Spring report

DIGITAL
ECOSYSTEM DIGEST

2024

PROMISING SECTORS IN GEORGIA'S
DIGITAL ECONOMY FOR STARTUPS

BTU | ბიზნესისა და
ტექნოლოგიების
უნივერსიტეტი

INTRODUCTION

Georgia's digital economy spans a variety of industries, some of which are already thriving while others are just beginning to develop. At the core of these developments are tech-based startups, which are becoming key players by offering innovative and fresh solutions across sectors.

This report provides a basic market description, including key statistics for various sectors and highlights a few examples of market players and startups in each. These examples illustrate the significant role that these entities play in their respective areas and suggest potential for expansion.

It is important to note that artificial intelligence (AI) is not treated as a separate industry in this analysis. Instead, AI is integrated and utilized across all industries, demonstrating its pervasive influence in the digital economy. Additionally, other directions of the digital economy that are not mentioned separately are acknowledged for their interconnected roles across various industries.
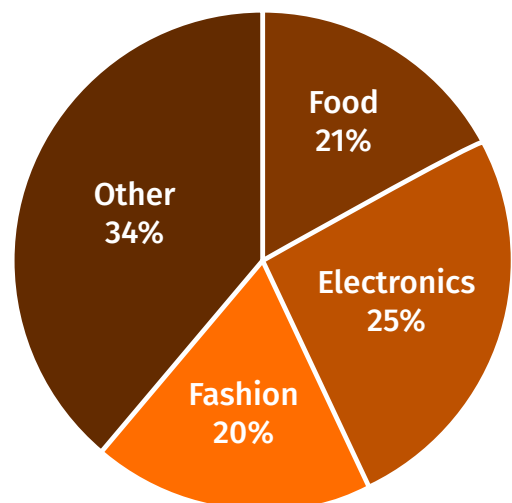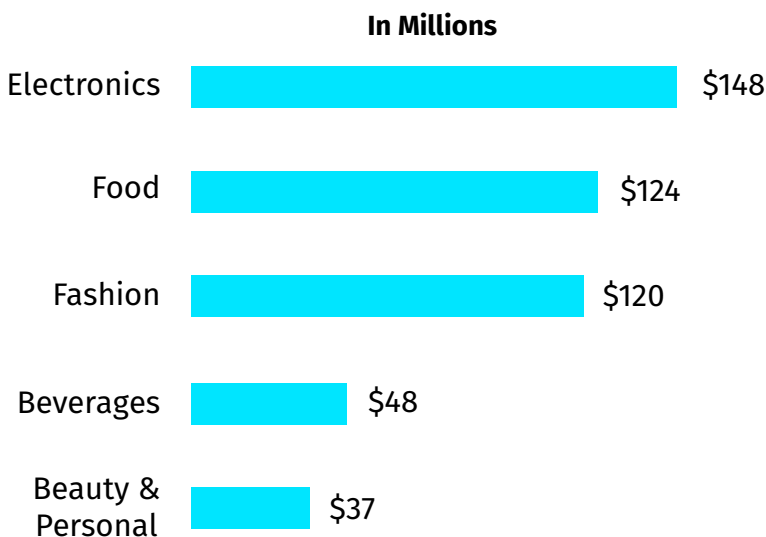
E-COMMERCE

