statista.com/statistics/271450/monthly-unique-visitors-to-us-retail-websites/>  
[2.10.2017]

### The rating of foreign web-sites in retail trade in Georgia



Source: diagram is worked out by the author

Status of internet providers plays an important role in the development of internet marketing. According to the data of [www.top.ge](http://www.top.ge), dated in 01.11.2017, the first place between internet providers of Georgia has Company magticom.ge by 42.19 % the second place takes silknet.com 34.35 % and on the third place has egrisi.ge – with 7.24 %.<sup>10</sup>

In the same chapter of the dissertation work, it`s been discussed Electronic commerce, internet-sales and the prospects of its development. At the end of 20<sup>th</sup> century and at the beginning of our century, a special development found one of the form of internet trade “electronic commerce”. (Electronic Commerce - „E-

<sup>10</sup> [http://www.top.ge/all\\_report.php](http://www.top.ge/all_report.php) [2.10.2017]

Commerce“). The income, got from it, brought a significant rise to the relevant country's economy. In the development of electronic business, it is outlined the introduction of the latest innovative approach in the field of information technologies and economy.

According to the data of Statista.com of 2016 year, world internet sales consisted of 1859 billion US Dollars. There is a forecast that, internet sales will reach to 2290 billion US Dollars by 2017.<sup>11</sup> It should be noted that, world market of electronic business is quickly changing.

In Georgia, prototypes of the first electronic shops appeared in 2001 year, however, it was only an attempt of development of electronic business in the country and most of them were limited with placement of advertisements on buying and selling. Nowadays, in Georgia there are about 300 electronic shops .unfortunately, the users' activity has only 140 shops. The problems of development of electronic shops in Georgia can be divided into two large groups: 1. Problems of the development of information communication technologies in the country. 2. Functioning problems of the existing electronic shops. From the problems of the first group can be separated out the following basic factors: lack of number of internet users in Georgia. Only 45 % of the population is internet user in Georgia. In addition, most of the users go to the network to entertain and not to buy product or service. The second group problems can be divided into 3 factors:

#### Information factors

1. Low quality of the pictures of the products placed in the electronic shop;
2. Non-existence of the scanning technologies (virtual inspection) and product viewing technologies (in 3D format);
3. Incomplete information about the supply of product and means of payment;
4. Incomplete information about product and service;
5. The absence of various feedback mechanisms (blogs, forums).

#### Factors of the factors

1. Non-existence of the ordered product in the warehouse;
2. Violation of the product delivery date;
3. The absence of the trade points, from where the product can be taken;
4. Non-existence of internet shop in the search system;

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<sup>11</sup> Retail e-commerce sales worldwide, <https://www.statista.com/statistics/379046/worldwide-retail-e-commerce-sales/> [12.09.2017]

### Technical factors

1. The difficulty of navigation system on the site;
2. No worker links;
3. Low speed of downloading of internet shop from the server, which is due to the low quality of device and software;
4. Bad usability of web-sites of electronic shops, which prevents to attract potential online buyers.

*From subjective factors*, which hinders to develop electronic shops in Georgia. It should be noted the low trust of Georgian internet users and psychological un-readiness to buy the product through the internet. From our point of view, one of the main direction of the development of Georgian electronic shops is to offer exclusive and unique production to the world online users. Also it's very prospective in Georgia to develop mobile commerce.

In the same chapter of the dissertation work, it's discussed the main directions of internet market development in the modern conditions. It's noted that, market factor of the development of electronic business in Georgia is the growth of the park of personnel computers, the development and scale of the population's income and plastic card market. That's why, in many countries, internet-stores are concentrated on only large cities. In Georgia, on electronic market, it's worked out the system of risk, insurance, warranty, security provision, solving mechanisms of conflicts and disputes, reliable logistics system and perfect infrastructure. If all participants of the market, including the companies involved in the electronic commerce, form the perfect infrastructure of internet-network (legislation, electronic plastic payment, logistics system, trust rating and other), then the turnover of electronic base will significantly be increased. Buying of product or service by the user is sharply increased. All over the world, from the electronic types, mostly are spread the sphere of business-trade-B2B and B2C of retail trade. Recently, a special activity is in B2C sphere of the retail trade.

The development of electronic commerce itself gave us an opportunity to reveal the categories of online buyable products. Each web-site has the relevant statistics, but whether or not, statistics are different according to the regions (see table 1). As we see from the table, according to the world-wide research, A.T. Kearney Connected of 2016 year, electronic technics has been revealed as the most buyable product, which is bought by 77% of the users. The second place has clothes and

service with 76%. The third place has – books with 73%. An average global percentage (%) indicates the number of the respondents, who has bought product or service by internet for 3 months<sup>12</sup>.

