

Original Article

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E-COMMERCE CHALLENGES OF OLD COMMERCE CENTERS: EVIDENCE FROM AZERBAIJAN

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Abstract. E-commerce transformation has become one of the major strategies to protect the existence of businesses in the market. The article investigates the key reasons why old commerce centers are not able to transform into e-commerce and digital platforms. Evidence of research comes from Azerbaijan and the article also suggests the main ways to help sellers to use e-commerce to increase their sales revenue and ensure durability in the market. Since problems arise from both the government and retailers, we have considered them in a systematic manner, and identified the responsibilities of government and retailers in addressing emerging issues.

Keywords: commerce, e-commerce, e-commerce transformation, digital transformation, challenges in e-commerce, Azerbaijan, commerce centers.

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Introduction. As more clients meant more revenues, businesses had always done their best to attract as many clients as possible from old ages. From the beginning of 21st century, drastic improvement of internet and communication technologies, electronic devices and internet of things have shifted most of businesses from commerce to e-commerce. E-commerce platforms have increasingly become popular within the last decades. Especially, the latest improvement of internet (5G technology) and increasing number of e-commerce platforms contributed to an increased number of businesses in the e-commerce sector. However, some areas all over the globe are still facing difficulties in integrating e-commerce platforms. Those areas usually located in developing countries including Azerbaijan [1]. This article focuses on one of the most popular markets of Azerbaijani history — Lahij village. The village has been the main trading spot of Azerbaijan for Silk Road travelers.

The object of the study is to analyze the main digitalization problems of Azerbaijani old commerce centers and commenting their origination.

The purpose of the study is to develop theoretical solutions for the digitalization of old commerce centers in Azerbaijan.

Research methodology. In this article the data collected based on one-on-one interviews by visiting one of the oldest commerce centers in Azerbaijan. The methods used include observation, analysis, as well as surveys.

Literature review and analysis of latest publications. The problems and challenges in the transformation from commerce to e-commerce were researched in the works of Y. Wang, H. Gao, H. Wang, Q. Yang, S.Asanprakit, T. Kraiwanit, F. Kong, F. Liu, J. Kumarasinghe, G. Gornostayeva, C. Gan, C. Chen, D. Rahut, S. Liu, J. Ballerini, A. Ferraris, D. Herhausen, Wei S., Y. Ru-yi, C. Shan-shan, L. Ji-Fang, K. Fan-tao It is important to mention some Russian scientists' researches on e-commerce like R.Vadilova, N.Vasileva, K.Alekseyeva, I. Q. Rzun, E. M. Mikhailidi.

Among Russian scientists, Rzun and Mikhailidi discussed the basics of e-commerce and the main problems of e-commerce development in the Russian Federation. Revenues of the top five e-commerce stores were also analyzed, and conclusions were drawn. In addition to that, Alekseyeva described current e-commerce trends in the world and the main futuristic points about e-commerce trends. Vadilova also discussed the advantages and disadvantages of e-commerce, e-business models, the current situation of e-commerce in Azerbaijan and some futuristic perspectives.

Y. Wang, Y. Li, A.Yang and Q. Yang discussed that e-commerce is beneficial for most businesses in China. They also investigated whether e-commerce reduced farmland abandonment or not. S. Wei, Y. Ru-Yi, C. Shan-Shan, L. Ji-Fang and K. Fan-Tao investigated research to measure the impacts of e-commerce on the traditional wholesale industry in China.

Among Azerbaijani researchers, X. Afandiyev, S. S. Asadova, F. Rakhmanov, K. Ibrahimova, F. Aliyev and others investigated some e-commerce problems and perspectives in Azerbaijan, possible steps to improve e-commerce and taxation in e-commerce.

Unfortunately, evaluation of old commerce centers and investigation of their lack of e-commerce integration are insufficiently studied and further research is required in this field.

Data and methodology. Azerbaijan used to have the same commerce trends as other countries in the past. Most countries couldn't cooperate because of weak transportation modes and most of the markets had just customers that lived nearby. Commerce traditions and business models started to improve in Azerbaijan after it became the center of the famous Silk Road (also called "Strabon" as he first mentioned this trade path). The Silk Road started to improve communication and cooperation among countries since I-II BC. The Silk Road connected China and India to Europe, thus Azerbaijan and Georgia were located at the center of the Silk Road. The Silk Road used to have two main routes. The second route, which was going through the Caucasus mountains in Azerbaijan increased the number of commerce centers in Azerbaijan. Some of the most popular old commerce centers of Azerbaijan were Lahij, Shamakhi, Sheki, and Baku. Azerbaijani handicrafts, carpets, accessories, and jewelries gained a big popularity among European countries, thanks to the Silk Road. In the 18th–19th centuries, Azerbaijani craftsmanship and carpet manufacturing became the most popular majors.