E-commerce market size in Georgia (MLN USD)*

473 — 2020
585 — 2021
578 — 2022
595 — 2023

13% Growth is projected for 2024
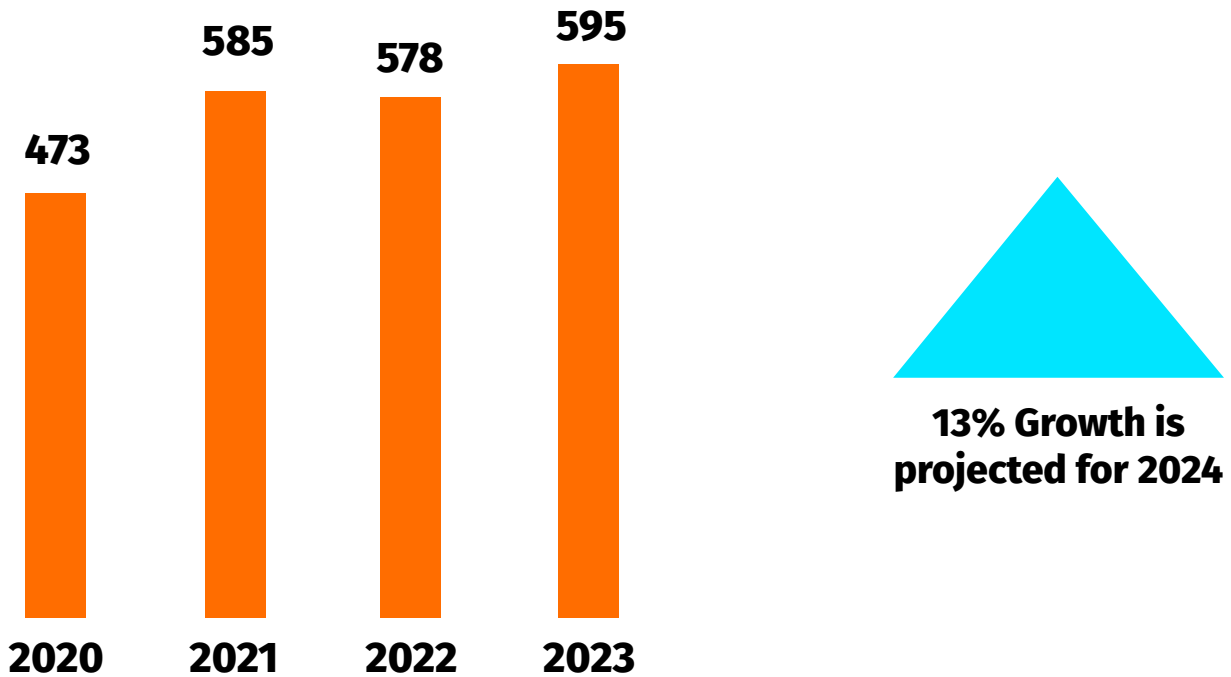
*Revenue generated by selling a physical product to an end user through digital channels in the B2C sector

E-commerce market structure by sector in 2023

In Millions

- Electronics: $148
- Food: $124
- Fashion: $120
- Beverages: $48
- Beauty & Personal: $37

Pie chart:
- Other 34%
- Food 21%
- Electronics 25%
- Fashion 20%

Electronics is fastest grown sector - 14.5% growth is projected for 2024

E-COMMERCE

E-Commerce Traffic Distribution by Device Type

| Mobile, 44% | Desktop, 56% |

Mobile devices are slowly replacing desktops as an online shopping tool

Number of people using E-commerce in Georgia* (In Thousands)

2019	2020	2021	2022	2023
436	473	494	570	766
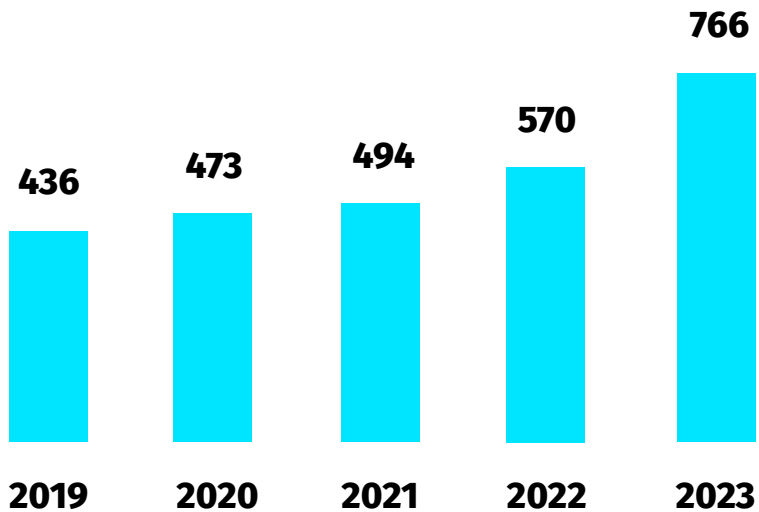
E-commerce market was increased by 196 thousand people only in 2023

*Person aged 15 years and older, who have purchased/ordered goods or services for personal use through internet (during last 1 year).

E-COMMERCE

Distribution of population using E-commerce

By gender

453K – 59%   321K – 41%

E-commerce penetration rate – 30%

By age

30–59 YEARS	I	432K – 56%
15–29 YEARS	I	269K – 35 %
60+ YEARS	I	65K – 8 %

Three out of every ten internet users engage in e-commerce.

