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Social Media Commerce as a Catalyst for Advancing Business Model Theory: A Reconceptualization and Integrative Conceptual Synthesis of Emerging Digital Logics

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Abstract:

Social media commerce has transformed how firms create, deliver, and capture value by embedding commercial activities within social interaction, user-generated content, and platform-based technologies. Unlike traditional e-commerce, value creation in social media commerce is distributed across consumers, firms, creators, and algorithmic systems operating within digital platforms such as Instagram, TikTok Shop, Facebook Marketplace, and WeChat. While existing business model theories explain firm-centric value creation, they are limited in capturing these distributed and platform-mediated dynamics.

This paper argues that social media commerce represents a distinct business model context that extends conventional theoretical assumptions. Drawing on business model theory, platform ecosystem literature, service-dominant logic, and social embeddedness perspectives, the study develops an integrative conceptual synthesis. It identifies five digital logics shaping business models in social media commerce: social embeddedness, platform governance, distributed agency, algorithmic attention allocation, and continuous adaptive iteration.

These logics are used to reinterpret value creation, delivery, and capture in platform ecosystems. The paper contributes to theory by offering a clearer and more integrated explanation of how business models operate in algorithm-driven environments. It also provides a foundation for future empirical research and offers practical insights for firms operating in rapidly evolving social media markets.

Keywords: Social media commerce, Business model innovation, Platform ecosystems, Value co-creation, Algorithmic governance.

1. Introduction

Social media platforms have evolved from communication tools into powerful commercial ecosystems. Platforms such as Instagram, TikTok, Facebook Marketplace, and WeChat now integrate social interaction, content creation, and commercial transactions within a single environment. Consumers can discover products, evaluate them through peer content, and complete purchases without leaving the platform.

Unlike traditional e-commerce, social media commerce is not driven solely by firms. Instead, value is created through interactions among consumers, creators, influencers, platforms, and algorithms. For example, products on TikTok Shop often become successful due to viral creator videos and algorithmic recommendations rather than firm-controlled advertising. Similarly,

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Instagram sales frequently depend on influencer content and user engagement rather than direct marketing.

This shift challenges traditional business model theory, which assumes that firms control value creation, resources, and customer relationships (Teece, 2010; Osterwalder & Pigneur, 2010). In social media commerce, these functions are distributed across platform ecosystems, making value creation more dynamic and less predictable.

Although research on digital marketing, platform ecosystems, and consumer behavior has increased, it remains fragmented. Studies often focus on individual elements such as trust, engagement, or algorithms without integrating them into a unified explanation of business models. As a result, existing theory does not fully explain how value is created and captured in platform-based commerce.

This paper addresses this gap by conceptualizing social media commerce as a distinct business model context. It proposes an integrative framework based on five digital logics that explain how platform-based ecosystems reshape traditional business model dimensions.

2. Literature Review and Research Gap

1. Business Model Theory

Business model theory explains how firms create, deliver, and capture value through structured organizational activities and resource configurations. Early frameworks emphasize firm-centric control over value creation, revenue generation, and customer relationships (Teece, 2010; Osterwalder & Pigneur, 2010). These models have been highly influential in strategic management research. However, they largely assume stable environments and clear organizational boundaries. In digital contexts such as social media commerce, value creation is increasingly distributed across multiple actors, which limits the explanatory power of traditional business model frameworks.

2. Platform Ecosystems

Platform ecosystems such as Instagram, TikTok, and WeChat have transformed digital markets by enabling interactions among users, firms, and creators within shared infrastructures. Platform literature highlights that these systems actively structure interactions through governance mechanisms, interface design, and algorithmic control (Tiwana, 2013). Rather than acting as neutral intermediaries, platforms influence visibility, access, and monetization opportunities. However, existing research often treats platforms as external environments rather than central actors shaping value creation within business models.

