

PROBLEMS OF STRATEGIC MANAGEMENT OF DISTRIBUTION NETWORKS IN AZERBAIJAN AND THEIR SOLUTIONS

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Abstract. The article analyzes the strategic management problems of distribution networks in Azerbaijan and explores ways to solve them.

Keywords: Supply chain in Azerbaijan, problems of supply chain, retail and wholesale in Azerbaijan.

**AZƏRBAYCANDA PAYLANMA
ŞƏBƏKƏLƏRİNİN STRATEJİ
İDARƏETMƏ PROBLEMLƏRİ VƏ
ONLARIN HƏLLİ YOLLARI**

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Xülasə. Məqalədə Azərbaycan paylanma şəbəkələrinin strateji idarəetmə problemləri təhlil edilmiş və onların həlli yolları araşdırılmışdır.

Açar sözlər: Azərbaycan təchizat zənciri, təchizat zənciri problemləri, Azərbaycanda topdan və pərakəndə satış.

**ПРОБЛЕМЫ СТРАТЕГИЧЕСКОГО
УПРАВЛЕНИЯ РАСПРЕДЕЛИТЕЛЬНЫМИ
СЕТЯМИ В АЗЕРБАЙДЖАНЕ И ИХ
РЕШЕНИЯ**

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Резюме. В статье анализируются проблемы стратегического управления распределительными сетями в Азербайджане и исследуются пути их решения.

Ключевые слова: Цепочка поставок в Азербайджане, проблемы цепочки поставок, розничная и оптовая торговля в Азербайджане.

1. Introduction

Distribution networks play a focal role in ensuring the smooth delivery of goods and services from producers to end-users. In Azerbaijan, the strategic management of these networks is crucial, given the country's strategic location as a gateway between Europe and Asia and its growing economy [3]. The effective functioning of distribution networks directly impacts the competitiveness of businesses, the satisfaction of consumers and the overall economic development of the country. However, despite its potential, Azerbaijan faces several challenges in effectively managing its distribution networks, ranging from infrastructural bottlenecks to regulatory hurdles. There are also issues regarding socio-economic and political factors originating from global events.

Azerbaijan, after gaining independence from USSR, faced numerous challenges during transition of economy to market one. Due to these issues, full completion of transition stretched nearly 18 years, ending in 2009. Distribution networks flourished during the second decade of the XXI century due to social and economic stability and overall positive changes of population income. However, “crisis of 2020s” affected all aspects of Azerbaijani economy. Disruption of global supply chain by pandemic, wars and closure of borders negatively affected overall supply chain networks of Azerbaijan [5].

The issue is intensified by the increasing complexity of global supply chains and the need to integrate advanced technologies for efficiency and transparency. Furthermore, geopolitical dynamics in the region and environmental risks present additional layers of difficulty. Addressing these challenges requires a comprehensive understanding of the current landscape, a thorough analysis of the problems and the development of targeted solutions. This essay aims to explore these issues in detail, analyze their underlying causes and propose viable strategies for improvement.

2. Current State of Distribution Networks in Azerbaijan

Azerbaijan has been actively modernizing its logistics and transport infrastructure, focusing on roads, railways and ports to strengthen its role as a key transit hub [5]. Thanks to participation in large-scale international trade initiatives, such as the Belt and Road Initiative (BRI) and the Trans-Caspian International Transport Route (TITR), the country has significantly expanded its transport corridors, improving the efficiency of cargo movement between Europe and Asia.

In recent years, Azerbaijan has implemented comprehensive reforms aimed at enhancing its logistics potential. A major step in this direction was the development of the Baku International Sea Trade Port in the Alat Free Economic Zone, which has increased freight processing capacity. Additionally, the Baku-Tbilisi-Kars (BTK) railway has become a crucial link between the Caucasus, Turkey and Europe, offering an alternative trade route for international shipments.

Road infrastructure has also undergone significant improvements, with new highways and expressways reducing transit times and optimizing cargo transportation across the country. Furthermore, air freight capabilities at Heydar Aliyev International Airport have been expanded to meet the increasing demand for fast and efficient delivery services.

Despite these advancements, several obstacles continue to impact the efficiency of Azerbaijan's distribution networks, including:

- Complex bureaucratic procedures, causing delays in customs processing and trade documentation.
- Limited digitalization in logistics, slowing down real-time cargo tracking and operational efficiency.
- Infrastructure congestion at border crossings and major transit hubs, affecting supply chain fluidity.
- High transportation costs, particularly for domestic distribution and last-mile delivery.
- Dependence on external suppliers, making the country vulnerable to global market fluctuations and disruptions.