Ecommerce penetration rates

By gender

32.8%   26.7%

By age

15–29	40.9%
30–59	30.9%
60+	13.0%

E-COMMERCE

International Expansion examples from startups

Phubber
Sustainable Fashion Platform

Ukraine

Armenia

Azerbaijan

Storera
Online Store Builder

Uzbekistan

Azerbaijan
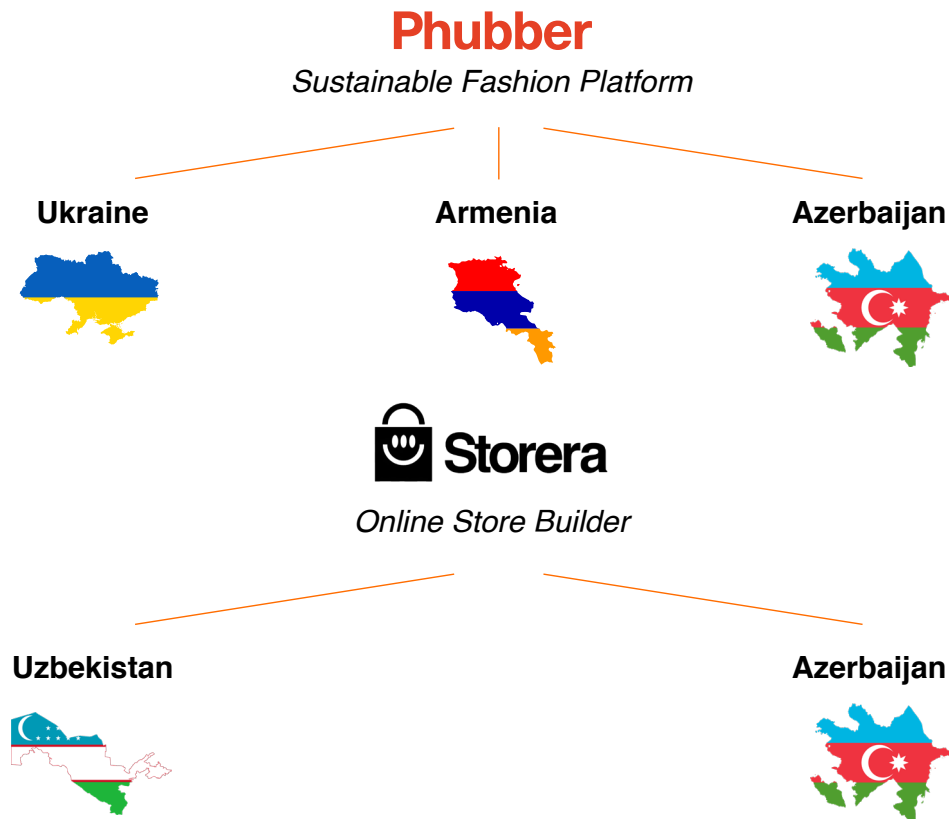
Local Associations

eCommerce Association Georgia
founded in 2020
24 Members

E-Commerce Association of Georgia
founded in 2018
24 Members

Innovative Business Model Example

VELI:

Veli.Store
*Uses a customer-centric model to deliver orders
at preferred times, saving both customers and delivery time*

