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DIGITAL DISRUPTION AND THE TRANSFORMATION OF ONLINE COMMERCE MODELS IN INDIA

[1]Anudeep D, [2]Dr. O.P. Gupta

[1,2] Department of Management, Shridhar University, Chirawa Rajasthan

Corresponding Author:

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ABSTRACT

Digital disruption transforms e-commerce from sales channel to system of interconnected services platforms and customer relationships. In this paper we assess the strategic choices that are underlying marketplace direct selling subscription and omnichannel models with india as our contextual setting. We use a purposeful narrative review which integrates platform economics research on customer experience institutional publications and descriptive statistics on transactional activity provided by the Reserve Bank of India. Our analysis demonstrates that payment infrastructure increases opportunities to engage in transactions however profitability is ultimately determined by model design service execution trust and resource discipline. A comparative table identifies revenue mechanisms and operational risks. Based upon this analysis we recommend aligning each model to meet customer needs measurable contribution transparent interfaces and environmental responsibility.

KEYWORDS: *Digital disruption, e-commerce, business models, platforms, digital payments, customer trust*

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1. INTRODUCTION

E-commerce models increasingly integrate product discovery ordering payment fulfilment after-sales support across organizational boundaries. Digital disruption changes the activities firms perform and the relationship through which those activities generate value. For example a merchant may operate its own website sell products through an online marketplace fulfill orders from physical stores. These arrangements create strategic choices concerning access to customers ownership of information fees and service responsibilities. The organization for economic cooperation and development (OECD, 2019) documents platform, subscription, and online-offline configurations as important developments in electronic commerce. However, the economics of these configurations are not exchanged routes to growth they depend on different capabilities and risks. In india, expanding Digital payment infrastructure provides a useful context for examining the strategic choices available to merchants although payment activity alone cannot measure demand for online retail or seller profitability.

2. OBJECTIVES AND METHODOLOGY

This article compares emerging e-commerce models, interprets the strategic relevance of Digital payments, and identifies requirements for trusted and sustainable business design. This article focuses on how Digital disruptions change value creation, delivery, capture rather than merely increasing online transactions.

Conducted a purposive narrative review integrating seven academic/institutional publications covering platform structures customer journeys commerce models consumer interfaces sustainability and payments. Descriptive analysis uses the Reserve Bank of India (RBI, 2025) payment system indicators for five completed financial years, 2020–21 to 2024–25. Volumes reported in lakh were divided by 10,000 to obtain billions. The review develops analytical comparisons; it does not collect primary data estimate causal effects test statistical hypotheses.

3. LITERATURE AND ANALYTICAL PERSPECTIVE

Hagiu and Wright (2015) distinguish multisided platforms resellers and vertically integrated alternatives. The distinction relies on the structure of interaction between participants control over transactions. A marketplace can facilitate exchanges between independent participants while an inventory retailer takes responsibility for purchasing and reselling goods. Both operate online but have different incentives exposure.

Customer experience provides another analytical perspective. Lemon and Verhoef (2016) examine experience throughout the entire customer journey directing attention to all interactions before during after purchase. Verhoef et al. (2015) similarly emphasize integration across channels and touch points. These perspectives suggest that relevant unit of strategic analysis is the completed customer journey including delivery returns complain resolution instead of the single website visit.

4. PAYMENT INFRASTRUCTURE AND COMMERCIAL POSSIBILITIES

Figure 1 presents annual Unified Payments Interface (UPI) volumes reported by RBI (2025). Transactions increased from approximately 22.33 billion in 2020–21 to 185.87 billion in 2024–25. Dividing the final observation by the initial observation gives an approximately 8.32-fold expansion. This is a descriptive comparison across financial years, not an estimate of the effect of UPI on business performance.

