

## THE INNOVATIVE IMPACT OF DIGITALIZATION ON THE DEVELOPMENT OF TOURISM IN AZERBAIJAN

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The purpose of the study is to generalize the theoretical and practical principles of the digital transformation of tourism and to substantiate the prospects of using digital innovations to optimize the development of the tourism sphere of Azerbaijan in the conditions of modern challenges. During the research, dialectical and abstract-logical methods, methods of system approach, comparison, observation, analysis, synthesis, induction, deduction, etc. were used. It is substantiated that the existing tourism potential in the country and the state policy aimed at supporting this industry and improving the efficiency of tourism industry entities create prerequisites for its growth and contribute to strengthening the country's position on the world tourism market.

It has been proven that modern challenges, determined by trends in innovative development and the COVID-19 pandemic, significantly affect the development of tourism and its digitalization. The further development of tourism in Azerbaijan depends on the consolidated efforts of government bodies, the public, and businesses; to determine the need to develop complex and systemic measures, as well as algorithms for their implementation. The continuation of the digital transformation of the tourism sphere and the active use of innovative resources is a promising direction for economic development.

**Keywords:** Tourism, digitization, digital technologies, innovation, social networks, internet marketing.

## 1. Introduction

Tourism is an important factor in socio-economic development and one of the priority directions of economic and cultural development of many countries. Under the influence of the processes of globalization and integration, which determine the patterns of development of the modern world, tourism is one of those sectors of the economy that demonstrate the greatest growth. At the same time, this type of economic activity is extremely vulnerable to any shocks (economic and political crises, wars, military unrest, terrorist attacks, natural disasters, etc.). Digitization becomes a tool that allows for minimizing such a security threat as reducing the competitiveness of tourist services due to their low innovation (Chvertko & Kyryliuk, 2021).

Tourism in Azerbaijan is developing as an important attribute of modern lifestyle and culture, a form of international relations. This sphere of the country's economy is recognized as one of the priority and promising ones. Azerbaijan's tourism potential contributes to the country's entry into the world tourism market. Azerbaijan has a rich cultural heritage (more than 6,600 cultural monuments), historical monuments, and natural resources that attract the attention of tourists from all over the world. Favorable climatic conditions, therapeutic mineral waters, oil, and mud create ample opportunities for the development of health tourism. The presence of state nature reserves and national parks contributes to the development of natural, ecological, and exotic tourism. At the same time, having prerequisites for the proper development of tourism, the country loses somewhat in the competition with other countries of the world. According to the Global Tourism Competitiveness Index, which is calculated based on fourteen aggregated indicators, in 2019, Azerbaijan ranked 71st among 140 countries (World Economic Forum, 2019). In 2021, the country's place in overall rating changed to 63rd place among 117 countries. At the same time, the overall scores range was 3.8 in 2019, and 4 in 2021 (World Economic Forum, 2022).

Various aspects of the development of tourism were reflected in the scientific works of famous scientists. The trends, regularities, and economic relations formed in the process of formation and development of entrepreneurial activity in tourism are the subject of research A. Azizov. The author substantiates the recommendations for the effective development of business activities in the field of tourism in Azerbaijan (Azizov, 2022).

The question of the impact of digital technologies on the development of tourism is one of the most discussed in the scientific environment today, which is highlighted in the scientific works of scientists T. Marusei, V Makhovka, Apelt H., et al., I. Khatri. Scientists prove that under the influence of transitive transformation factors, the tourism system changes and acquires new features and qualities, the mechanisms of its functioning are modified and new opportunities for further transformation are determined (Mazaraki et al., 2021). Scientists analyze the challenges and opportunities of digitalization in tourism, how these challenges and opportunities affect different stakeholder groups, and discuss how they might be addressed (Dredge et al., 2019). However, the outlined issues are relevant and require further study.

## 2. Setting objectives

The purpose of the study is to generalize the theoretical and practical principles of the

digital transformation of tourism, as well as to substantiate the prospects of using digital innovations to optimize the development of the tourism sphere of Azerbaijan in the conditions of modern challenges.

During the research, dialectical and abstract-logical methods, methods of system approach, comparison, observation, analysis, synthesis, induction, deduction, etc. were used.

### 3. The results

The development of tourism is primarily facilitated by an effective state policy aimed at supporting the industry. As a result of the implementation of the socio-economic policy strategy initiated at the turn of the century by national leader Heydar Aliyev, several successful reforms were carried out in the tourism sector, which contributed to bringing the industry out of recession, attracting investments to promote the country's tourism potential, developing tourism infrastructure, improving services, etc. The Law «On Tourism», adopted on June 4, 1999, created the legal framework and contributed to the determination of the main directions of the development of the tourism industry in the country. On September 25, 2001, the country became an equal member of the World Tourism Organization.