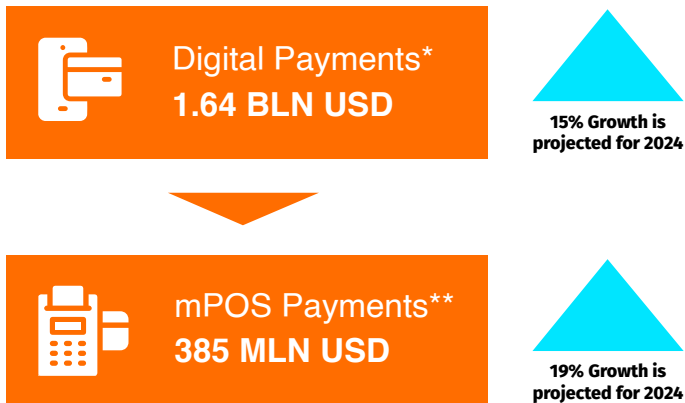## Semi-underutilized e-commerce areas

Building Materials   **Handicrafts and Art**   **Agriculture Goods**

FINTECH

Digital customer payments market size in 2023

Digital Payments*
1.64 BLN USD

15% Growth is projected for 2024

mPOS Payments**
385 MLN USD
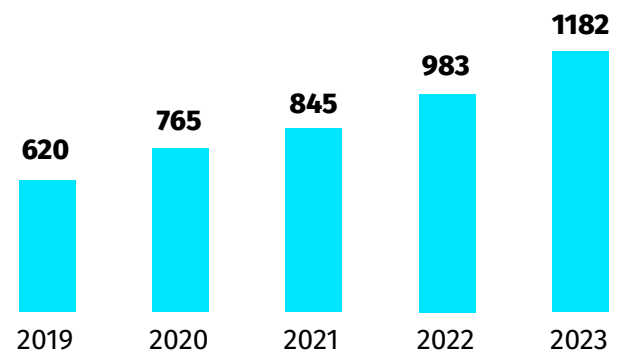
19% Growth is projected for 2024

* Customer payments via the internet and mPOS payments. B2B transactions and terminal payments are excluded.

** E-wallet payments (e.g. ApplePay, Google Pay).

In Georgia in 2023 online:

197 MLN Operations conducted	**14 BLN GEL Transferred**
+72% to previous year	+79% to previous year

Number of people using E-banking (In Millions)

620	765	845	983	1182
2019	2020	2021	2022	2023

47.1% of internet users are using E-banking for personal purposes.

Share of volumes of transactions with payment cards: ATM vs POS-terminals & internet

2023: 61% | 39%
2022: 67% | 33%

0%   20%   40%   60%   80%   100%

■ Cash (ATM)   ■ Non-cash (POS & Internet)
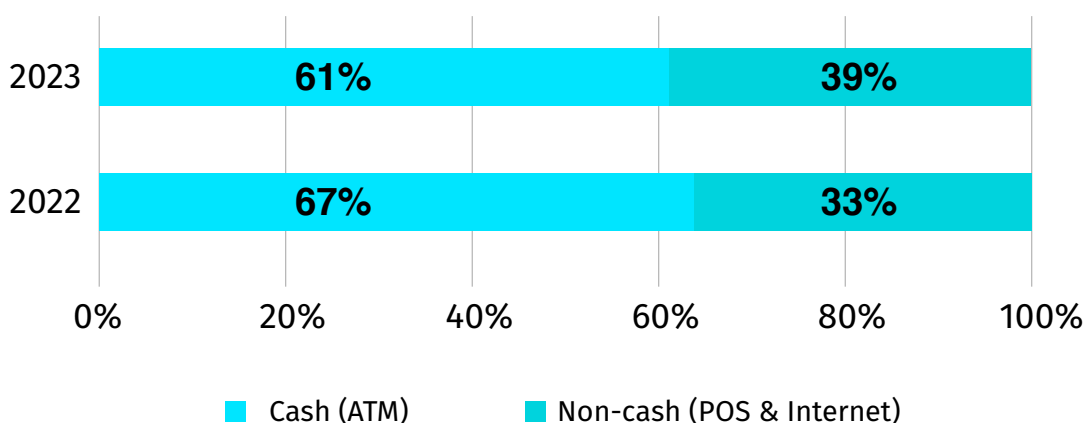
The country is rapidly moving towards a cashless economy

*Includes transactions carried out within the country via payment cards issued by resident issuers. Does not include non-card transactions, including direct bank transfers.

FINTECH

FIA

Fintech Association of Georgia
Founded in 2019
31 Member companies
Several Partners

paysera

Peysera Bank Georgia
First Digital Bank in Georgia

United Payment

United Payment Georgia
Fintech Payment Solutions

Large number of crypto startups

CityPay.io

Citypay.io
Cryptocurrency Payment Solutions

Bitnet

Bitnet
Crypto Exchange Platform

International Expansion examples from startups

PAYZE

Payze
Platform for online payments

Uzbekistan
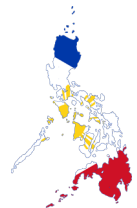
KERNEL
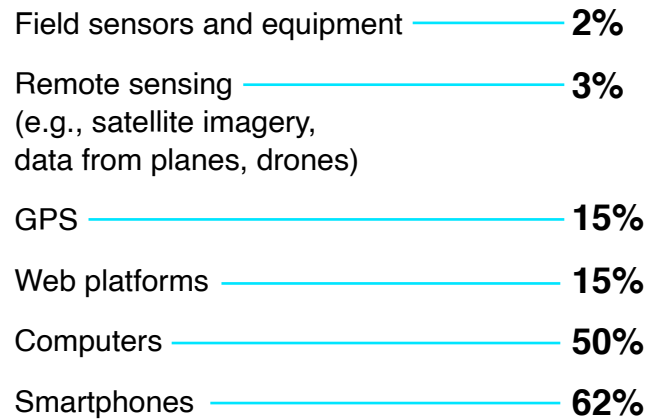
Kernel
Automate Invoicing

