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Evaluation of Digital Commerce Model

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Abstract

Digital commerce, also referred to as e-commerce, has revolutionized traditional business practices by integrating digital technologies into buying, selling, and value creation processes. The rapid expansion of internet connectivity, smartphone penetration, and digital payment systems has accelerated the adoption of digital commerce models such as Business-to-Consumer (B2C), Business-to-Business (B2B), Consumer-to-Consumer (C2C), Direct-to-Consumer (D2C), subscription-based, marketplace, and omnichannel models. The evaluation is based on key parameters including customer experience, cost efficiency, technological infrastructure, scalability, logistics efficiency, and trust and legal compliance. The study highlights the strengths, limitations, and challenges associated with each model and provides a comparative analysis to determine their suitability in different market conditions. Furthermore, emerging trends such as artificial intelligence, social commerce, voice commerce, sustainability, and blockchain technology are discussed to understand the future scope of digital commerce. The paper concludes that continuous evaluation and strategic alignment of digital commerce models are essential for ensuring customer satisfaction, operational efficiency, and long-term sustainability in a competitive digital marketplace.

Keywords: Digital Commerce, E-Commerce Models, Customer Experience, Technology Infrastructure, Logistics Management, Scalability, Digital Business

Introduction

Digital commerce, commonly known as e-commerce, refers to the transformation of buying, selling and value creation through digital platforms. In the modern era, technology is evolving every day, the digital revolution has brought about rapid changes in technology, the use of technology has increased in every sector, and the commerce sector is no exception. This sector has also undergone many changes, over time, with the use of computers, the increasing use of smartphones and widespread internet access, digital commerce has become a central component of the global as well as Indian business ecosystem. Therefore, it has become necessary to understand the effectiveness, sustainability, customer satisfaction and economic viability of digital commerce models and to study and evaluate how technology has changed them, how much it is used and what its implications will be in the future. The purpose of this paper is to analyze the various dimensions of digital commerce models, their strengths, challenges and the emerging trends that shape their future.

Concept of Digital Commerce Model

A digital commerce model refers to the structured approach through which an organisation delivers products or services using digital technologies. It includes the complete value chain: product creation, online storefront, logistics, payment systems, customer engagement, and post-sales support. Some widely used models include:

1. Business-to-Consumer (B2C) – e.g., Flipkart, Amazon, Misho
2. Business-to-Business (B2B) – e.g., MRF Tyre to Mahindra Tractor.
3. Consumer-to-Consumer (C2C) – e.g., OLX, Car Bazar.
4. Direct-to-Consumer (D2C) – brands selling directly through their own websites e.g. Tata Click

5. Subscription-based Model – e.g., OTT platforms, cloud services

Evaluating these models helps determine which is best suited for specific markets, products, customer segments, and competitive environments.

Key Parameters for Evaluation

1. Customer Experience and Engagement

Customer experience is central to the success of any digital commerce model. Parameters such as ease of website navigation, mobile responsiveness, personalised product recommendations, seamless checkout process, and after-sales support determine customer satisfaction.

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Positive Indicators: the delivery is fast and simple return policy, transparent pricing, and secure payment systems.

Negative Indicators: Slow website speed, hidden costs, complicated checkout, and unresponsive customer service. The more a model enhances convenience and trust, the more successful it becomes.

2. Cost Efficiency and Revenue Structure

Each digital commerce model has different cost components: platform development, digital marketing, logistics, warehousing, technology maintenance, and commissions. Evaluating cost efficiency involves analysing:

- Customer acquisition cost (CAC)
- Operating cost per transaction
- Average order value (AOV)
- Profit margin patterns

For example, marketplace models incur lower inventory costs compared to inventory-based models, but they may depend heavily on commissions. D2C models often show higher margins but require strong branding and marketing expenditure.

3. Technology Infrastructure

Technology forms the backbone of digital commerce. Evaluation includes checking:

- Website/app performance
- Database security
- Cloud hosting reliability
- Automation in inventory management
- AI-based recommendation systems
- Payment gateway integration

Platforms using AI, machine learning, chatbots, and data analytics generally offer superior performance, resulting in better customer engagement and higher retention.