**Table 1**

**The categories of the online buyable products according to the regions**

% respondents who say they have bought online in the past three months

	Global average	United States	United Kingdom	Germany	Japan	India	Brazil	Russia	China	South Africa	Nigeria
<b>Electronics</b>	<b>77%</b>	83%	84%	90%	53%	79%	86%	71%	96%	60%	65%
<b>Home appliances</b>	<b>59%</b>	46%	65%	58%	41%	67%	70%	62%	83%	41%	52%
<b>Home furnishings</b>	<b>53%</b>	56%	65%	66%	53%	59%	48%	43%	65%	34%	30%
<b>Fashion and apparel</b>	<b>76%</b>	87%	85%	88%	66%	84%	75%	64%	97%	47%	65%
<b>Sports and outdoor</b>	<b>52%</b>	56%	53%	66%	36%	52%	49%	51%	78%	35%	35%
<b>Beauty products</b>	<b>57%</b>	50%	56%	62%	48%	68%	59%	53%	85%	41%	45%
<b>Household items</b>	<b>45%</b>	36%	48%	40%	41%	60%	35%	36%	84%	31%	35%
<b>Groceries</b>	<b>45%</b>	26%	60%	36%	68%	52%	29%	31%	90%	31%	30%
<b>Toys, kids, and babies</b>	<b>49%</b>	48%	53%	49%	32%	61%	47%	44%	75%	38%	34%
<b>Tickets</b>	<b>64%</b>	74%	69%	63%	43%	79%	65%	51%	71%	69%	47%
<b>Music and games</b>	<b>62%</b>	74%	75%	66%	46%	65%	62%	43%	69%	64%	57%
<b>Books</b>	<b>73%</b>	82%	82%	80%	65%	70%	75%	52%	89%	64%	71%
<b>Services</b>	<b>76%</b>	80%	76%	77%	63%	82%	70%	63%	87%	79%	80%

>75% have bought the category online
  50%-75% have bought the category online
  <50% have bought the category online

Source: A.T. Kearney Connected Consumer Study

Source: A.T. Kearney -a leading global management consulting firm.  
<https://www.atkearney.com/consumer-products-retail/e-commerce->

<sup>12</sup> A.T. Kearney -a leading global management consulting firm.  
[https://www.atkearney.com/consumer-products-retail/e-commerce-index/fullreport/asset\\_publisher/87xbENHPZ3D/content/global-retail-e-commerce-keeps-on-clicking/10192](https://www.atkearney.com/consumer-products-retail/e-commerce-index/fullreport/asset_publisher/87xbENHPZ3D/content/global-retail-e-commerce-keeps-on-clicking/10192). [2.11.2016]

The researches confirm that, both Georgian and foreign respondents consider that to buy the product and service by internet is the best way to save the time, also they have an opportunity to buy the thing, which is not sold on Georgian market. They have a lot of alternatives and it's comfortable to do shopping without going shopping. Also the respondents consider that, web-sites give them an opportunity to buy the product cheaper than to do the shopping in the shops, because, in Georgia there is not a local production, imported product is sold with a great extra charge.

In the third chapter of the work – **“Problems and perspectives of the development of internet marketing”** – it's discussed the strategies of internet marketing, modern condition and perspectives in Georgia. International Telecommunication company ITU (International Telecommunication Union)<sup>13</sup> and according to the data of the national service of statistics of Georgia<sup>14</sup> in 2007 year, the population of Georgia consisted of about 4 394700 and from this internet-user was only 8.26 %. In 2016 year, the population of Georgia consisted of 3 720400 and the number of internet-users increased till 50.00 %. The total number of respondents, participating in the study of internet-users conducted by us, 72.1 % were women and 27.9 % were men. In the study, the participants were the population of various age groups aged 18-60. As a result of the study, it was revealed that the active users of internet are from the age of 19 to 40. Accordingly, Georgian internet companies should direct their business activity in accordance with the mainly noted age groups. New generation studies easily to use the mentioned technologies. In general, the current processes are improved in almost every sector through the information-communication technologies. It is one of the basis of modernization. It's necessary to develop such skills, by which it's possible to involve in information society.

As a result of study of Georgian internet-companies, it turned out that 100 % of the companies has users, which are employed, 12.5 % - students, housewives and unemployed. The given fact speaks about that a great part of internet-users are

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<sup>13</sup><https://www.itu.int/en/ITU-D/Statistics/Pages/default.aspx> [05.03.2017]

<sup>14</sup> [http://www.geostat.ge/?action=page&p\\_id=151&lang=geo](http://www.geostat.ge/?action=page&p_id=151&lang=geo) [05.03.2017]

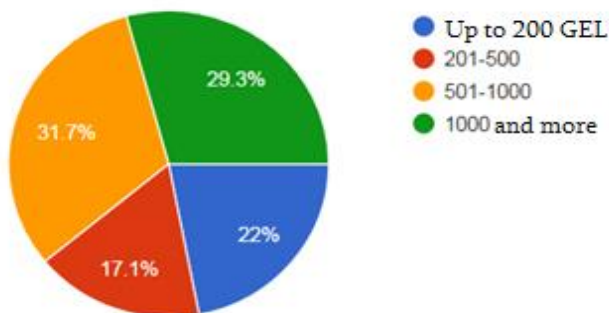


employees, who have their own salary. In order to reduce the inequality, it's necessary state effort for computerization and popularization of internetization, to create free learning groups, also to make a special programs for training and retraining of employees of private or state structures, what, finally will be profitable for state itself. The internetization of the enterprise can't be developed unilaterally, if it's not done the internetization of users as well.

During the research of users' income, the following statistics has been revealed (see diagram 2). The results will be reflected with the fact that, to assign the amounts for the use of internet is important and accessible with various channels for the persons of low and high income too. Nowadays, to use an internet and computer is not luxury and it can be used by everyone at his/her will.

**Diagram 2**

**Monthly income of the respondents**



Source: the diagram was worked out by the author.

