

E-Commerce Business Model Transformation in the Digital Economy

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Abstract

Purpose: Research on transformation on E-Commerce business models are changing in the context on the digital economy, an examination of the primary trends in business process modifications, a determination of the primary distinctions between Internet commerce , e-commerce, and online commerce, evidence of the variations in the sources of added value digital e-commerce business models generation, and identification one of the elements that make the shift from conventional to digital e-commerce business models easier.

Methodology: Formal analysis was used in the research to uncover the trends in the evolution of electronic e-commerce and the elements influencing their change in the context of the digital economy.

Findings: The trends and variables influencing the growth of digital commerce and the transformation of digital commerce business models are examined in this study. Both the strategic elements of integrating digital solutions into business practice and the directions of integrating digital technologies into business operations are supported by evidence. The main elements that play a part to the conversion of business paradigms for e-commerce into digital commerce Specifically, business models are seen in the development and application of novel business models that enable successful adjustment to the circumstances of the digital economy. It has been discovered that the economic foundation for business model changes is where added value is created.

Originality: The scientific novelty obtained as a result of this research consists in the definition and substantiation of a new factor – added value, which is the main factor influencing the e-commerce business models' conversion to digital commerce business models, which is influenced by the digital economy.

Keywords: e-commerce, digital economy, business model, and digital commerce

Introduction

The integration of information and communication technologies and digital tools has transformed economic processes. Economic system construction and digital economy development. Electronic commerce has transformed traditional company structures and consumer-supplier interactions, making it a key driver of development. Ecommerce is rapidly expanding globally, including in the United Kingdom. Statistical evidence confirms that e-commerce has grown exponentially in recent years.

Electronic commerce (ecommerce) covers a wide range of activities, starting from online sales of goods and services, to digital platforms and marketplaces that connect millions of sellers and buyers around the world. Since its inception at the end of the 20 th century, ecommerce has shown rapid growth, driven by a number of factors, such as increased Internet avail ability, the development of mobile technologies, improvements in digital payment systems, and changing consumer preferences.

Review of the literature

Foreign scientists Loudon K. K. and Trevor K. G. conducted a detailed study of ecommerce from the perspectives of business and society [1]. Plunkett J. gives special attention to the research on the ecommerce market and analyses the experience of leading companies that are successfully engaged in ecommerce [2]

Schwab K., the founder and executive chairman of the World Economic Forum (WEF), has written several influential publications about the Fourth Industrial Revolution [3]. His research examines how digital technology and advances impact business, the economy, and society in general. Electronic commerce is a crucial component of these shifts [3].

Statement of the problem

The shift from traditional e-commerce to digital commerce is a paradigm shift that is altering how we conduct business, engage with clients, and make money in the fast-paced world of today's digital economy. Even though this industry has made great strides, there are still a number of issues that need to be addressed, especially when it comes to identifying the driving forces behind this shift and creating sustainable models for digital commerce. By investigating the key determinants that shift e-commerce patterns toward digital commerce,

this study seeks to close these gaps. examination of the potential for creating new models and modifying those to fit the demands of the digital economy.

A new emphasis on the sale and distribution of digital goods and services that can be quickly provided and consumed through digital technologies, services, and ecosystems has been brought about by the expansion of digital commerce. This change fundamentally alters conventional business models and opens up new avenues for expansion and innovation by enabling content manufacturers and service providers to sell their goods without regard to geographical restrictions.

The article's goal

In order to create and implement new business models that enable effective adaptation to the conditions of the digital economy and have new digital sources and ways of creating added value, the study aims to investigate and analyze the main elements that influence how e-commerce business models change into digital commerce business models.

To ensure long-term growth and sustainability of businesses, particular focus is given to investigating content monetization options in a quickly evolving market, as well as instant access to digital goods and services. The purpose of this study is to examine how businesses adjust to the new circumstances of the digital economy and to pinpoint important tactics that can assist businesses in utilizing digital technology to gain a competitive edge.

Trends in the evolution of electronic commerce and the elements influencing their change in the market were considered when writing the piece using the formal analytical approach. the digital economy were made public.

