

Evolution of the E-Commerce Ecosystem and Its Impact on Business Models

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DOI : <https://doi.org/10.51583/IJLTEMAS.2026.150100027>

Received: 10 January 2026; Accepted: 15 January 2026; Published: 27 January 2026

ABSTRACT

The digital transformation of commerce has reshaped e-commerce from a transaction-oriented channel into a complex, platform-mediated ecosystem involving multiple interdependent actors. This study positions itself as a **conceptual and narrative review** that critically examines the evolution of the e-commerce ecosystem and its implications for contemporary business models. Drawing on recent peer-reviewed literature, policy reports, and conceptual frameworks, the paper analyses how platform governance, ecosystem power asymmetries, data control, and network effects influence value creation and strategic decision-making. The review highlights a structural transition from linear value chains to ecosystem-based business models while critically addressing risks related to platform dominance, strategic dependency, and long-term sustainability. The study contributes theoretically by integrating ecosystem and platform perspectives into business model analysis and offers informed implications for firms and policymakers.

Keywords: E-commerce ecosystem, digital platforms, platform governance, business model innovation, digital ecosystems

INTRODUCTION

E-commerce has evolved far beyond its initial role as an online extension of traditional retail. Contemporary digital commerce is increasingly organised around **platform-centric ecosystems** that integrate sellers, consumers, logistics providers, payment systems, technology firms, and regulators. Within these ecosystems, digital platforms function not merely as intermediaries but as powerful orchestrators that shape market access, data flows, and competitive conditions.

This transformation has significant implications for business models. Firms are no longer autonomous actors operating within clearly defined industry boundaries; instead, they are embedded within ecosystems characterised by interdependence, network effects, and asymmetric power relations. While ecosystem participation offers scalability, market reach, and efficiency, it also exposes firms to risks of platform dependency, governance constraints, and reduced strategic autonomy. Against this backdrop, a conceptual re-examination of the e-commerce ecosystem and its impact on business models is both timely and necessary.

Methodological Positioning

This study is explicitly positioned as a **conceptual and narrative literature review**. It does not seek to empirically test hypotheses but instead synthesises and critically analyses existing academic and policy-oriented research to develop a coherent understanding of the e-commerce ecosystem and business model transformation. Accordingly, hypotheses have been removed, and the analysis focuses on theoretical integration and critical interpretation.

REVIEW OF LITERATURE

Evolution of E-Commerce Thinking

Early e-commerce literature conceptualised online commerce primarily as a mechanism for reducing transaction costs and expanding geographical reach. Subsequent research shifted attention to online marketplaces and two-sided platforms, emphasising efficiency, trust-building mechanisms, and scalability. More recent studies frame e-commerce as a **digital ecosystem**, highlighting the role of network effects, complementarities, and platform governance.

Digital Ecosystems and Platform Governance

The ecosystem perspective underscores the interdependence of multiple actors who co-create value under the coordination of a dominant platform. Recent peer-reviewed studies emphasise platform governance mechanisms such as algorithmic control, data access rules, and commission structures. These mechanisms often create **power asymmetries**, enabling platforms to appropriate disproportionate value while constraining the strategic choices of dependent firms.

Business Model Innovation in Platform Contexts

Business model innovation within e-commerce ecosystems increasingly revolves around asset-light structures, subscription models, data monetisation, and ecosystem complementarities. However, scholars also caution that innovation is frequently shaped—and limited—by platform rules, raising concerns about long-term competitiveness and innovation autonomy for smaller ecosystem participants.

Risks, Dependency, and Strategic Vulnerability

Recent literature highlights risks associated with ecosystem participation, including lock-in effects, margin compression, algorithmic opacity, and regulatory exposure. Long-term strategic dependency on dominant platforms may undermine firm resilience, particularly in emerging economies where alternative digital infrastructures are limited.

Objectives of the Study

- To conceptually examine the evolution of the e-commerce ecosystem.
- To critically analyse the implications of ecosystem-based structures for contemporary business models.
- To explore issues of platform dominance, governance, and strategic dependency within e-commerce ecosystems.

ANALYSIS AND DISCUSSION

Structural Evolution of the E-Commerce Ecosystem

The evolution of e-commerce can be understood as a progression from standalone online stores to integrated, data-driven platform ecosystems. Each stage reflects increasing levels of coordination, data centralisation, and platform control. While this integration enhances efficiency and scalability, it simultaneously concentrates power within a small number of dominant platforms.

Business Model Transformation

Table 1: Business Model Shifts in the E-Commerce Ecosystem

Dimension	Traditional Model	Ecosystem-Based Model
Value Creation	Firm-centric	Network-based
Asset Structure	Asset-heavy	Asset-light
Market Reach	Local/Regional	Global
Governance	Firm-controlled	Platform-mediated
Strategic Autonomy	High	Constrained

The table illustrates that while ecosystem-based models enhance scalability and reach, they often reduce strategic autonomy due to platform governance and dependency.

Power Dynamics and Platform Dominance

A critical feature of contemporary e-commerce ecosystems is the dominance of large platforms that control data, customer access, and visibility through algorithms. These power asymmetries shape competitive outcomes and influence business model viability, raising important questions about fairness, innovation, and long-term ecosystem health.

Theoretical Contribution

This study contributes to the literature by integrating **ecosystem theory, platform governance, and business model innovation** into a unified conceptual framework. By moving beyond a purely descriptive account, it highlights how power relations and governance mechanisms condition the benefits and risks of ecosystem participation. The paper thus extends existing business model research by embedding it within the broader context of digital ecosystem dynamics.

IMPLICATIONS

Managerial Implications

Firms should adopt hybrid and multi-platform strategies to mitigate dependency risks and invest in internal digital capabilities to enhance bargaining power within ecosystems.

Policy Implications

Policymakers must address issues of platform dominance, data governance, and fair competition to ensure inclusive and sustainable digital ecosystems, particularly in emerging markets.

Scope of the Study

The study is limited to a conceptual analysis of e-commerce ecosystems and business models, with contextual relevance to emerging digital economies such as India.

LIMITATIONS

- Reliance on secondary literature may limit contextual specificity.

- Rapid technological and regulatory changes may affect the longevity of insights.
- The absence of empirical testing limits causal inference.

CONCLUSION

The evolution of the e-commerce ecosystem represents a fundamental shift in how value is created and captured in digital markets. While ecosystem-based business models offer unprecedented scalability and efficiency, they also introduce structural dependencies and power imbalances that shape long-term strategic outcomes. A nuanced understanding of these dynamics is essential for firms seeking sustainable growth and for policymakers aiming to foster competitive and inclusive digital economies.

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