India

Philippines

Source: Authors' Research

AGRITECH

Digital technologies used by GFA farmers in their workplace

Every 9 from 10 GFA Farmers are using digital devices

Technology	Percentage
Field sensors and equipment	2%
Remote sensing (e.g., satellite imagery, data from planes, drones)	3%
GPS	15%
Web platforms	15%
Computers	50%
Smartphones	62%

Rarely but Used Farming Applications

- Soil analysis applications
- Irrigation management
- Pest and diseases management
- Fertigation management
- Farm management applications
- Meteorological applications

Most GFA farmers use digital technologies, but the majority are limited to basic tools rather than specialized equipment.

Software + **Hardware** = **Smart Farm**

More Advantages here   More Challenges here

AGRITECH

Agritech Startups

Agrogeorgia
IoT Agriculture Portal

Agronavti
Agribusiness Planning Platform

DG Systems
Space & Energy saver technology
for Greenhouses

Agronnect
Online Consultations Marketplace
for Farmers

F2C (Farmer to consumer) Business Model

Soplidan.ge
E-commerce platform connecting
farmers around the country and
customers with fresh products

**Only a few Agritech companies operate in the market,
making it non-competitive and presenting opportunities for new investors.**
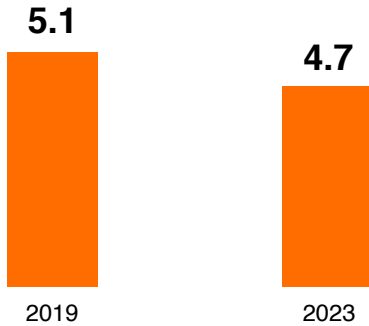

AI Integration in Agritech

Cloudcrop
Using Predictive and Deterministic Machine Learning
Greenhouse Data Analysis and Optimization

Source: Authors' Research

DIGITAL HOSPITALITY

**Number of International
Tourists in Georgia (in millions)**

5.1

4.7

2019

2023

Tourism is estimated to fully recover in 2024 after covid shock in Georgia.

Tourists are arriving mostly from neighbor countries, but number of EU tourist is also growing.

422 thousand Tourists from EU and UK in 2023

94% of Tourists do not use tourist packages, presenting an opportunity for flexible, individualized tech solutions.

24% of Tourists were used Airbnb rentals in 2023

How Tourists are Spending Money here?

37% **Accommodation**

23% **Shopping**

22% **Foods and drinks**

10% **Holiday, leisure, recreation, cultural and sporting activities**

7% **Local transport**

1% **Other expenditure**

Market is keen on innovative startups

DIGITAL HOSPITALITY

AI and Sustainability integration in Travel-related Startup

Biliki.AI
Sustainable Trip Planner
Biliki has transformed from mobile marketplace
of self-guided tours to global AI solution for sustainable travel