As technology and the internet improved, the way of trading dramatically changed. The last two decades became the main era of the improvement of e-commerce and digital business, where business owners started to have the opportunity to showcase their products to the whole globe. Nowadays, the location of the businesses does not

matter if they use e-commerce. With the advantages of improved technology and the internet, business owners can promote their products on e-commerce platforms to showcase them to a wide range of customers and to increase their chances of sales [2]. Especially during COVID-19, e-commerce improved more. As there were lockdowns all over the world, it was unbelievably difficult for micro, small and medium businesses to survive in the market, so they offered their goods and services online to the world and protected their existence in the market by increasing sales revenues [3].

As e-commerce improves, the businesses that adopt it increase their sales revenues and goodwill, whereas traditional commerce users may suffer from decreased revenues and profits. In Azerbaijan, most businesses in the capital city Baku and other big cities already transformed their businesses into e-commerce platforms and it has increased their revenue potential, the number of potential buyers and goodwill. However, some old commerce centers are not able to transform their businesses into e-commerce platforms. It is a problem, because some Azerbaijani old commerce centers and majors have been chosen as UNESCO Intangible Cultural Heritage of Humanity, but the masters of these works are stopping making new crafts [4]. One of the main reasons is decreased sales revenue and if they can't transform into e-commerce platforms, their extraordinary works will die out completely. This article aims to conduct a survey in one of the old commerce centers in Azerbaijan and find the exact reasons for their inability to transform into e-commerce platforms, as well as introduce solutions to problems. For this survey, Lahij, one of Azerbaijan's oldest commerce centers has been chosen. There are so many craftsmen in Lahij who used to make a lot of handicrafts.

In this article, we aimed to conduct a survey among craftsmen in Lahij to ask them about their business strategies and techniques. Based on the statistical census data of The State Statistical Committee of the Republic of Azerbaijan, the population of Lahij village is 837 people. From 1959 to 2009 the population was always 800–900. The recent census was done in 2009 by the Committee [5]. In Lahij, the majority of the workforce has micro and small businesses. Fields of production include coppersmith, leather goods, tinsmith, blacksmith, carpet weaving, hat making, and pottery. For this research, we visited Lahij village in Ismayilli district in order to conduct research. We had face-to-face interviews with 60 sole proprietors. Here are the survey questions and results:

The following list indicates survey questions:

1. What is your line of business?
2. How long have you had this business?
3. How many visitors do you get per day in summer?
4. Do you use e-commerce platforms for selling your products? If not, please specify the reasons.
5. Are you aware of the benefits of e-commerce platforms?

The following indicates detailed information about the results of survey questions:

1. *What is your line of business?* Among 60 interviewees, 38% of interviewees (23 businesses) are majoring in coppersmiths, 15% of interviewees (9 businesses) are majoring in leather goods, 7% of interviewees (4 businesses) are majoring in tinsmiths, 10% of interviewees (6 businesses) are majoring in blacksmith, 12% of interviewees

(7 businesses) are majoring in carpet weaving, 8% of interviewees (5 businesses) are majoring in hat making and 10% of interviewees (6 businesses) are majoring in pottery making businesses.

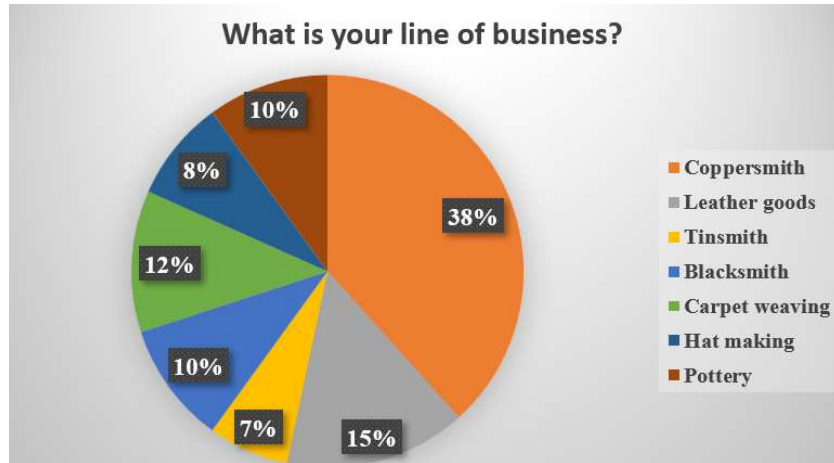


Fig. 1. Summary of 1st survey question

2. *How long have you had this business?* Thirty-eight percent of interviewees (22 businesses) have been operating for more than 25 years. The percentage decreases as the number of years decreases. Therefore, 28% of them (17 businesses) have been operating for more than 20, 15% of them (9 businesses) have been operating for more than 15, 13% of them (8 businesses) have been operating for more than 10, and 7% of them (4 businesses) have been operating for more than 5 years.