4. Scalability and Flexibility

A sustainable digital commerce model must adapt to:

- Increased traffic
- Expansion into new geographical markets
- Inclusion of new product categories
- Seasonal demand fluctuations

Models like marketplaces and subscription platforms scale easily due to minimal inventory pressures, whereas inventory-heavy models require significant investment for expansion.

5. Logistics and Supply Chain Efficiency

Fast, reliable, and cost-effective logistics significantly impact customer satisfaction. Evaluation includes:

- Delivery speed: Delivery is faster, some companies delivered their product at same day.
- Warehousing structure: the company doesn't want any warehouse to maintain stock.
- Reverse logistics (returns): The product will return if customer was not satisfied.

Integration with third-party logistics providers (3PL): The company delivered their product from logistics therefore they don't have any investment in that sector.

Efficient supply chain operations enhance customer trust and reduce operational losses.

6. Trust, Security, and Legal Compliance

Digital commerce operations depend heavily on customer trust. Thus evaluation must consider:

- Data privacy policies
- Secure payment gateways
- Compliance with e-commerce rules, GST norms, and consumer protection laws
- Transparency in seller listings and product information

A model that maintains strong data protection practices and legal compliance performs better in the long term.

Strengths of Digital Commerce Models

1. Wider Market Reach

Digital platforms eliminate geographical restrictions. Small businesses can reach national and international consumers effortlessly.

2. Convenience for Consumers

24/7 accessibility, home delivery, multiple payment options, and easy product comparison make the digital model highly convenient.

3. Data-Driven Decision Making

Digital commerce generates large volumes of customer data that help understand consumer behaviour and optimise business strategies.

4. Lower Operational Costs

Automation and elimination of physical store requirements reduce costs, improving profitability.

Limitations and Challenges

1. High Competition

Digital commerce has low entry barriers, resulting in intense price competition and high marketing expenditure.

2. Logistics Complexity

Managing deliveries, returns, damaged products, and serviceability in remote regions can be challenging.

3. Cybersecurity Risks

Hackers may target customer data, payment systems, or business databases.

Digital Divide

Limited internet access in rural or underdeveloped regions restricts market penetration.

Customer Trust Issues

Wrong product delivery, fake product, delayed in delivery, product quality issues and some problems in return policy decrease the customer responses.

Comparative Evaluation of Major Models

1. Marketplace Model

Advantages: inventory cost is very low, huge market and more customer.

Drawbacks: lots of seller's therefore high competition, no control on customer behavior.

2. D2C Model

Advantages: margin rate is high because direct selling, good relationship with customers.

Drawbacks: logistics problems for faster delivery,

3. Subscription Model

Advantages: Predictable revenue, recurring customer base

Drawbacks: Requires constant value delivery to prevent cancellations

4. Omnichannel Model

Advantages: Unified experience across online and offline channels, strong consumer trust

Drawbacks: Higher setup cost, complex inventory synchronisation

Future Trends in Digital Commerce

1. Artificial Intelligence and Automation

AI will personalise shopping experiences, automate customer service, optimise inventory, and improve demand forecasting.

2. Social Commerce

Platforms like Instagram, Facebook, and YouTube are becoming direct selling channels.

3. Voice Commerce

Smart assistants like Alexa and Google Assistant are enabling voice-based shopping.

4. Sustainable Commerce

Ethical sourcing, eco-friendly packaging, and carbon-neutral logistics are becoming key evaluation factors.

5. Blockchain Integration

Blockchain can increase transparency, secure payments, and reduce fraud.

Conclusion

Evaluating digital commerce models and their performance is essential to understanding customer acceptance and long-term sustainability. Digital commerce facilitates tremendous opportunities through data-driven insights, but it also creates challenges such as competition, logistical complexity, and cybersecurity issues. This impacts consumer demand. Consumers will not buy through such channels if their financial security is at risk. Therefore, businesses must choose models that match their product nature, target customers, technological capabilities, and financial resources. A successful digital commerce model is one that balances customer satisfaction, cost optimization, technological strength, and adaptability. As the digital ecosystem continues to evolve, continuous evaluation will remain important for businesses aiming for long-term growth in the digital marketplace.

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