

Understanding the Research Landscape on Digital Marketplace: A Literature Review

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Abstract

Digital marketplaces have emerged as a dominant organizational form in the digital economy, fundamentally transforming how goods and services are exchanged, how firms compete, and how value is created and captured. Enabled by advances in digital technologies, data analytics, and platform-based business models, digital marketplaces function as multi-sided platforms that connect buyers and sellers, reduce transaction costs, and generate network effects. This study presents a comprehensive review of the extant literature on digital marketplaces with the objective of synthesizing key theoretical perspectives, empirical findings, and policy debates across management, economics, and information systems research. The review systematically examines core themes including platform economics and network effects, governance and power asymmetries, consumer trust and behavior, MSME participation and inclusion, and regulatory and competition-related challenges. The analysis reveals that while existing scholarship has made significant progress in explaining marketplace adoption, design, and growth, it remains fragmented and largely consumer-centric. Limited empirical attention has been paid to seller-side outcomes, long-term economic sustainability, and the role of digital marketplaces in emerging economies. By consolidating diverse strands of literature, this review identifies critical research gaps and outlines directions for future research, emphasizing the need for integrative, multi-stakeholder, and policy-relevant studies.

Keywords: Digital marketplaces; Platform economy; E-commerce ecosystems; Network effects; Platform governance; Digital economy.

1. Introduction

The rapid expansion of digital technologies has fundamentally transformed the structure and functioning of markets, giving rise to digital marketplaces as a dominant mode of exchange in the global economy. Digital marketplaces are technology-enabled platforms that facilitate interactions and transactions between multiple groups of users—primarily buyers and sellers—by providing digital infrastructure, governance mechanisms, and trust-building tools (Parker, Van Alstyne, & Choudary, 2016). Unlike traditional linear business models, digital marketplaces operate as multi-sided platforms, generating value by enabling network effects, reducing transaction costs, and enhancing market efficiency (Evans & Schmalensee, 2017).

Over the past decade, digital marketplaces have become central to sectors such as retail, financial services, mobility, hospitality, and professional services. Platforms such as Amazon, Alibaba, Flipkart, Uber, and Airbnb illustrate how digital marketplaces can rapidly scale, reshape competitive dynamics, and redefine consumer and producer relationships (Kenney & Zysman, 2016). The growth of mobile technologies, digital payments, cloud computing, and data analytics has further accelerated the adoption of marketplace-based business models across both developed and emerging economies (Tiwana, 2014).

From an economic perspective, digital marketplaces play a critical role in market expansion, entrepreneurship, and inclusion, particularly by enabling small and medium enterprises (SMEs) to access wider markets with lower entry barriers (UNCTAD, 2019). In emerging economies such as India, digital marketplaces have contributed to formalization of businesses, employment generation, and regional economic integration through platforms supported by digital public infrastructure such as UPI and India Stack (Dahlman, Mealy, & Wermelinger, 2016). However, alongside these benefits, digital marketplaces also raise concerns related to market concentration, platform power, data governance, algorithmic transparency, and regulatory oversight (Khan, 2017).

Academic research on digital marketplaces has grown substantially, spanning disciplines such as management, information systems, economics, and public policy. Existing studies examine themes including platform design, network effects, pricing strategies, consumer trust, and governance mechanisms (Rochet & Tirole, 2003; Eisenmann, Parker, & Van Alstyne, 2011). Despite this growing body of literature, research remains fragmented, often focusing on isolated aspects such as consumer behavior or

technological adoption, with limited integrative understanding of digital marketplaces as institutional and economic systems.

Given the strategic, economic, and societal importance of digital marketplaces, a comprehensive review of the literature is necessary to synthesize existing knowledge, identify theoretical foundations, and highlight emerging research gaps. Accordingly, this study aims to systematically review the extant literature on digital marketplaces, examining their conceptual evolution, operational mechanisms, economic implications, and regulatory challenges, with particular attention to their role in contemporary digital economies.

2. Literature Review

Digital marketplaces are commonly conceptualized as multi-sided platforms that facilitate interactions between distinct user groups—typically buyers and sellers—by providing digital infrastructure, governance rules, and transaction mechanisms (Rochet & Tirole, 2003; Parker et al., 2016). Unlike traditional linear value chains, digital marketplaces create value by orchestrating interactions, leveraging network effects, and reducing information asymmetry (Evans & Schmalensee, 2017). Prior studies emphasize that the core function of a digital marketplace lies not in owning assets but in enabling exchange and coordination among ecosystem participants (Kenney & Zysman, 2016).

Research further distinguishes digital marketplaces from conventional e-commerce firms by highlighting their platform-centric business models, where value creation depends on scale, user engagement, and data-driven intermediation (Tiwana, 2014). This perspective has positioned digital marketplaces as foundational institutions within the broader platform economy.