As a result of study, it has been revealed that 53.5 % of Georgian internet-users uses the internet very often order to search the information, 46. 5 % uses the internet very often to get to know with various novelties, 48.8 % uses it for speaking, chatting. It was cleared up that, consumers mainly use the internet for communication – e-mail, because this is economic, effective and modern way. To search the information is on the second place. After that – chat, acquaintance, entertainment and etc. watching films and their downloading is on the fourth place. After that comes shopping, pay taxes, books and etc. (see the table 2).

**Table 2****Field of interests of Internet-users and their relative share**

Field of interests	Relative share %
Sent / received of e-mail	100
To search the information	87
acquaintance, entertainment, forums	80
film	73
Shopping	79
Pay taxes	72
Books, reading	21
Sport, sport accessories	6
game	6
Photography	1

Source: the table has been worked out by the author.

The e-mail communication is the most common form of internet-communication. Georgian companies can use it to send advertisements, during the PR events, for searching potential users and partners. E-mail companies give an opportunity to make users' segmentation. It's used for business correspondence and it's the largest source of information sharing.

The study done showed that, 69.8 % of Georgian internet users use the internet for shopping from time to time and 14 % - very often. Absolutely different indicator has USA, where 79 % of the population uses online shopping<sup>15</sup>. The fact speaks about that it's hard to trust to Georgian internet shops for a great part of users. 65.1 % of Georgian internet-users consider that, one of the reasons to do shopping by internet is to save time, 81.4 % thinks that, one of the reasons of internet shopping is convenience, 37.2. %% agrees the fact that, one of the reasons of internet shopping is to save money. Only 44.2 % of the users think that prices are much lower in internet shopping compared with the usual shops.

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<sup>15</sup> <https://techcrunch.com/2016/12/19/79-percent-of-americans-now-shop-online-but-its-cost-more-than-convenience-that-sways-them/> [07.04.2017]

As a result of the users' study, it's been revealed that 95 % of the respondents prefer to do shopping on foreign sites, other 5 % abstained from answering the question. The revealed studies can be explained with the fact that, Georgian web-sites have lack of popularity, lack of information in Georgian language, the websites are rarely updated, lack of advertising, lack of design charm, difficult menu and so on. Users buy internet product with web-site, which is integrated with the structure of the company, that's why it's necessary to work out the flexible methods of management and determination of their "perceptions", "dependence" and "values". The revealed data gives us the basis to conclude that Georgian web space is not competitive, it needs the improvement, information, advertisement, marketing strategy. It's desirable that Georgian companies prepare world-class competitive web-sites.

Besides the web-site, company can use the optimization of search system, what means, the web-page of the company will have been known in the top ten of search systems for a long time. The higher the number of users on the site will be, the more income the company will have.

The research of Georgian internet-companies showed that, 25% of their users provide tourist service, 20 % provide household items and 14.5 %- tickets. The role of internet in tourism is actual in the following direction: studies, informing, presentation/introduction of product, interactive interaction, description of tourist places, to show the tourism potential, visual imagination of video tours and routines, interaction with business partners and relaxation planning (Abuladze...2014). Half of the tourists (50 %) address to internet-sites and social media in order to get information on travelling, 10 % - to the print media, 10 % - to the radio and 10 % - to the television and 20 % - to the tourist agencies<sup>16</sup>.

Also, according to the results of studies done, it has been revealed that only 27.9 % of internet-users is delighted with Georgian courier service, 69.8 % - more or less satisfied, 2.3 % - is unsatisfied. The different result has been revealed from the Georgian internet-companies side. 87.5 % of the companies themselves consider that, it provides on time, and 12.5 % think that it provides the product more or less timely. The study showed that, most of the companies prefer the information delivered/got by internet, television is on the second place, telephone message - is on the third

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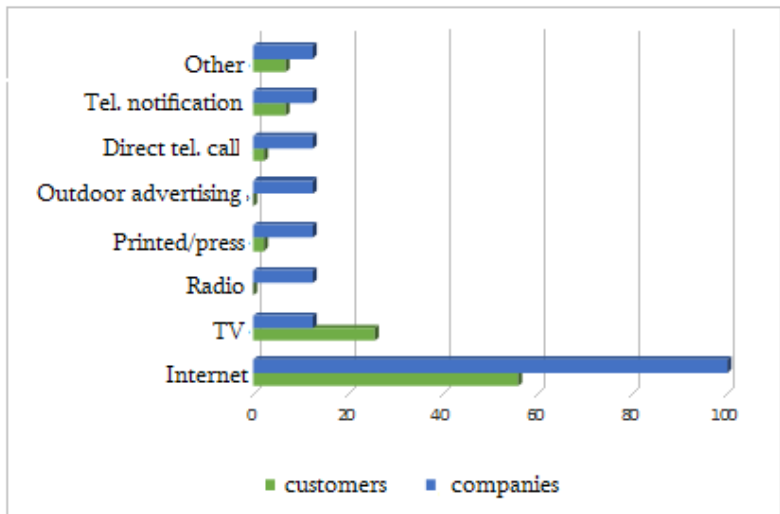
<sup>16</sup> Tourism Economics. An Oxford Economics Company. Impact of Online Content on European Tourism, November 2013.[07.04.2017]

place. Diagram 3 reflects the comparison of popular channels in order to exchange the information for internet users and companies.