Example of Startups

Horsetours.ge
Platform for equestrian tourism

e-Consul
One-step solution visa services
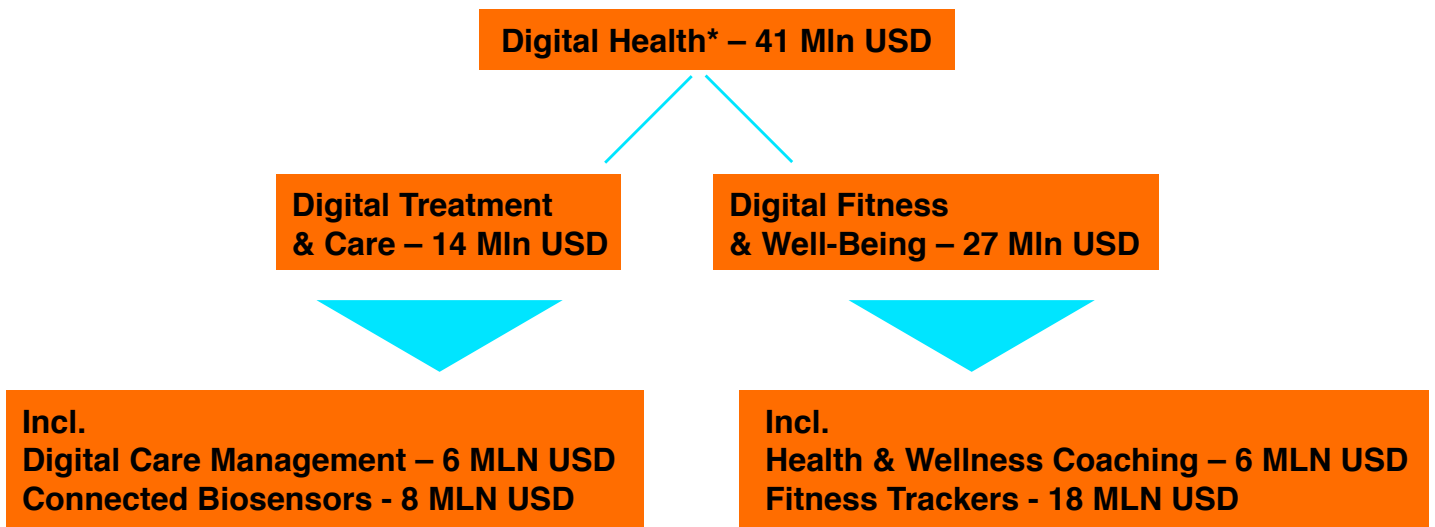
Semi-underutilized and interesting Areas for Startups
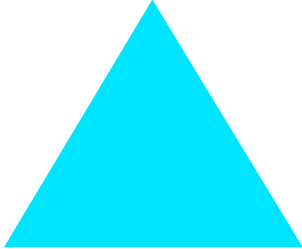
Transportation portals

P2P mobility

Medical tourism

HEALTHTECH

Digital Health* – 41 Mln USD

Digital Treatment & Care – 14 Mln USD

Digital Fitness & Well-Being – 27 Mln USD

Incl.
Digital Care Management – 6 MLN USD
Connected Biosensors - 8 MLN USD

Incl.
Health & Wellness Coaching – 6 MLN USD
Fitness Trackers - 18 MLN USD

*Revenue generated by selling a digital health service (mobile health apps, connected devices, telemedicine, etc.) to the end user in the B2C sector.

10.4% growth is Projected for 2024

Digital health sector is expanding in many directions

HEALTHTECH

Telemedicine Companies

Ekimo
All-in-One Medical Platform

Redmed
On-Demand Doctor Connection

Industry Digitalization for Customers

Doctra
Mobile Medical Document Management

Digital Health Platform Startup Example

Medik
Integrated Medical Ecosystem

AI-based Startups in Healthtech

MyDoc.ge
AI-based telemedicine system

Pharmaco
Pharmaceutical marketplace

Wiggly AI
AI-powered pet assistant

Biterium AI
Early-Stage Cardiovascular Detection Technology

DIGITAL MARKETING

Digital Advertising Market Structure in Georgia (2023)

**Search Advertising
27 MLN USD**

**Banner Advertising
21 MLN USD**

**Video Advertising
19 MLN USD**

**Other Advertising
7MLN USD**

**Digital Advertising Market
in 2023 in Georgia:
73 MLN USD**

Digital Advertising Market is equally divided between Mobile and Desktop

Mobile, 50%   **Desktop, 50%**

Influential Advertising Market* was 3.8 MLN USD in 2023 in Georgia

Influencers are receiving 5% of Digital Advertising market

DIGITAL MARKETING

International Expansion examples from startups

Romania

Moldova

Echolize - Influence Georgia
Influencer marketing platform

AI Integration in Digital Marketing

S T O R I

Stori AI
Brand content creation

AR Integration in Digital Marketing

Cross Creators

CrossCreators
Augmented Reality Marketing Solutions

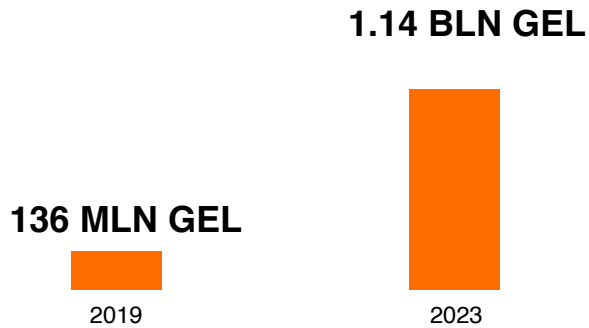## Key Interest Area for Startups – What Solutions are they Developing?