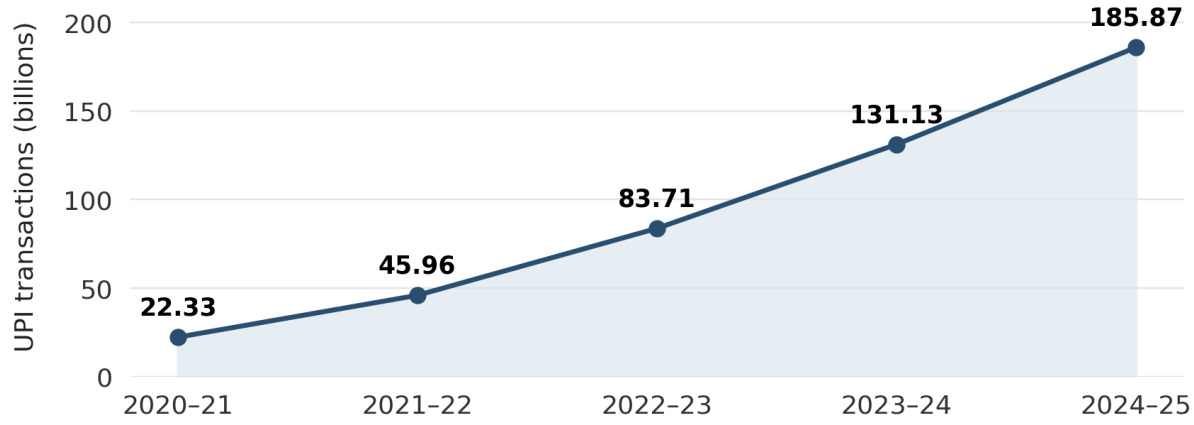

Figure 1: Annual UPI Transaction Volumes in India

The expansion indicates the scale of payment activity available to digital business ecosystems. It does not establish how many transactions involve online shopping, how many customers are unique, or whether individual merchants earn higher margins. A commercially useful payment strategy must also address failed transactions, reconciliation, refunds, and customer support. Payment acceptance becomes part of a dependable service system when these processes work together.

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Table 1: Comparison of Digital Commerce Models

Model	Value proposition	Revenue mechanism	Principal risk
Marketplace	Connect buyers and independent sellers	Commissions and seller services	Seller quality and platform dependence
Direct selling	Control brand and customer relationship	Product margin	Acquisition and fulfilment costs
Subscription	Provide recurring access or replenishment	Recurring fees	Churn and unwanted renewals
Omnichannel	Coordinate online and physical journeys	Sales across integrated channels	Inventory and returns complexity

5. DISCUSSION OF MODEL SELECTION AND TRUST

Table 1 illustrates why the selection process of a model must include a solid rationale. While marketplaces provide discovery opportunities among numerous sellers, they also expose sellers to fees charged by platforms, rankings made by platforms, and reliance upon another entity. Sellers should therefore determine their contribution based on net income after deducting the costs associated with all types of marketing (platforms), delivery, returns, etc. Reliability of product data and maintaining acceptable levels of service will lower the number of complaints generated by dissatisfied consumers. Direct sales allow for greater control of branding and customer relationships; however direct sales transfer the duties of acquiring customers and fulfilling orders to the merchant. An online presence will be economically viable only if there is adequate volume to create revenue at a reasonable cost. Combining the ability to discover customers via marketplaces and obtain permission-based customer engagement via company-owned channels allows for a phased strategy, contingent on terms and conditions related to contracts. Models requiring a subscriber base require continuous customer value. Convenience, replenishment or continued access must justify future renewals. Customer retention should be compared to reasons for cancellations and customer usage of services. In contrast to convenience factors above, omnichannel models require companies to have a common view of inventory across channels and consistent returns processes. When inventory records are unreliable, offering collection at retail stores moves potential problems further away from the company's problem solving abilities. Trust is a required element for all of these models. OECD (2022) defines "dark commercial patterns" that result in steering or manipulation of consumer choices through design elements in the interface. Clearly listed pricing, clearly defined renewal options, and easily available cancellation procedures assist in reducing ambiguity in the relationship between buyers and sellers. Personalization assists buyers in navigating choices without hiding critical information regarding those choices. Human support is beneficial when automated solutions fail to resolve issues or exceptions.