It's very important to define the level of interactivity from the Georgian companies' side. 83.7 % think that the level of interactivity is average, 11.6 % - high, and 4.7 % - low. However, as a result of survey of companies, 87.5 % answered that on the users' questions and claims reacted on 5 points with a 5-point assessment system, 12.5 % - 4 points. Georgian companies should improve their interactivity and response level, they should try to be closer to the users, to control their reactions and behavior. They should

**Diagram 3**

**Popular channels for the purpose of exchanging the information**



Source: the diagram has been worked out by the author.

deliver exact and correct information and try to expand their segment. This should be done by paying attention to them, their retain on the site and with more interest by using various stimulating means to remember themselves and to increase the perception of the company on the market.

One more successful method of internet marketing is “PPC – Pay-Per-Click”. This is the fastest and simplest method to be seen the site by as many people as

possible. Text advertisement of the company appears always, when they search with a certain word or phrase in the internet by using the search system. At this time, Company`s site is appeared as “sponsor links”. That`s why, it`s necessary a lot of search words and phrases that provide more and more people were interested with this site. The latest and already popular method of internet marketing is – joint marketing: two or more companies with one and the same target audience share the resources in order to achieve the aim more effectively.

The same chapter of the work deals with the marketing strategy and internet integration, conceptual model. Competitive strategy is in the first place connected with the fact how business uses existing resources to reach and support protective positional advantage on the market. Competitive marketing strategy of a business is focused on how to place resources existing in its property in order to provide and maintain competitive positional advantage on the market. In the conditions of increasing number of commodity markets competitive landscape has developed from the physical market into the sphere containing physical as well as electronic market. Right for this reason, in the present paper we have presented conceptual basis which determines main power and results in the context of competition of the marketing strategy on this wider, developing market. The offered structure gives us opportunity to understand the changes in the nature and frames of the marketing strategy, in the specifics of production, commodity, consumers and consumer environment, also unique skills and resources of companies, which are gaining additional actuality on the developing market in the context of competition.

In the growing number of product markets, the frame of competition ability has developed from advantageous physical market places into wider markets and covered both physical and electronic markets. Fast growth of the electronic market was conditioned by the following factors:

- Low cost of information from purchasers` side;
- Simplified communication between sellers and buyers;
- The proximity of electronic space of buyers and sellers;
- Great difference of time between purchasing products on the electronic market and physically receiving them;
- Great proximity of time between purchasing digital products and receiving them on the electronic market.

Motives and results of the competitive strategy – a strategy exists on many levels, namely, on company's corporate, business and functional levels. Corporate strategy of a company means its choice to stay on the market. Business or corporate strategy means which business of the specific firm chooses competition on the market. On the functional level, marketing strategy means how business chooses to place marketing resources so as to reach competitive positional profit on the market. The example of resource placing centrality on the competitive strategy is repeatedly clear in the context of conceptualization and strategy determination.

On the basis of the available literature, the mentioned part deals with the business competent strategy as well as firm, product, customer and customer/purchase environment in the structure of the industry. In the following part we represent how can competitive strategy be involved in the electronic market with same factors. While the factors are unchanged we pay special attention to the industrial structure, firm, product, consumer and purchase environment corresponding to the variables that are practically relevant to the competitive electronic market.

As a result of studies conducted in marketing, strategic management and industrial activity, the accent is placed on understanding, explanation and doing business. With the suggested diagram we outline specific, main connections between competitive strategy and its motives and results. (See the diagram 4):

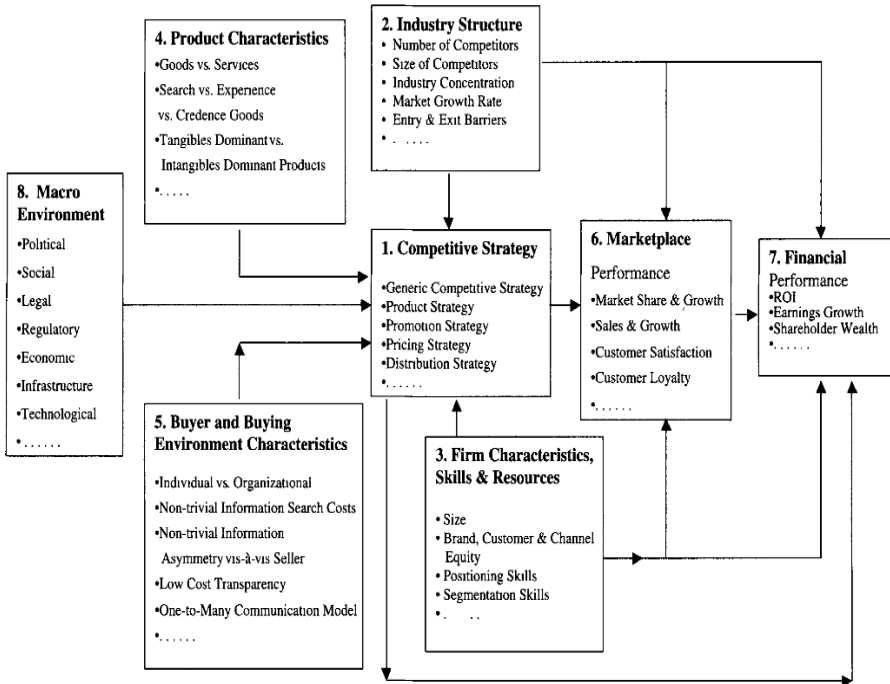
1. Specific strategy done by the business;
2. Structural peculiarities of the industry where the business is competitive;
3. Distinctive skills and resources of the firm;
4. Peculiarities of offering products;
5. Characteristic features of consumer and purchase environment;
6. Market activity;
7. Financial Activity;
8. Macro environment.