Gamification

VR & AR

AI-powered services

IT SECTOR

**1.14 BLN GEL**

2023

136 MLN GEL

2019

IT sector output was 1.14 BLN GEL in 2022.

About 1.6% of Georgian Economy

IT Sector is growing rapidly compared to other sector

about **6 times** increase Between 2019-2022 in constant prices

more than **8 times** increase Between 2019-2022 in nominal prices

total economy grew only **1.24 times** in constant prices

How Real GDP Grew for specific sectors between 2019-2022? (Constant Prices)

505%

178%

24%

IT

ICT

Total Economy
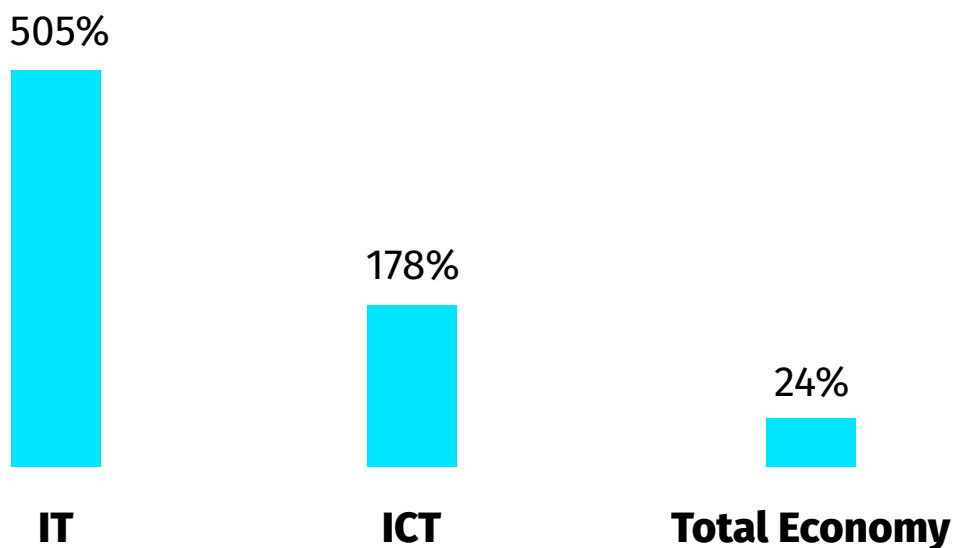
IT SECTOR

All industries in our report are linked to IT, yet there are numerous startups exclusively offering IT solutions.

Example of startups providing IT Solutions

Theneo
AI-powered API documentation

Key Tech
MVP development solutions

HMG Software
ERP systems

Onephase
Digital product design

Current Interest Area for new Startups – What IT Solutions are they Developing?

Business process optimization and automation

Job market and recruitment platforms

Service-oriented software solutions

EDTECH

Key Interest Area for Startups – What Solutions are They Developing?

AI Coaching

Digital Interactive Books

AI-Powered Writing Assistants

Sign Language Learning

AI-based Edtech Startup Example

Lupi AI
Educational data analysis and
personalization learning platform

Example of Edtech Startups

Wenroll
Interactive online platform for masterclasses

Gakvetilo.ge
Informal education platform for children

AI integration in Higher Education

BTU AI
Business and Technology University is integrating
AI across multiple services, research, authored AI books,
syllabi, teaching, AI lecturer roles, etc.

WHAT IS DIGITAL ECOSYSTEM DIGEST?

Digital Ecosystem Digest is a quarterly electronic research report issued by the BTU Center for Entrepreneurship.

The report reviews current technological and innovative trends in various sectors of the digital economy of Georgia and covers topics such as: startups in digital business, e-commerce markets, digital platforms (B2B, B2C or C2C), fintech technologies, etc.

The purpose of the report is both to consolidate existing information and to generate new practical knowledge about the digital economy. Each research report will be co-authored by different researchers.

The current edition is authored by BTU academic affiliate staff—permanent authors Tsotne Zhghenti and Vakhtang Chkareuli, with Tamta Mamulaidze contributing to the Agritech section.

DIGITAL
ECOSYSTEM DIGEST

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