Methods

While writing the article using the formal method. This paper examines the evolution of electronic commerce and the causes driving its transformation. The workings of the digital economy were unveiled. The study described in this article is based on general philosophical and special methods, principles, and techniques, including systemic, process, and situational approaches. The following strategies were utilized: General Scientific Methods: The study will use a systematic approach to support the transition from electronic to digital commerce models, analyze and synthesize trends in the ecommerce market, and identify factors driving their transformation in the digital economy. Theoretical generalization methods are used to categorize structural transformations of electronic commerce models in the digital economy.

The study will use semantic structural analysis to define electronic models in the digital economy, monographic analysis to study their transformation, and terminological analysis to identify and clarify terms related to ecommerce model transformation.

Results

Our analysis of ecommerce trends shows that the area is rapidly expanding globally and affecting company practices. Ecommerce development is projected to increase significantly by 2024[17]. According to statistics [12], the Asia Pacific area dominates the B2B ecommerce sector due to increasing digitalization and a huge number of Internet users. North America is a solid player, actively adopting technology to enhance corporate processes and sustainability. B2B trade Volume at port are growing. Europe maintains a constant market share, but legislative restrictions can hinder expansion.

The COVID-19 epidemic has expedited the growth of ecommerce as businesses adjust to new conditions and shift to digital platforms. Technological advancements like artificial intelligence and blockchain are propelling the ecommerce sector forward globally. Globalization and cross-border trade are fueling GMV expansion by expanding access to new markets. As the global ecommerce market grows, companies can gain a competitive advantage by implementing digital solutions.

The phrase "digital commerce" has recently gained popularity in the digital economy [18, 19]. The growth of digital commerce in the digital ecosystem aligns with the trend of digital transformation across industries, leading to increased economic activity [20].

Let's clarify the distinction between electric and digital commerce

According to the Law of Ukraine "On Electronic Commerce," ecommerce refers to profit-making transactions involving civil rights and obligations conducted remotely via information and communication systems.

The Law of Ukraine "On Electronic Commerce" defines electronic commerce as "economic activity in the field of electronic purchase and sale, sale of goods remotely to the buyer by making electronic transactions using information and communication systems." [21]. Digital commerce involves selling digital products and services such as software, mobile apps, online courses, eBooks, and streaming media.

Digital commerce differs from e-commerce in that it focuses on selling and delivering digital products and services online. Digital commerce enables the sale of digital products. This allows content creators to sell and distribute their items without physical restrictions. Digital

commerce aims to provide rapid access to products and services, as well as expand monetization potential for digital content.

A digital product is a tangible object or material that can be digitized, whereas a digital service is an intangible service or function that utilizes digital technology to offer users specific Digital commerce is a crucial aspect of the digital economy, enhancing business development, expanding markets, and improving interactions between businesses and consumers.

1. **Product type:** Ecommerce sells physical goods and services, whereas digital commerce focuses on digital items and services
2. **Delivery:** In ecommerce, products are physically delivered, whereas in digital commerce, they are provided instantly via digital communication channels.
3. **Infrastructure:** Ecommerce requires physical delivery infrastructure, whereas digital commerce requires technology infrastructure for content uploading and streaming.
4. **Platforms:** Ecommerce refers to online retailers for physical commodities, such as Amazon, eBay, and Alibaba, while digital commerce refers to platforms for digital products, such as the App Store, Google Play, Netflix, Coursera, Udemy, Spotify.

The following elements contribute to the transition of ecommerce business models towards digital commerce:

1. Technological developments include the use of AI to automate data processing, predict consumer needs, and personalize offers. This includes optimizing marketing campaigns with chatbots and recommender systems, analysing large amounts of data with machine learning to identify patterns and improve customer service, and developing blockchain technology for transaction security, transparency, and supply chain management.
2. Development of digital platforms: Digital markets like Amazon, eBay, and Alibaba connect buyers and sellers. Providing easy access to a wide range of products and services. Integration of social media platforms like Facebook, Instagram, and TikTok allows firms to sell products directly to their target audience.
3. Shifts in consumer preferences: - Increased demand for instant access to digital products and services via the Internet - Increased popularity of digital goods like software, eBooks, streaming video, and music - Less reliance on physical goods and a shift in business practices.
4. Mobile technologies have impacted the development of mobile applications and ecommerce solutions, enabling remote purchases and content interaction.

5. Regulatory policy changes: Adapting to new data protection and privacy requirements, like GDPR, requires new techniques for personal data gathering and processing.