Internet integration in business competitive strategy and competitive marketing strategy is becoming more and more essential especially for the market environment that contains both physical nad electronic markets. Diagram 5 deals with the selected industrial structure, firm, product, consumer and characteristic features of the trade environment, which represent additional importance in the competitive conditions on the developing hybrid market. Links 8~2, 8~3, 8~4 and 8~5

serve to demonstrate technological development and formed the necessity to audit/check 2~1, 3~1, 4~1 and 5~1 links again.

**Diagram 4**

### Competitive strategy: Motives and results

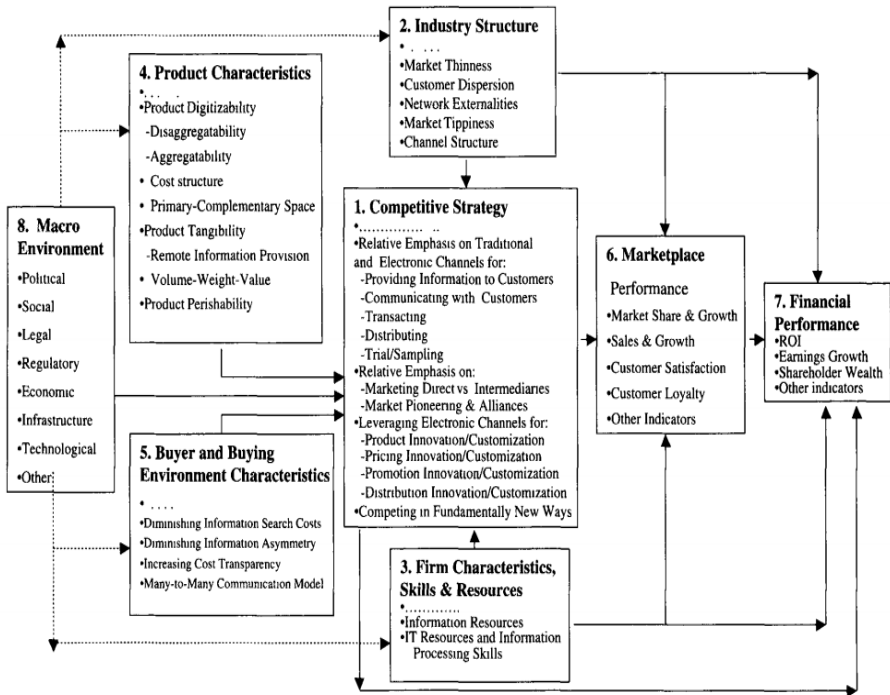


NOTE: Ellipses (.....) denote that the drivers/outcomes are intended to be illustrative rather than comprehensive. ROI = return on investment.

Source: <https://link.springer.com/article/10.1177/009207002236907> [23.12.2016]

As a response to changes in the competitive strategy, from the question, “how to be competitive on the physical market” to the question “how to be competitive on both physical and electronic markets?” there have been outlined changes for competitive marketing strategy (i.e. the model of distributing marketing resources has been created (see the diagram 5):

## Internet integration in the competitive strategy:



NOTE: Ellipses ( . . . . . ) denote characteristics delineated in Boxes 1 to 5 in Figure 1. ROI = return on investment; IT = information technology.

Source: <https://link.springer.com/article/10.1177/009207002236907> [23.12.2016]

As informational-intensive environment is characterized by frequent and unforeseen changes, it is important to underline constantly refreshing skills and resources of the firm, especially dynamic abilities of the firm (Eisenhardt 2000) as a result of which new skills and resources are created and which are connected with the management of assets based on the information. They need attentive observation on the electronic market in competition conditions.

The same chapter of the work deals with the model of the web marketing mix. It notes that according to the internet marketing concept 4P marketing mix – popular instrument of the traditional marketing management appeared to be weak means for producing by internet and the lack of strategic elements has been outlined



in the model. The critics of the role of 4P in the internet marketing is also supported by the fact that the model does not clearly cover any interaction element (Gronroos 1997) while interaction is the basis of internet marketing. Moreover, there are two more issues that limit the successful use of 4P in the internet marketing:

1. The use of marketing mix on traditional markets means that the parameters of 4P model sets limits to the four different, well determined and independent management processes. Despite many trials of realizing physical business by 4P integrated rule, the realization of P policy remains the core objective of different departments and people in the organization. More important is the fact that physical consumer typically experiences individual effects of each 4P in many respects, at different times and places even in the case when companies suffer great pain in order to completely integrate marketing activity from inside. Different from the physical world, on the internet market, the four elements of the mix are not separated from each other. They are closely connected and internet customers experience it for any intension and aim in union, it represents company's essence – consumer interface, to better define – it is a webpage. When the behaviour model of a traditional customer considers 4P as controlling factors that influence purchasing behavior of a customer, in case of internet marketing it is supplied with web experience – it is a consumer impression about the internet company (Watchfire 2000) – a factor under the direct control of a marketer that is freely used to influence purchase behaviour of internet consumers. According to the consumer perspective, webpage shows all the aspects necessary for internet suggestion to respond to its reaction.