3. Social Media Commerce and Consumer Participation

Social media commerce integrates social interaction with commercial activity, enabling consumers to actively participate in value creation processes. Consumers influence purchasing decisions through reviews, content creation, and peer recommendations. Research shows that trust, engagement, and user-generated content significantly affect consumer behavior in social commerce environments (Hajli, 2015; Hajli, 2014). For example, on Instagram and TikTok, influencer content and peer-generated posts often drive product discovery more effectively than traditional advertising, highlighting the co-creative nature of value formation.

4. Algorithmic Mediation

Algorithmic systems play a central role in social media commerce by determining content visibility and shaping user attention. Recommendation algorithms on platforms such as TikTok and Instagram filter, rank, and distribute content, directly influencing consumer exposure to

products. This creates an attention economy where commercial success depends on algorithmic alignment rather than only product quality or marketing effort. Prior research in platform governance highlights that algorithms act as structuring mechanisms that shape user behavior and market outcomes (Gillespie, 2014; Kitchin, 2017). However, traditional business model theory rarely incorporates algorithms as active components of value creation.

5. Value Co-Creation and Distributed Agency

Service-dominant logic argues that value is co-created through interactions among multiple actors rather than produced solely by firms (Vargo & Lusch, 2004, 2008). In social media commerce, value emerges through the combined actions of firms, consumers, influencers, platforms, and algorithms. For instance, a product may go viral on TikTok due to influencer engagement, user interaction, and algorithmic amplification occurring simultaneously. This distributed agency challenges firm-centric assumptions in traditional business model theory and highlights the need for more integrated, ecosystem-based frameworks of value creation.

Research Gap

Three key gaps exist. First, business model theory remains overly firm-centric and does not fully explain distributed value creation in platform ecosystems. Second, existing social media commerce research is fragmented and lacks integration across behavioral, technological, and organizational perspectives. Third, there is limited conceptual understanding of how social interaction, platform governance, and algorithmic systems jointly shape value creation, delivery, and capture.

This study addresses these gaps by developing an integrative conceptual framework that explains how emerging digital logics reshape business models in social media commerce.

3. Conceptual Methodology

This study adopts an integrative conceptual approach aimed at theory development rather than empirical testing. The objective is to synthesize fragmented literature into a unified explanation of business models in social media commerce.

The analysis draws on four main research streams: business model theory, platform ecosystem research, service-dominant logic, and social media commerce studies. These areas were selected because they collectively explain different aspects of value creation in digital environments.

The literature was reviewed from peer-reviewed journals in management, marketing, and information systems, with emphasis on influential theoretical works and recent empirical studies. The aim was not exhaustive coverage but conceptual relevance.

The analysis followed three steps. First, key themes related to value creation, delivery, and capture were identified. Second, overlaps and gaps across theoretical perspectives were examined. Third, insights were synthesized into five digital logics that explain business model transformation in social media commerce.

Real-world examples from Instagram, TikTok Shop, Facebook Marketplace, and WeChat were used to ground theoretical insights in practice and ensure conceptual validity.

4. Social Media Commerce as a Distinct Business Model Context

Social media commerce differs from traditional e-commerce by integrating social interaction and commercial activity within a unified platform environment. Instead of linear transactions, value is created through continuous engagement among users, creators, firms, and algorithms.

A key feature is user participation in value creation. Consumers actively contribute through reviews, content creation, and sharing. On Instagram, user-generated content and influencer collaborations directly shape brand perception. On TikTok Shop, product visibility depends heavily on creator videos and algorithmic promotion.

Another defining feature is algorithmic mediation. Platform algorithms determine what users see, strongly influencing product discovery and sales outcomes. This reduces firm control over visibility and shifts strategic importance toward content adaptability.

Platform governance also plays a central role. Platforms define rules for monetization, content distribution, and engagement, shaping how businesses operate. For example, WeChat integrates payments and communication within a closed ecosystem governed by platform rules.