Significant attention is paid to the development of tourism by the current President of the Republic of Azerbaijan, Ilham Aliyev. In particular, an important step for uniting the tourism industry around a common goal was the creation of such public associations in the country as the Association of Hotels of Azerbaijan, the Association of Guides, the Association of Travel Agencies of Azerbaijan, and others. This contributes to solving the problems that these tourism market subjects have in the course of their activities, protecting their interests, participating in local and international events, etc.

One of the multi-vector ways that ensure the development of domestic and foreign tourism was the adoption in 2016 of the «Strategic Roadmap for the Development of the Specialized Tourism Industry in the Republic of Azerbaijan», the simplification of the procedure for issuing electronic visas and the creation of the «ASAN Visa» system (Independent Azerbaijan).

The adoption of the updated Law «On Tourism» (February 8, 2022) significantly expanded the opportunities for further mobilization of innovative potential and modernization of business models in the field of tourism. In addition, an important factor in the further development of the industry is the order of the President of the Republic of Azerbaijan on the approval of the strategy «National priorities of socio-economic development of Azerbaijan 2030» dated February 2, 2021.

Currently, the development of tourism in Azerbaijan and the world is largely determined by the impact of the COVID-19 pandemic. The so-called «economic quarantine» caused an unprecedented drop in GDP indicators and led to a global decline in tourism activity. In Azerbaijan, according to official statistics for 2020, the share of tourism in GDP decreased by 1.2%, and revenue from international tourism amounted to 0.3 million USA dollars, which is 83.3% less than the previous year. The share of tourism in total exports decreased by 85% and amounted to 2% or 0.3 million dollars USA (in 2019 – 9% or 2 million dollars USA). Strict quarantine measures, border closures, restrictions on tourist trips, and a decrease in the income of the population – all affected the tourism sector, and as a result, this sector of the economy fell by 90% (The World Bank). 1.6 million tourists visited

Azerbaijan in 2022 (in 2019 – a record 3.2 million people). The share of tourism in the GDP of Azerbaijan in 2022 was 1.6% (2.4% in 2019). According to government data, in 2022, the expenditure of foreign tourists who visited Azerbaijan amounted to 788 million dollars USA (+2.7 times the rate of 2021). However, this is significantly less than the record figure of pre-pandemic 2019, when foreign tourists spent more than 1.7 billion dollars USA in Azerbaijan.

Because the economy will remain under the influence of this new reality for some time, the key direction of modernization of the tourism sphere at the current stage is the digital transformation of the tourism industry. Overcoming existing modern trends in tourism, formed under the influence of threats to its development, necessitates the active use of innovations, among which special attention should be paid to digital technologies and the informational positioning of the tourism sphere in the virtual space.

Digital transformations of the tourism system are embodied in: the formation of online platforms that act as information brokers and intermediaries (Expedia, Trip Advisor, Booking, etc.); the use of blockchain technology, and mobile applications; development of social media and distribution of tourist content through them; spread of corporate management systems of tourism business entities; introduction of virtual and augmented reality technologies (Mazaraki et al., 2021).

A radical change in technology, primarily in the field of the Internet, digital, mobile, and social platforms, leads to significant changes in customer requirements, patterns of behavior, and decision-making. This is facilitated by a significant increase in the number of users of the global Internet network and an increase in the volume of the Internet services market. In 2022, 66% of the world's population, or 5.3 billion people, will be Internet users (International Telecommunication Union, 2023).

The rapid development of innovative information technologies has significantly changed the behavior of consumers of tourist services. Nowadays, the vast majority of tourists are technically experienced, able to experiment and use an individual approach to shaping their trip. Promotion of their services by manufacturers on the Internet helps to find the necessary information aimed at the development of tourist experiences and meeting the needs of consumers. The strategic activity of the subjects of the tourism industry should be aimed at the immediate satisfaction of the demands of service consumers, and the formation and implementation of competitive services by diversifying and expanding their sales channels. Quick adaptation to innovative changes with the use of modern information technologies and digitalization elements, and improvement of the general model of communications contribute to attracting customers, improving the quality of service, and increasing the competitiveness of services. Information support of the tourist business and the use of digital technologies allows for optimizing and improving the processes of service production, changing the forms, and methods of offering, and providing services, to master new opportunities for the formation of competitive services.