**Product.** A website is the main online product and the brand of online organization. A customer must get acquainted with, develop interest and be sure to look up a site/product before starting to search detailed internet offer of a company.

**Price.** The majority of commercial sites function as a price list of the assortment of physical products of a company. Alongside a website is perceived as a value element (connection cost, transaction expenses, time and ability cost) by internet seekers and consumers. Despite this, these costs in most cases will be less than the cost of carrying these activities out physically. A consumer can compare it with other internet rival and its cost of purchase.

**Incentive.** A website is both a stimulating means and the content is stimulation. The communication and emotional influence of a website is an important part of web experience and the main factor for attracting and maintaining customers.

**Location.** For most situations of e-commerce a website is a stall, a place of assistance and a sales branch where real commercial or non-commercial transactions are done. Furthermore, for products supplied digitally (music, information, programs, and online services) a site also fulfills the task of a physical supplier by delivering a product online.

2. Internet customers experience the elements of 4P simultaneously and directly as a customer experience based on a web site. For internet customers this experience consists of many other elements such as site search, navigation simplicity, direct responses to e-mails and easy shopping and payment procedures. This experience will be criteria for customers to decide to go back to the site in the future or not.

The model of a web marketing mix determines critical elements of internet marketing and realizes main strategic, operational and organizational issues of e-commerce by means of integral and controllable way. The model of a web marketing mix is completely appropriate basis for the web strategy and marketing planning. First of all, this model is created for classical, physical corporations in order to plan internet inclusion/operation as well. The model is also comfortable to use for web companies or existing online organizations that are renovating their e-commerce. The web marketing mix means the integration of marketing planning process on different levels:

**Strategic** level – the model requires solving main strategic issues in order to create flexible, valuable and potentially successful e-commerce organization. The model highlights the fact that online activities must have their own strategic aims appropriate to corporational goals. Afterwards, it gives firms the highest possible assimilation in physical corporational commercial strategy in order to capitalize strong parts and competitive advantages of the existed organization.

**Operational** level – Web marketing model on the operational level offers us real and appropriate method to work out web marketing plans. The very first aim of the operational planning is to have effective, flexible and unique regime oriented on the market.

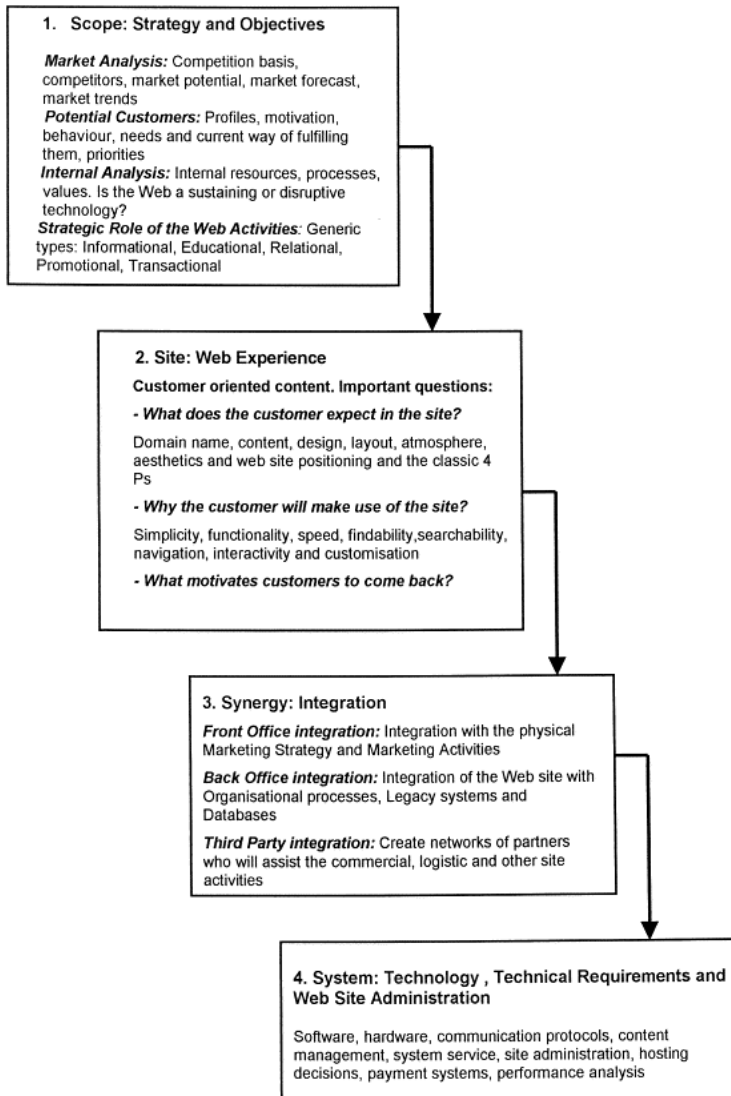
***Organizational*** level – On the organizational level the model of web marketing mix consists of solving the following issues: to create appropriate organizational, human and educational infrastructure that are necessary to make correct and working online operations. The model defines the spheres on high level for virtual and physical business integration. This model improves whole organizational effectiveness.