6. Advancements in digital payment systems include the use of cryptocurrencies for faster and cheaper transactions, reducing reliance on traditional financial systems. Additionally, digital wallets like Apple Pay and Google Wallet simplify shopping and transaction processes for customers. These forces are changing ecommerce into digital commerce, opening up opportunities for innovation, market expansion, and improved customer experience.

Let's look at digital commerce business models in depth

1. Sales of digital goods and services. The B2C (business-to-consumer) concept involves selling products or services directly to consumers via online storefronts or marketplaces. Amazon and Etsy use B2C models. Amazon and Etsy adopt the B2C (business-to-consumer) model, selling goods directly to customers via their online platform. The strengths of the B2C model are: direct access to consumers; wide audience; shopping convenience. Weaknesses are: high competition; high marketing costs; dependence on the platform for sale.

The B2B (business to business) concept involves selling goods or services to other businesses via online platforms or electronic catalogs. Alibaba and Grainger both use B2B business models. Alibaba, Grainger use a B2B (business to business) model, selling goods and services to other businesses through their on-line platforms

2. Subscription model (for content). In this model, customers pay recurring fees to access certain content or services, such as streaming video, music, and news. Companies like Netflix, Spotify, and Adobe Creative Cloud use a subscription model for content. Netflix is a subscription-based video streaming platform for movies, shows, and original content. Netflix subscribers pay a monthly fee for unlimited access to the content library. Spotify is a music streaming service that offers a wide range of songs, albums, and playlists through subscriptions. Users have the option of a free version with adverts or a paid subscription with more features.

3. The freemium model. Basic functionality is free, however more functions, sophisticated features, and restriction removal require payment. Several organizations, including Spotify, Zoom, Trello, LinkedIn, Slack, Telegram, Duolingo, and ChatGPT, adopt a Freemium model.

4. Parter model/Integration model /Transactional model. Earning commissions from selling or driving traffic to products or services of other companies

5. Advertising model. Use of advertising in the product. Make a profit on advertising costs. Advertisers receive payment for each view, click, or conversion on their website or add-on. Users can purchase the Premium version to prevent commercials, similar to YouTube Premium. YouTube generates revenue through video advertising and banner adverts, which show before and during videos. YouTube Ads allows advertisers to pay for views, clicks, and conversions, while users can watch ads-free videos with YouTube Premium.

6. The crowdfunding model. Community fundraising can help fund projects and product development. Kickstarter utilizes a crowdfunding mechanism. A crowdfunding platform enables projects to obtain funds from supporters to implement their ideas. Kickstarter projects range from new items to art and technology businesses. Successful campaigns typically support new devices, board games, and novels.

7. Dropshipping model. Selling things without maintaining inventory or warehousing space. Goods are shipped straight from the source to the client. Dropshipping involves sellers working with suppliers to deliver items directly to buyers. One significant advantage is that the seller is not required to have products in stock or pay for them in advance. A successful dropshipping business requires trusted suppliers, competent online shop management, and excellent customer service.

8. SAAS (Software as a Service) is a common concept for enterprises offering software via the Internet. This concept involves consumers paying to access software hosted on faraway servers via a web browser or mobile app. Instead of installing software on their own devices or servers, users subscribe to a service for remote access. Microsoft Power BI is a prime example of a SAAS monetization model. Power BI demonstrates how SAAS monetization strategies can efficiently provide access to strong analytical tools via subscriptions and a mix of free and paid versions.

Conclusion

The article outlines the primary directions for transforming ecommerce business models. Business model transformations are driven by economic factors, which create added value. Digital technologies, which underpin ebusiness, rely heavily on business monetization methods to provide added value. A comparative analysis of business procedures and technologies for Internet, electronic, and digital commerce was conducted. The major differences between ecommerce and digital commerce, as well as their respective elements.

The business models that support them have been identified. This report identifies the pros and limitations of digital commerce business models, including: Digital product and service sales models include B2C (business-to-consumer), subscription (content), freemium, partnership, advertising, crowdsourcing, dropshipping, and SAAS (Software as a Service).

The article identifies added value as a key factor in the transition from ecommerce to digital commerce, which is shaped by the digital economy. Subscription models are widely recognized as the primary means of receiving digital value. This analysis examines the evolution of ecommerce and its shift to digital commerce. Payment arrangements in the digital economy are evolving as expected.

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