The use of digital technologies ensures individuality, flexibility, availability of tourist products and services, fast communication between consumers and producers, and improves the quality and speed of receiving services, taking into account the individual needs of tourists. The implementation of digital technologies at the stages of the formation, promotion, and consumption of tourist products and services creates conditions for increasing the level of income from tourism, significantly improves services, and expands opportunities for all participants of the tourism market.

The use of new digital technologies and websites has greatly accelerated forms of human interaction through instant messaging, online forums, social networks, etc.

The toolkit of social networks is the most effective means of multilateral communication due to the provision of all possible means of interaction - videos, chats, images, blogs, etc. The use of social networks contributes to the promotion of tourism services due to proximity to the consumer, the possibility of receiving feedback, ease of use of networks, friendly interface, high efficiency, etc.

Consumers of travel services constantly use social networks to collect information about objects, services, and events, identify sellers, analyze and evaluate services, search for reviews, and compare prices. Through social networks, the image of business entities and destinations is formed, and operational communication and information exchange between them and service consumers are ensured, which helps to quickly satisfy the personal requirements of customers.

For consumers of travel services, social networks containing user-generated content are an important source of information that greatly influences their decision to purchase a service. Social networks allow users to join thematic communities and blogging platforms. In this way, tourists can find like-minded people, get to know each other, discuss all issues related to the topic of travel, exchange impressions, present and view photo reports, and help each other in choosing a service.

The development of social networks has completely changed the media landscape and advertising models, as the target audience has moved from the role of content recipients to its creators, distributors, and commentators (Rodinova, 2021). Thanks to the growing popularity of social networks, prerequisites are created for the emergence of new channels for the distribution of advertising messages about goods, services of the tourism and hospitality industry, and communication barriers are leveled.

One of the ways to optimize the marketing activities of enterprises in the tourism industry is the use of Internet marketing, in particular, marketing in social networks. Its main advantage is interactivity, targeting accuracy, and the possibility of detailed analysis, which allows you to significantly increase site conversion.

Implementation of Internet marketing tools: search optimization (SEO); contextual advertising; media advertising; SMO and SMM; viral marketing; direct marketing using e-mails and RSS feed and their adaptation to the components of the marketing policy allows the tourism industry to increase the number of orders, increase the productivity of personnel, improve the service system, reduce certain categories of costs, increase competitiveness.

It should be noted that the implementation of digital technologies largely depends on success in solving problems that hinder digital trends in the development of the national economy in general.

Among the factors hindering the development of digital technologies in the field of tourism in Azerbaijan, the following stand out: normative and legal (lack of normative and legal space regulating the contact of subjects in the process of transition to the digital field); financial and economic (it is very difficult for small and medium-sized tourism businesses to invest large amounts of money in the digitalization of this field of activity, and support and incentives are not provided); stability of the general situation (dissimilarity in the political and financial resources of the regions for unification in the digital space);

insufficient level of welfare of the population (impossibility of purchasing multifunctional gadgets, use of paid Internet services during tourist trips); digital illiteracy of the population (a significant number of people have no idea about the great possibilities of digital technologies or have incomplete knowledge). Eliminating all of the above factors will contribute to the sustainable development of digital technologies in the field of tourism in Azerbaijan (Azizov, 2022).

The development of the tourist market, based on the paradigms of the digital economy, can be implemented only if legislative, institutional, and fiscal barriers are removed; widespread use of tools for encouraging innovative activity, including state support through tax and financial instruments, etc.

#### **4. Conclusions**

The conducted research allows us to state that the development of the tourism industry depends significantly on the influence of external and internal destructive factors that create relevant risks and threats. The tourism industry must constantly adapt to new challenges, and find and improve appropriate mechanisms that will contribute to ensuring its integrity and sustainability. Further development of the national tourism sphere, and ensuring its security largely depends on the consolidated efforts of state bodies, the public, and business. Overcoming existing negative trends requires the development of complex and systematic measures, as well as algorithms for their implementation with the use of legal, financial, and innovative tools of influence on the tourism sphere. Active use of innovative digital resources will minimize security threats and increase the competitiveness of tourist services.

The continuation of the digital transformation of the tourism sphere and the active use of innovative digital resources is a promising direction for the development of Azerbaijan's economy shortly. Digitization of tourism business processes will become an effective lever capable of satisfying the interests and needs of all participants in tourism relations and contributing to the achievement of sustainable development goals.

The effectiveness of the implementation of digital technologies in the field of tourism is largely determined by the success of solving institutional, infrastructural, governmental, and other problems that hinder the digitalization of the economy of Azerbaijan in general and require a radical solution.

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