The abovementioned issues describe sequential steps of planning internet commerce methodology and are classified into the four groups. Each group is titled with words the first letter of which is S – Scope, Site, Synergy, System. The contents of each S group are based on previous steps as it is necessary for exact arrangement of each step in the process of evaluation and planning. Final result – web strategy and marketing plan will become the basis of the internet project, the groundwork for processes that cover different basis of addition: the development of technical and organizational infrastructure, trial of processes and commercialization of a website.

And finally, we must say that the fast ability of change of the internet requires frequent repetition of planning procedure in order to maintain competitive advantage, and the frequency depends on the development of market and competitive reactions.

The model of the web marketing mix includes and defines four strategic, operational, organizational and technical critical factors of online marketing: Scope – strategic issues, site – operational issues, synergy – integration issues in physical process and system – technical issues (see the diagram 6).

### The model of web marketing mix



Source: <https://managementmania.com/en/web-marketing-mix-4s> [23.12.2016]

## **Conclusions and recommendations**

As nowadays internet marketing is one of the actual issues in international business, the establishment of internet marketing, the development of electronic market by Georgian companies is one of the important conditions to succeed both in local and global environment. On the basis of analysis of international material and statistics, carried out researches and results, we can make the following conclusions:

1 On the basis of the analysis of many theoretical and practical materials, the work shows that today the internet has become an important factor of success. Internet is used to create publicity, supply information, demonstrate a product and if customers demand, provide interactional dialogue. Thus, internet gives opportunity to a business to establish relationship with its future consumer. Internet makes simple to collaborate in net structures for small, specialized companies. By the help of the net consumers are supplied with cheap but the service of great value in any part of the world. Internet significantly helps to create and grow small companies as it gives opportunities to separate groups of people to be occupied with business in a way that they do not give away important resources (especially physical assets). The fact is that internet focuses on non-material assets: knowledge, image, reputation, relationships and organizational skills. It is also important to define percentage indicator of internet customers according to the world regions, existing situation on internet markets and modern tendencies. Without considering these issues it will be impossible for companies to succeed, especially for Georgian companies as from this point they do not really have desirable position.

2 In order to better develop internet trade, in the first place it is important to have available, fast, reliable and cheap internet. It must be available without limitations in order to grow consumption. Internet must be especially available for business, almost for every inhabitant, especially in rural districts, which is also a pre-condition to reach high quality of supplying electronic services. It is necessary to work out a strategy of multichannel infrastructure for Georgia in order to offer, see and connect different channels as channels of supplying with effective service, and harmonizing them with electric services using public service agencies, public centers, libraries, schools, pay boxes, access points and so on. Appropriate electronic portfolio must be defined by means of realization ability, research and consultations with appropriate interested parties and the representatives of local authorities.

3. In order to survive and afterwards for effective activity in today's fast

changing, dynamic environment, the very first condition is to respond to technological changes. Only those companies will survive that customize today's electronic market to appropriate instrument - internet marketing. Accordingly, in order to establish internet marketing from the side of Georgian companies, it is necessary to reveal and analyze its peculiarities and problems. This is the only significant condition to connect Georgian company to the global space and develop the infrastructure of the internet market in Georgia.

4. The role of the internet marketing is great in the success of a small business. It offers a lot of advantages to enterprises of small businesses. As results of the usage of internet from the point of a small business strategy there have been created several especially significant aspects, why is commerce through internet profitable for them. Internet has created a lot of market opportunities for existing and potential businesses. Nowadays any person or group of people can create their own web-page and start business through internet. Internet is incomparably easy and operative means for small businesses to enter the market, giving opportunity to make such pace of sale increase that was impossible even in the nearest past. Making trade through internet today, even small companies can become global or at least enter the markets of those countries that are far away from their base states.

5. For the successful activity of companies it is most important to analyze real facts and statistics. Special attention must be paid to international statistics and analysis. Georgian companies must also consider the tendencies that have been revealed on the basis of the research. In recent times using social media space is gaining special popularity for stimulating products and services. Georgian companies can use research results that include the rating of social media means in consumers according to their popularity and deliver appropriate marketing activities, choose highly rated media means in order to stimulate their products and services.

6. Different international research agencies offer much data on the change dynamics of the number of internet users according to regions and separate countries, the results of which show that the number of internet users is high in those countries that have fast growing development of communication technologies. The level of establishing information technologies is not high in Georgia, thus for its development it is necessary to consider international experience and create appropriate infrastructure, more internetization.

7. For internet users a web page has a role of mutual communication and the policy of maintaining constant connection, which significantly decreases necessary expenses for applying communicative policy. It is important to pay special attention to the significance of a web page from the company's side, to define what advantages are offered by the preparation of a well-structured web page. In Georgia there are not many companies what are distinguished with well-structured web pages, that is why it is necessary to inform them in order not to regret finances on creating competitive web page for the formation of the image of the company and target audience.

8. The tendency of growth of the number of global purchasers is very fast worldwide and accordingly modern technologies also give the means of fast information change simplifying the mentioned processes, as global channels have been created by internet, by means of which it becomes possible to sell a lot of types of services (products as well). More and more companies and fields participate to form and support the chain of values of internet infrastructure and internet-economics. Georgian companies must enter right this electronic commerce, produce internet-sales and set forth development perspectives.