To solidify its role as a regional logistics leader, Azerbaijan is actively investing in smart technologies, such as automated customs systems, digital freight management and AI-powered supply chain solutions. Strengthening trade partnerships and aligning logistics practices with

international standards will be key to overcoming existing challenges and ensuring a more seamless and cost-effective distribution network in the coming years.

3. Key Problems in Strategic Management

- **Infrastructural Deficiencies**
 - While Azerbaijan has invested heavily in transport infrastructure, gaps remain in rural areas, hindering last-mile connectivity. Some areas of Azerbaijan suffer from lack of infrastructure like Karabakh and Eastern Zangezur Economic Regions due to recent military actions and Nakchivan Autonomous Republic due to being exclave of Azerbaijan [1].
 - Aging infrastructure in certain regions, especially on mountainous and distant areas creates delays and increases transportation costs.
- **Regulatory Challenges**
 - Complex and inconsistent regulations related to customs and logistics create bottlenecks. Due to Azerbaijan not being the member of World Trade Organization, some goods that enter Azerbaijan “suffer” from high amount of taxes and fees. [4]
 - Chronic problems like bureaucratic inefficiencies and high corruption add further delays and costs.
- **Technological Gaps**
 - Many companies lack advanced technological tools for inventory management, route optimization and real-time tracking [2].
 - Digital adoption is imbalanced, particularly among small and medium enterprises (SMEs).
- **Human Resource Constraints**
 - A deficiency of skilled professionals in logistics and supply chain management limits the strategic oversight of distribution networks [7].
 - Training and education programs in this field are insufficient as many universities and educational institutions focus on training old-fashioned courses.
- **Environmental and Geopolitical Risks**
 - Natural disasters, such as floods and earthquakes, disrupt distribution channels.
 - Geopolitical tensions in the region, such as Russo-Ukrainian war, Iran-Israel proxy conflict and destabilization policy of Armenia affect trade routes and logistics.

4. Proposed Solutions

- **Infrastructure Development**
 - Prioritize investments in rural and underdeveloped areas to improve last-mile delivery. This is done by implementing brand new “Smart village” initiative on areas without proper infrastructure.

- Regular maintenance and modernization of existing infrastructure to ensure reliability [6].

- Regulatory Reforms

- Simplify and standardize customs procedures to facilitate smoother trade. New trade agreements with Russia, Turkey and China are key parts of this solution.

- Implement anti-corruption measures and streamline bureaucratic processes.

- Technological Advancements

- Encourage the adoption of advanced logistics technologies, such as blockchain for supply chain transparency and AI for predictive analytics.

- Provide subsidies or incentives for SMEs to invest in digital tools.

- Human Resource Development

- Establish specialized training programs and certifications in logistics and supply chain management [8].

- Collaborate with universities and international organizations to develop a skilled workforce. Distribution network companies signed co-operation agreements with state universities for this solution.

- Risk Mitigation Strategies

- Develop contingency plans and alternative routes to address disruptions caused by environmental or geopolitical issues.

- Invest in insurance and risk management tools to protect businesses against unforeseen events.

Conclusion. There are many challenges to the strategic management of distribution networks in Azerbaijan that need to be addressed collectively and holistically. Through the resolution of infrastructural gaps, more efficient regulations, an embrace of technology and human capital investment, the nation can unleash the full power of its shipping abilities. Such upgrades not only will stimulate productivity domestically but will further consolidate Azerbaijan's role as an important regional and global trade hub.

Additionally, sustainability will be important for all sectors and all areas so collaboration with stakeholders (government, private sector, international actors, etc.) should be an integral part of our development we want to see. Additionally, they should be complemented with emphasis on environmental sustainability and resilience, ensuring future challenges can be addressed through distribution networks. With further integration of Azerbaijan into the international economy, the optimization of distribution networks will become a pillar of economic growth, job creation and better living standards for the country's population.

The journey toward effective strategic management is neither quick nor straightforward, but with a long-term vision and adaptive strategies, Azerbaijan can overcome existing hurdles. This will not only bolster its logistical performance but also cement its status as a critical trade corridor linking East Asia and West Europe.

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