

# A Comparative Study of Social Media Commerce and Traditional Business Models

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**Abstract:** *The fast pace of the digital world has resulted in some major changes to how businesses operate and has created new business models. S-commerce or social media commerce is one of the increasing number of alternatives to traditional business models, thanks to advances in technology and communication platforms. Social media platforms such as Instagram, Facebook, and WhatsApp have moved beyond just being ways to communicate and have become active marketplaces, providing the ability to promote products, introduce customers to goods (both online and offline), and make purchases using the Internet and social media.*

*This paper will compare social media commerce (s-commerce) and traditional business models. By focusing on key factors like cost structure, customer engagement, scalability, trust, marketing strategies, and operational efficiency, we will examine both models in the context of today's rapidly changing business world.*

*Additionally, we will demonstrate how s-commerce can be advantageous for start-up companies and small enterprises due to their very low initial investment, ability to reach global markets, ability to engage with customers in real-time, ability to use client data to drive marketing decisions, etc. Comparatively, the traditional business model puts a significant focus on physical infrastructure and on providing structured operational procedures, providing a personalized service experience to its customers, and building credibility for the long-term in the minds of customers, which is still extremely important for many consumers in developing trust and loyalty to a company.*

*This research paper employed a descriptive and comparative analysis approach through the secondary data found in peer-reviewed journals, industry analysis reports, and business reports. Qualitative data was used to identify strengths and weaknesses of businesses that reply on traditional business models as opposed to s-commerce.*

**Keywords:** *digital world*

## 1. Introduction

The modern day corporate landscape has changed dramatically as a result of drastic advances in digital technology, the growth of internet usage and evolving ways in which consumers engage with their brands. For years the traditional business model where commerce took place through physical retailers, face-to-face communication, a structured supply chain and an offline marketing strategy formed the base structure of commercial enterprises. These business models were based on stability and developing long term relationships with customers, as well as the standardisation of business processes. However, advances in digital platforms and the development of social networking technologies have changed the way businesses operate and are moving toward the development of new dynamic business models based heavily on technology.

One of the major changes driven by this transformation has been the rise of social media commerce, which allows for the integration of social interaction into commercial transactions via social networks. Social media channels including Facebook, Instagram, WhatsApp and YouTube have transitioned from being primarily tools for individuals to



communicate with each other to becoming extremely efficient and effective platforms for conducting business. Essentially, these social media channels offer businesses the ability to highlight their products, interact with customers, receive customer feedback and ultimately complete sales in the same digital environment. Furthermore, whereas traditional business models obtained their revenue from the ability of businesses to attract potential clients through effective marketing and face-to-face communication; social media commerce business models rely heavily on user engagement, occasion creation, peer-to-peer influence and real-time communication.

Social media commerce has become increasingly popular due to the proliferation of smartphones, the availability of low-cost internet access and the emergence of new digital payments systems. This trend has been driven primarily by the younger generation and small businesses. Social media platforms offer consumers the opportunity to receive customised service and convenience with immediate gratification. Businesses are therefore making use of social media analytics, influencer marketing, as well as targeted advertising, to reach and retain customers more effectively than through traditional marketing practices.

Social media commerce has also caused numerous issues, such as a lack of trust, concerns regarding the privacy of personal data, the inability to verify the physical product prior to purchasing it, and dependency on a third party (i.e., the social media platform). In comparison, traditional business models have significant advantages over digital ones, including the ability to inspect the physical product before making a purchase, an established reputation as an effective brand, and the capacity to provide personal service. The cumulative impact of both forms of commerce leads to important questions about their sustainability, effectiveness and long-term ramifications on the competitive environment for businesses.

As a result, it will be helpful to conduct a comparative analysis of social media commerce and traditional business models to identify their relative strengths, weaknesses and applications. This analysis will provide insight into how digital platforms are affecting the strategies businesses use to reach their customer base and interact with them while also demonstrating that traditional business practices are still relevant today. As such, the purpose of this study is to create a thorough comparison between social media commerce and traditional business models.

## **2. Objectives of the Study**

- To understand Social Media Commerce Concept & Characteristics as compared to Traditional Business Models
- To compare both business models with respect to Operational Aspects, Marketing Aspects and Customer Engagement Aspects
- To Identify the Benefits and Drawbacks of each model of each Business Model
- To Analyse the Impact of Technology on the Evolution of Business Practices
- To Identify Future Trends & Implications for Businesses/Entrepreneurs

## **3. Scope of the Study**

Aids Students and Researchers Learn about Current Business Transformations

Assists Entrepreneurs in Selecting Appropriate Business Models

Demonstrates the Effect Social Media Has on Consumption Behaviour

Provides Information for Organizations to Utilize in Developing Digital Marketing & Consumer Engagement Strategies

Aids in Decision Making for Small-Medium Sized Enterprises (SMEs)

## **4. Literature Review**

Business models have changed over time. Scholars and industry professionals have studied how these emerging business models have been applied to a changing world through digital transformation. Historically, researchers looked at how traditional business models had a structured way to build their businesses through a company's organizational designs, their use of physical distribution channels, as well as building a relationship with the potential customer



through marketing (Kotler, 2017). Traditional businesses build their long-term customer loyalty by using interpersonal communication, high-quality service and brand reputation. In several studies, researchers found that having a physical presence and having direct contact with customers fosters trust in the business as well as providing a perception of trustworthiness toward the business (retail, banking, and hospitality).

