



## THE CONCEPT OF DIGITAL ECONOMY AND ITS IMPORTANCE

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**Abstract:** This article discusses the concept of digital economy and its practical importance. Nowadays, the digital economy and a number of effective technologies related to it, including e-commerce and e-business, are rapidly entering our lives. In the conditions of today's rapidly developing global economy, the digital economy is in the initial stage of its development, and it is highlighted that it can significantly increase people's living standards and this is its main benefit.

**Keywords:** digital economy, digital technologies, development, system, internet economy, international competition, digital technology, competition, communication, digitization, hybrid world.

A large set of data in digital form and the process of processing them serve as the main factor of production and management. Using the obtained results in practice makes it possible to achieve much greater efficiency compared to traditional forms of management. Examples include various automated manufacturing processes, 3D technology, cloud technologies, remote medical services, smart manufacturing and delivery, and various storage and sales processes.

*What does the transition to the digital economy mean ?* - question can be answered as follows:

- By the transition to a digital economy, we mean building a new type of society and economy based on computers and knowledge ;
- Examples of mobile social networks, cloud technologies, sensor networks, Internet of Things, and artificial intelligence technologies can be cited as the main components of the process of transition to the digital economy.
- The above-mentioned technologies together allow creating "smart" objects and processes (smart state, smart home, smart city, healthcare, transport and business). We can distinguish the following as the main principles of the digital economy:
  1. Ability to use global resources without intermediaries ;
  2. Possibility of renting various resources;
  3. Being able to use the *volunteering model* ( *open source model* );
  4. Ability to trade through the global ecosystem;





On the one hand, no company wants to repeat the fate of Kodak , which once missed the leap from film to "digital" in the photo business. On the other hand, *Amazon, Uber, Airbnb* and others show how to take advantage of the digital revolution and create and implement completely new ways of doing business. Gone are the days when the Internet was initially viewed as an online storefront and later as an online magazine as a supplement to an offline business . The emergence of new generations on the scene of life - young people who "live" on the Internet led to business becoming online ("digital"). Humanity has entered the era of global changes. In the recent past, the main spheres of human activity - economy and management, science and security - have now begun to acquire a new form and content. Humanity has become different , which is leading to changes in social relations. One of the characteristics of the future world is that digital technologies will continue to penetrate our lives . This is explained by progress in the fields of microelectronics, information technology and telecommunications. Thus, digitization is an objective, inevitable process that cannot be stopped. One of the most serious risks accompanying digitization is mass unemployment among low- and medium-skilled professionals . The middle class may shrink dramatically because these jobs will be automated first and replaced by intelligent robots. A significant part of the active, educated, able-bodied population, accustomed to a fairly high standard of living, will be pushed by the wayside by the western way of life. However, the digital world is taking shape so quickly that only accelerating the process of training highly qualified personnel will be able to prevent their shortage. Therefore, whoever is ready for change now has enough time to do so.

In the long term, the "digital" (electronic) economy can become a tool capable of realizing the centuries-old dream of freedom for people condemned to hard physical labor. Many people are open to creativity, science (both fundamental and applied) and art. The digital revolution will enter some sectors and countries earlier and more strongly, and others later and less. Services, media and entertainment will be the first, followed by telecommunications companies and banks. But according to the general opinion of analysts and the results of a survey among company managers, digitization affects us all to one degree or another. Today we can identify each essence as belonging to one world or another, but after a certain time we cannot make such a division for most objects.

Such examples exist today:





An IP camera or any other network-connected transmitter - which universe is it part of? Undoubtedly, they are the essence of the events of both worlds. A mobile phone today stores a lot of information: phone numbers, birthday information, photos, passwords and other information. Even though we are not physically connected to the phone, we feel functionally one with it. It does not take a lot of courage to say that the process of merging the real and virtual worlds has begun and there is no way to stop it. As a result of the merging of the real and virtual worlds, a new *hybrid world* is created, in which different laws and regulations apply, different from the laws and regulations that are common to us now. From this point of view, it should be said that there is no "digital" economy that exists separately from the rest of the economy: "Digital" (electronic) economy is an economy that exists in the conditions of a hybrid world. A hybrid world is the result of a combination of real and virtual worlds, characterized by the possibility of performing all "vital" actions in the real world through the virtual world. Low cost, high efficiency and openness of digital infrastructure are prerequisites for this process. Digital business is the emergence of new business models that combine the physical and digital worlds. *The School of Management* defines digital transformation as "the use of modern technologies to fundamentally increase the value and productivity of enterprises." The explosive growth of social networks, the smartphone market, broadband Internet access, machine learning technologies, and artificial intelligence are changing the world in which companies operate. They will have to either fill the gaps in the new market or adapt to the changes by changing the existing gaps. The process of digital transformation of organizations is a response to the development and active spread of new information technologies around the world. Digital transformation reaches different levels, and the difference between them has the same meaning as the difference between two terms - "digitalization" and "digitization". Digitization is the transfer of information from physical media to digital media. Examples of digital rendering are e-books, video courses, making a digital copy of a photo, etc. In this case, the information structure will not change: it will only have an electronic form. Digitalization is often used to improve existing business models and optimize business processes. Digitization is the creation of completely new products in digital form. For example, a dynamic learning course with multiplication or an interactive system of document interpretation is digitization. It is not possible to transfer a product created on the basis of digitization to technical means without seriously losing its quality, so digitization, unlike digitalization, allows



businesses to significantly accelerate development and gain new competitive advantages. In practice, there are two directions of digital transformation. The first direction is to automate and robotize existing business processes to minimize human involvement. The second direction is to scale the management system obtained in order to create an exponential organization. By an exponential organization, we mean that due to their scaling, they are at least ten times more productive than other organizations in the same industry. It is no secret that the regional and international expansion of companies is often hindered by the difficulty of replicating the management system at the world level. Problems with limiting rapid growth are often caused by difficulties in replicating. An example of this is the process of changing the educational process from a business school, which is limited by the scope of the region, the size of the auditoriums and the number of teachers, to create a business of a national or international scale. Digitization of the educational process allows to minimize costs, and to make educational courses open to an unlimited audience that understands the language the teacher speaks (MOOC - massive open online courses). One of the main conditions for creating an exponential organization is the possibility of homogenization of services. The company can be promoted in the target market by means of viral marketing and "word of mouth" radio methods, which will ensure "explosive" growth of the blank business at the expense of price dumping and digital interface for ordering services. Business process digital transformation can be implemented using BPMS (Business Process Management Suite) class systems. The second stage of digital transformation is the automation of individual operations. For example, customer trustworthiness assessment is done automatically, as is testing among training course participants. "Digital robots" that make decisions independently based on mathematical algorithms or even artificial intelligence are often used to automate operations.

### Summary

The use of innovative digital technologies together with other tools allows not only to change one or another business process, but also to completely reorganize the network, producing a product that did not exist before. The most exciting thing about digital transformation is the changes that are happening and how all these technologies can be used together. In the terms of the theory of synergetics, it can be said that the social system is constantly changing, and random changes in institutional forms (fluctuation) are an indicator of disorder at the micro level of the system and the possibility of its development. Some



fluctuations turn out to be so strong that they determine the trajectory of future development and bring about qualitative changes. For example, the Internet of Things allows the integration of the virtual world with the real world, while artificial intelligence can make inferences and decisions based on very large data sets obtained from the Internet of Things. Augmented and virtual reality makes a new world visible to the human eye.

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