2.1 Network Effects and Platform Economics

A significant body of literature focuses on network effects as the primary economic driver of digital marketplaces. Direct and indirect network effects enhance platform value as the number of users on each side increases, leading to positive feedback loops and market concentration (Katz & Shapiro, 1985; Eisenmann et al., 2011). Studies suggest that strong network effects often result in winner-take-most outcomes, raising concerns related to competition and monopolistic behavior (Khan, 2017).

Pricing strategies in digital marketplaces have also received scholarly attention. Research highlights the use of subsidy structures, where one side of the market (often consumers) is subsidized to attract

participation, while the other side (sellers) bears higher costs (Rochet & Tirole, 2003). These pricing dynamics significantly influence platform growth, sustainability, and seller dependence.

2.2 Platform Governance and Power Asymmetry

Platform governance has emerged as a critical research theme in digital marketplace literature. Governance mechanisms include rules governing participation, pricing, ranking algorithms, dispute resolution, and data access (Parker et al., 2016). Scholars argue that while governance ensures efficiency and trust, it can also create power asymmetries between platforms and sellers, particularly small and medium enterprises (SMEs) (Cutolo & Kenney, 2021).

Empirical studies indicate that algorithmic control over search visibility and product ranking can significantly affect seller performance and income stability (Zhu & Liu, 2018). However, much of the existing research remains conceptual, with limited empirical evidence on how governance practices impact long-term seller growth, resilience, and bargaining power—especially in emerging markets.

2.3 Consumer Trust, Information Asymmetry, and Behavior

Consumer behavior in digital marketplaces has been widely studied, particularly in relation to trust formation, perceived risk, and decision-making. Trust-building mechanisms such as ratings, reviews, guarantees, and escrow services are found to reduce information asymmetry and increase transaction likelihood (Pavlou & Gefen, 2004). Research also suggests that platform reputation often substitutes for direct trust in sellers, reinforcing platform dominance (Ba & Pavlou, 2002).

Recent studies explore behavioral challenges such as information overload, choice complexity, and algorithmic nudging, which influence purchase decisions and post-purchase satisfaction (Lurie & Mason, 2007). Despite extensive research on consumer-side dynamics, scholars note an overemphasis on adoption and intention models, with limited integration of consumer behavior into broader marketplace governance and economic outcomes.

2.4 Digital Marketplaces and MSME Inclusion

An emerging stream of literature examines the role of digital marketplaces in promoting entrepreneurship, MSME participation, and economic inclusion. Studies suggest that marketplaces lower entry barriers by reducing capital requirements, enabling access to logistics and payments, and providing visibility to small

sellers (UNCTAD, 2019). In developing economies, digital marketplaces are increasingly linked to business formalization and regional market integration (Dahlman et al., 2016).

In the Indian context, research highlights the role of digital public infrastructure—such as UPI and India Stack—in accelerating marketplace participation (NITI Aayog, 2022). However, empirical evidence on income sustainability, dependency risks, and unequal value capture among small sellers remains limited, indicating a significant research gap.

2.5 Regulation, Competition, and Policy Perspectives

The rapid growth of digital marketplaces has intensified scholarly and policy debates around competition law, data governance, and consumer protection. Scholars argue that traditional regulatory frameworks are ill-suited to address platform-specific challenges such as algorithmic opacity, self-preferencing and data monopolization (Khan, 2017; OECD, 2021). Comparative studies emphasize the need for ex-ante regulation to ensure fair competition without stifling innovation.

Policy-oriented research also highlights tensions between innovation and regulation, particularly in emerging economies where digital marketplaces are closely tied to development goals (UNCTAD, 2019). Nevertheless, empirical evaluations of regulatory interventions remain sparse, underscoring the need for evidence-based policymaking.

3. Concluding remarks

The literature reviewed in this study underscores the growing significance of digital marketplaces as transformative institutional mechanisms reshaping contemporary economies. Existing research clearly establishes that digital marketplaces, through multi-sided platform architectures, network effects, and data-driven intermediation, have altered traditional market structures by lowering transaction costs, expanding market access, and enabling new forms of value creation. The literature highlights substantial advances in understanding platform economics, consumer trust mechanisms, and governance structures, demonstrating how digital marketplaces influence firm strategies, consumer behavior, and competitive dynamics. At the same time, the review reveals that scholarly attention has been uneven, with a predominant focus on consumer adoption and technological design, often at the expense of deeper examination of seller outcomes, power asymmetries, and long-term economic sustainability.

Importantly, the synthesis of prior studies points to critical gaps in integrative and context-specific research, particularly in emerging economies where digital marketplaces play a pivotal role in MSME inclusion, employment generation, and formalization of economic activity. Issues related to algorithmic governance, data control, regulatory effectiveness, and equitable value distribution remain underexplored empirically. Consequently, there is a pressing need for interdisciplinary, multi-stakeholder, and policy-oriented research that moves beyond fragmented perspectives to examine digital marketplaces as complex socio-economic systems. Addressing these gaps will not only advance theoretical development in platform and marketplace studies but also provide evidence-based insights for managers and policymakers seeking to harness digital marketplaces as engines of inclusive and sustainable economic growth.

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