When the researchers (Laudon & Traver, 2020) began to study the effects of Internet technology (i.e. electronic commerce [e-commerce] as an extension of traditional business models), it was found that although early electronic commerce (i.e. e-commerce) allowed for the reduction of geographical restrictions, the e-commerce business models were still strictly based on using company web sites and other centralized locations. Once social networking features had been integrated into e-commerce, the social interaction of consumers blended with the transactional aspect created a movement from e-commerce to social media commerce. Kaplan and Haenlein (2010) believe that the introduction of social media has evolved the way in which consumers relate to retailers. Consumers have become involved in creating their own content (e.g., reviews) and in persuading other consumers with respect to their preference in products/services through their purchase decisions.

Numerous studies have explored the motivations of customers regarding their level of confidence in purchasing through social media commerce. For example, Hajli (2015) stated that by using social media commerce environments, consumers rely heavily on social interaction, user-generated content, and online reviews in order to develop their level of confidence and willingness to purchase. Cost efficiency and accessibility are frequently highlighted advantages of social media commerce in the literature. Researchers note that small and medium enterprises (SMEs) benefit significantly from low entry barriers, minimal infrastructure requirements, and targeted digital advertising. According to Tuten and Solomon (2018), social media platforms allow businesses to reach global audiences with limited financial investment, making them particularly attractive for start-ups and home-based entrepreneurs.

Research on conventional business models focuses on operational control, supply chain reliability and compliance with regulations. Conventional retailing provides real, hands-on experiences with the product, on-the-spot after-sales service and consistent quality control. Research indicates that many customers prefer to shop in physical stores for items with high perceived risk or for goods whose product experience is an important factor in determining purchase (Verhoef et al., 2015).

Trust/securities play a significant role in the literature. Although physical stores benefit from having a physical presence and established brand names, many businesses that operate through social media lack adequate measures to protect data privacy, have security concerns with payments, and have difficulty preventing fraudulent transactions. There is a consensus in the literature that the lack of direct interaction and reliance on third-party platforms create a general lack of trust by consumers. Secure payment gateways, buyer protection services, and verified business accounts have helped build trust in social media sales and have improved consumer confidence over time.

Hybrid business models, utilizing both traditional and social media commerce practices, are gaining interest in the growing body of literature. Researchers have found evidence indicating that businesses excelling at integrating bricks-and-mortar (offline) operations with online (social) media will have greater customer reach and retention. As a result of these findings, an increasing number of industry experts are seeing the emergence of omni-channel strategies wherein customers can interact with the brand through multiple channels (e.g., online and offline) as the future of commerce.

The literature as a whole indicates that while social media commerce continues to gain prominence due to technological developments and shifting consumer tastes, traditional business models remain relevant because of their consistent, trustworthy, and structured nature. As such, most prior research has described one model in isolation from the other, resulting in a large and significant research gap regarding the full spectrum of comparative analysis between these two models. Through this research, we will systematically compare social media commerce and traditional business models in multiple dimensions in order to fill this gap.



### **5. Methodology**

The current study employs descriptive and comparative methods to explore the distinctions between traditional business models and commerce through social media. The descriptive method has been chosen because it enables us to identify and describe characteristics, features, and the ways in which both models operate without requiring manipulation of variables. This method is appropriate for this study because we are observing, analysing, and interpreting actual business practices rather than establishing causal relationships.

The research primarily relies on secondary data obtained from several reputable sources of scholarly, peer-reviewed publications. Examples include academic journals, research papers, business journals and magazines, and reports that are released by reputable commercial, digital marketing, and management companies and are available online. Additionally, case studies and statistical data produced by credible organizations and market research firms have been utilized to obtain current examples of best practices and practicalities regarding both business models.

A comparative analysis approach is used to compare social media commerce and traditional business models across many different parameters: cost structure, consumer involvement, market reach, marketing strategies, operational flexibility, scalability, and trust. By using a systematic process for comparison we will have a clearer understanding of similarities; differences; strengths; and weaknesses between these two business models.

Qualitative analysis methods will be employed to evaluate and analyse the data collected, which involves the need to ensure that quality criteria are subjectively assessed.

### **6. Findings of the Study**

The growth potential and range of social media commerce is much bigger, and cheaper, than traditional store sales.

Trust and reliability are more widely associated with traditional sales and services than social media purchases.

Customers want ease of purchase, ease of interaction and convenience from the brand with whom they interact.

Hybrid business models that include both types of selling have become very popular.

Technology will have a huge impact on how businesses operate in the future.

### **7. Conclusion**

This research explored the differences between social media commerce and traditional businesses, analysing both to determine how each model functions in the modern business landscape. The research demonstrated that traditional business models provide a stable foundation, defined processes for conducting business, and build trust with customers via their physical presence and direct interaction with them. While all three of those features remain very relevant for businesses that sell high-value goods and serve customers seeking reliable, personal service; social media commerce emerged as an alternative model driven by low-cost/low-risk digital platforms that enable businesses to reach large audiences quickly. Additionally, social media marketing offers real-time interactions with customers, personalized marketing tactics for targeting specific audiences, opportunities for creating influencer marketing programs, and very low barriers to entry for either a start-up or small business to create their own social media account.

However, social commerce has faced several challenges that have impeded its long-term viability, including but not limited to: lack of consumer confidence and trust; protection of personal data; and excessive dependence on third-party social media platforms.

This study concludes there is not a definitive winner between these two models relative to all possible criteria. Instead, businesses are likely to succeed at higher levels of performance by utilizing a hybrid approach that offers the advantages of both a traditional model and social media model. By integrating both business models; organizations have the ability to expand their potential customer bases; create greater engagement with customers; and continue to build credibility within an ever-changing highly-competitive digital global market.



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