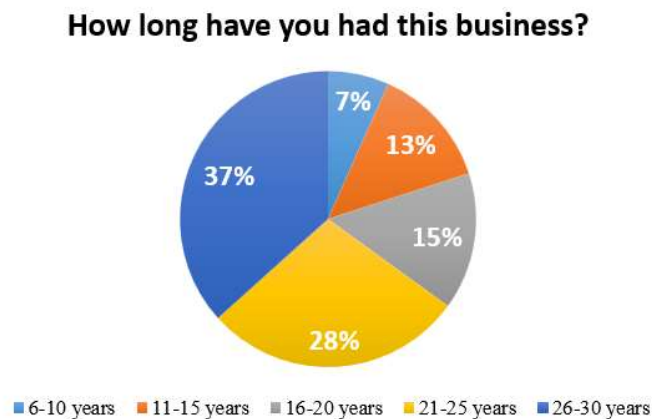


Fig. 2. Summary of 2nd survey question

3. *How many visitors do you get per day in summer?* This survey question especially considers the summer season, because the Ismayilli district is located in the northern part of Azerbaijan, which is quite cold in winter. The village of Lahij gets a lot

of snow from November to February, so it is off-season. Most tourists visit northern Azerbaijan from the end of spring to the beginning of autumn (March-September). Based on statistics from the Ismailli Tourism Information Center under the Azerbaijan Tourism Board, more than 250,000 local tourists visited the Ismailli district in 2022. In addition to that more than 100,000 foreign tourists visited Ismailli district. [6] Seven percent of interviewees (4 businesses) get about 100 visitors in a day, while 17% of interviewees (10 businesses) get 101–200. About 33% of interviewees (20 businesses) get customers between 201–300, followed by 25% of interviewees (15 businesses) getting 301–400 and 18% of interviewees (11 businesses) getting 401–500. The location also plays an important role in this traditional trading style.

How many customers do you get per day
 in summer?

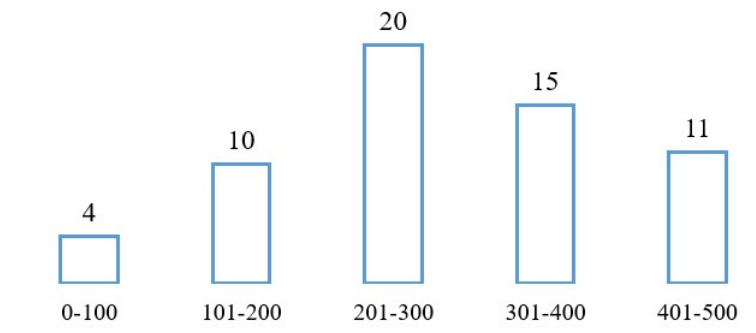


Fig. 3. Summary of 3rd survey question

4. Do you use e-commerce platforms for selling your products? If not, please specify the reasons. Only 10% of interviewees (6 businesses) mentioned that they use e-commerce platforms to sell their products online. The rest of the participants mentioned that they don't use e-commerce platforms at all. The main reasons they think are delivery of products, income potential of e-commerce platforms and lack of hard skills to use these platforms.

Do you use e-commerce platforms for selling your products? If not, please
 specify the reasons.

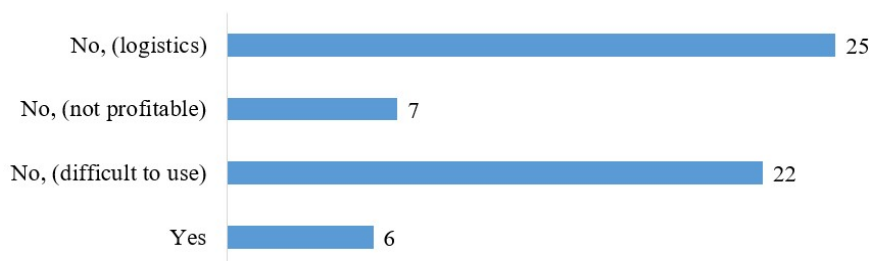


Fig. 4. Summary of 4th survey question

5. Are you aware of the benefits of e-commerce platforms? Among 60 interviewees, only 20% (12 businesses) mentioned that they have prior knowledge about the benefits of e-commerce. However, 80% of them (48 businesses) are not aware of the potential benefits that e-commerce may contribute to their businesses.