6. STRATEGIC AND SUSTAINABLE CONSIDERATIONS

Businesses should consider the total cost of each order (including packaging, reverse logistics, support, and payment reconciliation). Gross merchandise value (GMV) indicates that there is some type of trading occurring; however GMV does not represent profit. A more effective management tool includes metrics for contribution per completed order, repeat purchases, completion rate for returns, successful delivery, and resolving customer complaints. The above-mentioned metrics are suggested management indicators versus empirically supported results of this review. Environmental sustainability must also be considered during the model development stage. UNCTAD (2024) has identified the environmental impact of digitalization and the importance of more circular and inclusive forms of economic development. This supports evaluating the environmental implications of packaging, devices used by companies, delivery practices, and returned items. Assessing faster service will require consideration of resources; simply using digital ordering does not ensure an environmentally friendly transaction.

Practical evaluation of a model can begin with an individual order. A merchant documents how much money was kept after discount, product cost, channel fees, fulfillment costs, estimated returns, and support. Evaluation of a subscription model includes assessment of service obligations throughout the term of the subscription contract; evaluation of a marketplace model includes assessing which party has liability for disputes and refunds. Use of consistent terminology is necessary for comparison purposes; apparent growth may be due to differences in accounting rather than improved commercial viability. Evaluating cash flow is also recommended since delayed settlements and inventory commitments may limit an otherwise profitable business. Future research may include discovering products via conversational interfaces where customer inquiries are translated into product recommendations. As an example, conversational interfaces may reduce search effort for customers; however conversational interfaces may create additional dependency on the recommendation system that selects which sellers are visible to customers. Merchants will require accurate product information, current availability information, and methods to correct misleading recommendations from the system. Customers will need to know who provided the recommendation; what influenced the recommendation; and what organization is responsible for the resulting transaction. These considerations expand the buyer's journey concept to include evolving interfaces without assuming that automated discovery enhances either buyer welfare or seller profit margin.

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Accessibility also requires consideration of buyers and sellers who speak different languages, have varying levels of connectivity quality and varying levels of digital literacy. Businesses can assess whether essential product information, payment verification and support remain understandable under various conditions. Accessibility in design and assistance in service should be measured through observable task completion rates and complaint rates instead of assumed competence of users. For sellers, standardizing order records and enabling portability of product information will enable easier transition between channels. Recommendations for developing practical capability-building are provided; the national payment series does not assess whether existing capabilities exist.

Therefore, the strategic choice becomes a portfolio-based decision. Companies can designate certain products or customer segments to specific channels as long as responsibilities are clearly designated. The strategic choice selected should be periodically reviewed to confirm whether it continues to provide the desired level of customer value and resource commitment.

7. LIMITATIONS & FUTURE RESEARCH

This review selectively draws upon both domestic conceptual literature and Indian aggregated payment data. Therefore, this review cannot provide an estimate of relative profitability of business models nor contribute to understanding India's overall commerce growth as a function of payments. Future studies should utilize merchant-level data to compare total costs per order, customer retention rates, dependencies upon platforms, and environmental impacts among business size categories and industries. Longitudinal comparisons would provide insight into whether rapid growth is indicative of expansion or sustainability.

8. CONCLUSION

Digital disruption expands the ways firms organize online commerce, but viable models require alignment between revenue mechanisms and delivery capabilities. Indian payment statistics illustrate an expanding transaction infrastructure while leaving commercial outcomes unresolved. The article proposes selecting models through customer value, complete order economics, trustworthy interfaces, and operational integration. Future e-commerce strategies should therefore combine experimentation with disciplined measurement and responsibility across the customer journey.

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