These characteristics indicate that social media commerce operates as a distinct business model environment where value creation is distributed, dynamic, and platform-dependent rather than firm-controlled.

5. Integrative Framework of Emerging Digital Logics

This study proposes five interrelated digital logics that explain business models in social media commerce.

1. Social Embeddedness:

Value creation is rooted in social relationships, communities, and peer interactions. Consumer decisions are influenced by trust, reviews, and social influence rather than only firm messaging.

2. Platform Governance:

Platforms regulate visibility, monetization, and participation through algorithms and policies. Firms must adapt continuously to these evolving rules.

3. Distributed Agency:

Value creation is shared among firms, consumers, creators, influencers, and platforms. No single actor controls outcomes.

4. Algorithmic Attention Allocation:

Algorithms determine content visibility and product exposure. Success depends on aligning content with platform recommendation systems.

5. Continuous Adaptive Iteration:

Business models must evolve continuously in response to changing algorithms, user behavior, and platform dynamics.

Integrated Insight

Together, these logics reshape traditional business model dimensions. Value creation becomes collaborative, value delivery is platform-mediated, and value capture extends beyond financial outcomes to include engagement, visibility, and data-driven advantages.

6. Implications for Business Model Theory

This study contributes to business model theory by extending its explanatory scope from firm-centric value creation to ecosystem-based value formation. Traditional business model frameworks emphasize how firms design and control value creation, delivery, and capture processes. However, findings from social media commerce suggest that these processes are increasingly distributed across platforms, users, creators, and algorithmic systems.

The proposed five digital logics—social embeddedness, platform governance, distributed agency, algorithmic attention allocation, and continuous adaptive iteration—provide a more dynamic explanation of how business models operate in digital ecosystems. Together, they

shift the focus of business model theory from static organizational design to evolving interaction systems.

This extension is theoretically important because it integrates previously separate research streams into a unified structure. It also challenges the assumption that firms are the primary source of value creation. Instead, value emerges through interactions across socio-technical systems, where platforms and algorithms play active roles in shaping outcomes.

7. Managerial Implications

This study also offers practical implications for firms operating in social media commerce environments.

First, firms must recognize that value creation is no longer fully under organizational control. Success depends on building and sustaining relationships with consumers, creators, and platform ecosystems rather than relying solely on internal capabilities.

Second, firms need to adapt to platform governance rules. Platforms such as Instagram and WeChat continuously update algorithms, monetization policies, and content distribution systems. Businesses must remain flexible and responsive to these changes to maintain visibility and engagement.

Third, algorithmic visibility is now a core strategic factor. On platforms like TikTok-style commerce ecosystems (e.g., TikTok Shop), product success often depends on algorithmic recommendation rather than traditional advertising spend. Firms therefore need to optimize content for engagement rather than only for promotion.

Finally, continuous adaptation is essential. Social media commerce environments evolve rapidly, requiring firms to experiment with content formats, influencer partnerships, and engagement strategies. Static business models are increasingly ineffective in such environments.

8. Conclusion

Social media commerce represents a fundamental shift in how business models operate in digital environments. Unlike traditional commerce systems, it is characterized by distributed value creation, algorithmic mediation, and strong interdependence among platform participants.

It argued that existing business model theories are insufficient to fully explain these dynamics because they remain primarily firm-centric and static. To address this limitation, the study developed an integrative conceptual framework based on five digital logics: social embeddedness, platform governance, distributed agency, algorithmic attention allocation, and continuous adaptive iteration.

Together, these logics explain how value creation, delivery, and capture are reshaped in social media commerce environments. The framework highlights that business models are no longer controlled solely by firms but emerge through interactions among users, creators, platforms, and algorithms.

It contributes to theory by extending business model logic into platform-based ecosystems and offers practical insights for firms operating in rapidly evolving digital markets. Future research can empirically test the proposed framework across different platform contexts and industries to further validate and refine the model.

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