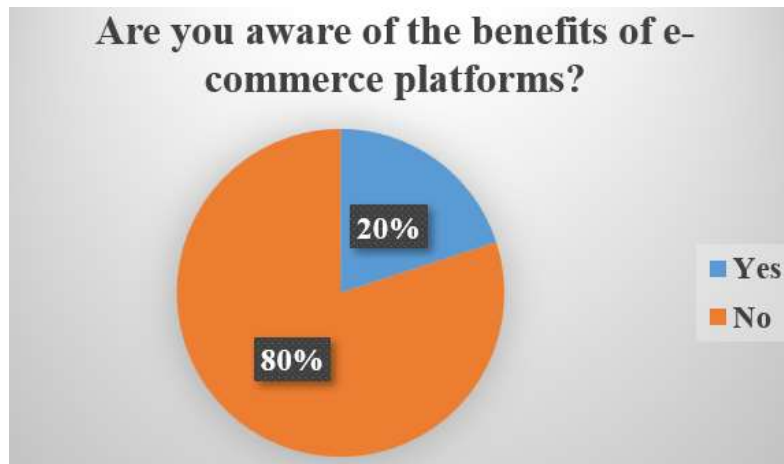


Fig. 5. Summary of 5th survey question

Conclusion. E-commerce has a big potential contribution possibility for businesses. As traditional window shopping is getting less popular, potential clients prefer online window shopping to look through some products. Traditional window shopping may take hours to walk through so many shops whilst online window shopping takes minutes to look through more than a hundred products on e-commerce platforms.

Based on the survey questions it is clear that there are some problems that traditional businesspeople in Lahij face to integrate with e-commerce platforms to improve their sales revenue and incomes.

The cooperation of the government and the willingness of businesspeople may have a key role in overcoming this issue. Here are a short brief of exact problems and suggestions for them.

1. Logistics problem. Most developing countries used to have logistics and distribution problems in rural areas. Lahij people have their unique special works that may be sold globally. However, sole proprietors face logistics problems here. The distance from Lahij village to the center of the Ismailli district is about 47 kilometers. In addition to that, from Ismailli to Baku the distance is 185 kilometers. The only way to send or receive something from Lahij village is to use the Lahij post office. The delivery of products by post takes a lot of time and the delivery fee is quite high. Thus, this problem may be solved by the government's support or private logistics organizations' contributions.

2. Awareness of e-commerce. Most people in Lahij village are not computer savvy and can't use e-commerce platforms properly. The majority of them are unaware of the existence of e-commerce. A minority of them are aware, but they can't use e-commerce platforms professionally. There may be some seminars, webinars, or workshops to teach them precisely.

3. Profit potential of e-commerce. This problem arises from the second problem – awareness of e-commerce. As the majority of people are unaware of e-commerce, they are also unaware of the potential profit that e-commerce may bring to their business.

Lahij village has its unique works of art and these unique handicrafts and works are included in UNESCO Intangible Cultural Heritage of Humanity. It is mandatory to solve the problems above to help Lahij people improve their businesses and increase their revenue and income potential. If these businesses survive in the market with the help of e-commerce, traditional works and unique handicrafts may also be protected for a long time in the future.

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ВЫЗОВЫ ЭЛЕКТРОННОЙ КОММЕРЦИИ В СТАРЫХ ТОРГОВЫХ ЦЕНТРАХ: НА ПРИМЕРЕ АЗЕРБАЙДЖАНА

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Аннотация. Трансформация электронной коммерции стала одной из главных стратегий для обеспечения существования бизнеса на рынке и его защиты от внешних изменений. В данной статье рассматриваются ключевые причины, по которым старые торговые центры не могут преобразоваться в платформы электронной коммерции и цифровойизации. Для этого рассмотрен опыт Азербайджана: в статье предлагаются основные способы помочь продавцам использовать электронную коммерцию для увеличения своих продаж и обеспечения устойчивого положения на рынке. Поскольку проблемы возникают как со стороны правительства, так и со стороны розничных продавцов, они представлены систематизированно. Кроме того, в исследовании определена ответственность правительства и розничных продавцов в решении возникающих проблемы.

Ключевые слова: коммерция, электронная коммерция, трансформация электронной коммерции, цифровая трансформация, проблемы электронной коммерции, Азербайджан, торговые центры.

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