9. The share of electronic business in the economy of Georgia is insignificant. It is possible to say that in Georgia electronic business is experiencing its initial stage and unfortunately it has no proper attention. It is necessary to promote electronic shops, change the strategy of already existed internet shops and gain the trust of online Georgian consumers. It is necessary to develop saturation promotion of electronic shops, share and establish world tendencies and leading experience in Georgian reality. It is preferable to analyse main directions of the internet market development in modern conditions based on which favourable directions must be selected for local companies. The problems of electronic shop development in Georgia are represented by the two large groups: 1. The problems of development of information communication technologies in the country. 2. The problems of operation of the existed electronic shops. The following issues are preferable to improve: The small amount of internet users in Georgia. The most number of users go online to entertain or simply surf the net and not to purchase some products or services. Regions are distinguished by the low index of internet proximity and the access is very hard, however, the price of the service is high. This problem is particularly active in the regions of Georgia. It will be impossible to develop internet marketing without solving this problem.

10. Inclusion in e-commerce is of significant importance for the success of Georgian companies. It is necessary to solve the problem of specialist and expert paucity in the electronic business. Electronic business, as an independent direction of preparing specialists, represents an interdisciplinary direction which was created as a result of development of informational-communication technologies and depicts different spheres of human activities, existing solid tendency of transferring to electronic environment. Specialists of this field must have deep knowledge and practical skills both of information-communication technologies and business field. In Georgia, for electronic business development it is necessary to establish lecture courses of the internet marketing in leading higher institutions of the country and keep the highest level of teaching.

11. In order to gain favorable result for a company it is necessary to work out a successful online marketing strategy. While establishing/selecting internet marketing it is important to know them thoroughly and the opportunities they offer. Right without the strategy of internet marketing strategy it will be impossible to establish and develop the internet marketing. Competitive strategy first of all is connected with how business should use the resources it has to reach protective positional advantages and support. Competitive marketing strategy is focused on how business should position existing resources to reach and maintain competitive positional advantage on the market. In the conditions of increasing number of commodity markets competitive landscape has developed from the physical market into the sphere containing physical as well as electronic market. According to this, it is very important for Georgian companies to determine main power and results of the marketing strategy in the context of competition.

12. According to the concept of the internet marketing mix of the 4P – popular instrument of traditional marketing management appeared to be weak for the production of marketing through internet showing the faults of strategic elements in the model. That is why it is necessary for companies to work out the concept of the internet marketing mix model which will represent a functional concept of planning, development and commercialization of B2C in the internet project. The basis of successful e-commerce is the complete integration of virtual activities into the strategy, marketing planning and organizational processes of a company. Essential differences arisen between electronic and traditional commerce have demanded to renovate existing marketing principles.



13. For Georgian companies, in order to establish internet marketing, it will be profitable to realize web marketing mix model direct in practice. The weaknesses of the approach of the classical strategy are explained by the clear disregards from most websites. The usage of the marketing mix on traditional markets means that the four P parameters of the model sets limits to the four different, well-defined and independent processes of management. The paradigm of the 4P marketing mix has developed more as an operational instrument than strategic and thus marketologists always used it this way.

14. Today almost all foreign companies use internet marketing thoroughly or even partially, but the majority of Georgian companies simply imitate others automatically and has no knowledge or experience. Right for them it will be profitable to use the model of marketing mix as it includes and defines the four strategic, operational, organizational and technical critical factors of online marketing: Scope (strategic issues), Site (operational issues), Synergy (the issues on the integration into physical process) and System (technical issues). The model determines critical elements of the internet marketing and realizes mainly strategic, operational and organizational issues of e-commerce integrally and in a controlling way. The model of the web marketing mix is a completely appropriate basis for the web marketing strategy and marketing planning. Firstly, this model is created for classical, physical corporations to plan to engage into internet.

Fundamental conclusions, sentences and recommendations of the dissertation work are represented in the works published by us:

1. Beridze N., „Innovative Economy – Problems and Perspectives of Development in Georgia”, 4<sup>th</sup> international scientific-practical internet conference „Innovative Denvelopment and Croses-border Ssecurity: Eeconomic, Eenvironmental, Legad and Solio-cultural Asects“, 21 December, 2015, Chernigov

2. Beridze N., “Regional economic integration”, 8<sup>th</sup> international social and humanitarian congress, ISBN–13 978-3-903115-37-8 ISBN–10 3-903115-37-1, 2 August, 2016, Vienne

3. Beridze N, Mamuladze G., „Internet Marketing – Company and Customer Perspectives“, 4<sup>th</sup> international economic conference “The models of development of national economy: yesterday, today, tomorrow”., ISSN 1512-0538, 14-15 October, 2016, Tbilisi

4. Beridze N., „The role of cultural tourism in the development of the state” international scientific conference, “Tendencies of tourism development – problems and perspectives”, 07-08 May, 2016, Tbilisi

5. Beridze N., „Digital Marketing and its Communication Tools“, Republic scientific conference “Students academic forum: Modern challenges of State governance and business”, SANGU, 2 December, 2016, Tbilisi

6. Beridze N, Mamuladze G., „A Preliminary Review of Electronic Marketplace Conceptualization and Integrating the Internet into Competitive Marketing Strategy“, International Journal of Basic and Applied Sciences, ISSN:2277-1921, SJIP- 5.42, 2017, India