

# Financial Sustainability and Revenue Model of Hyper-Local E-Commerce Platforms: A Case Study of Shop Cardd

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**Abstract:** This study analyzes the financial sustainability and revenue model of hyperlocal e-commerce platforms with a case study of Shop Cardd in Nagpur. The research used primary data collected from 25 respondents along with secondary data from journals and industry reports. The findings show that although awareness and usage of hyperlocal platforms are high, challenges such as high delivery costs, low profit margins, intense competition, and low customer loyalty affect long-term sustainability. Chi-square analysis indicated that operational costs, customer price sensitivity, and competition alone do not significantly determine financial sustainability. The study concludes that sustainability depends on multiple interconnected factors and recommends cost optimization, revenue diversification, and customer retention strategies to improve long-term business performance.

**Keywords:** Hyperlocal e-commerce, financial sustainability, revenue model, last-mile delivery, ShopCardd, quick commerce, digital marketplace, India

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## I. Introduction

### Background

The rapid growth of digital technology and internet penetration has significantly transformed the retail and commerce industry across the world. In recent years, hyper-local e-commerce platforms have emerged as an innovative business model that connects local retailers and service providers with nearby consumers through digital platforms. These platforms focus on delivering products and services within a limited geographical area, ensuring faster delivery, convenience, and personalized customer experience. The increasing use of smartphones, digital payment systems, and changing consumer preferences toward quick and doorstep delivery have accelerated the expansion of hyper-local commerce in India.

Hyper-local e-commerce platforms operate on a model that integrates local vendors, logistics partners, and consumers through mobile applications or websites. Unlike traditional e-commerce platforms that rely on centralized warehouses and long-distance shipping, hyper-local platforms source products directly from nearby stores and deliver them within a short time. This model has gained popularity in sectors such as groceries, food delivery, pharmacy, fashion, and daily essentials. Companies such as Swiggy, Zomato, and Blinkit have demonstrated the growing demand for hyper-local delivery services.

Despite rapid growth and increasing customer adoption, the financial sustainability of hyper-local e-commerce platforms remains a major challenge. High last-mile delivery costs, low profit margins, intense competition, customer acquisition expenses, and dependence on discounts and promotional strategies often affect the long-term viability of these businesses. Many platforms struggle to balance operational efficiency with customer satisfaction while maintaining profitability. Therefore, understanding the revenue models and sustainability factors of hyper-local platforms has become important for both researchers and business practitioners.

This study focuses on the financial sustainability and revenue model of Shop Cardd, a hyper-local e-commerce platform operating in Nagpur. The research examines consumer awareness, usage patterns, operational challenges, and perceptions regarding the long-term sustainability of hyper-local commerce platforms. The study also analyzes the relationship between operational costs, customer price sensitivity, market competition, and financial sustainability using statistical tools. The findings of the research are expected to provide valuable insights for entrepreneurs, platform operators, and policymakers to improve business performance and ensure sustainable growth in the hyper-local e-commerce sector.

## II. Literature Review

### Theoretical Foundations

The economics of hyperlocal platforms can be examined through the lens of two-sided market theory, as articulated by Rochet and Tirole (2003). Platforms must balance the demands of two distinct user groups—buyers and seller—each of whose participation positively externalities the other. This interdependency creates a 'chicken-and-egg' problem: platforms must subsidize at least one side during launch, typically consumers, to attract

merchants. In the hyperlocal context, this manifests as heavy discounting and free delivery that compromise early-stage profitability.

Parker et al. (2016) extend this framework with network effects: as user bases grow, platform value increases, potentially justifying early losses. However, hyperlocal platforms face a geographic ceiling on network effects, limiting the scalability that underlies this logic. Unlike national platforms, hyperlocal growth is bounded by physical proximity, making unit economics more sensitive to local operational costs.

### **Revenue Models in Digital Platforms**

Commission-based revenue is the dominant model for digital marketplaces, where platforms earn a percentage of each transaction (E-commerce Study, 2018). Complementary streams include delivery charges, advertising/sponsored listings, and subscription tiers (Lee et al., 2020). Täuscher and Laudien (2018) provide a taxonomy of digital marketplace models, noting that diversified revenue structures are associated with greater resilience. Subscription models, in particular, generate predictable recurring income (Business Model Study, 2020), though their adoption in hyperlocal markets remains limited.

### **Financial Challenges in Hyperlocal Commerce**

Last-mile delivery constitutes the most significant cost component in hyperlocal operations, often accounting for 30–50% of total operational expenses (Logistics Study, 2019). Freshfruggies' case study (2021) illustrates how operational inefficiencies can render hyperlocal startups unviable despite strong demand. Startup Finance Study (2022) observes that most digital startups deliberately operate at losses to capture market share, with profitability deferred until scale is achieved a strategy that demands continuous external funding and is inherently fragile.

### **Consumer Behavior and Platform Preference**

Schade et al. (2020) identify speed, convenience, and accessibility as the primary drivers of hyperlocal platform preference, while price sensitivity is a critical moderating factor. Trust Study (2020) further establishes that perceived reliability significantly influences platform retention. Critically, hyperlocal consumers exhibit low switching costs and high willingness to switch platforms upon price increases, making customer retention structurally difficult (Sanghi et al., 2020).

### **Research Gap**

Despite extensive literature on consumer behavior and logistics, three significant gaps persist. First, no unified financial sustainability framework has been developed specifically for hyperlocal platforms. Second, while revenue models have been analyzed for large-scale platforms, their applicability under hyperlocal constraints—limited geography, lower order volumes, and local competition—is not established. Third, empirical case study evidence examining actual revenue structures and cost dynamics of specific hyperlocal startups is scarce. This study addresses all three gaps through the Shop Cardd case.

## **III. Objectives**

1. To analyze existing revenue streams, including commissions, delivery charges, and ancillary fees.
2. To examine the cost structure, particularly logistics, marketing, and technology costs.
3. To assess profitability by comparing revenue and cost components.
4. To evaluate customer and retailer perspectives on pricing, service quality, and platform usage.
5. To identify key determinants of financial sustainability including competition, operational efficiency, and demand patterns.

## **IV. Hypothesis**

- H1: There is no significant relationship between operational costs and financial sustainability of hyperlocal e-commerce platforms.
- H2: There is no significant relationship between customer price sensitivity and profitability of hyperlocal e-commerce platforms.

## **V. Research Methodology**

### **Research Design**

This study adopts a descriptive-analytical research design, supplemented by a case study approach. Descriptive research captures the operational and behavioral dimensions of hyperlocal platforms, while analytical research evaluates financial performance indicators. The case study method enables in-depth

examination of ShopCardd's real-world operations and financial practices, providing empirical grounding beyond theoretical analysis (Yin, 2018).

**Data Collection**

Primary data were collected through a structured questionnaire administered to 25 respondents. The questionnaire comprised six sections covering: Demographic Information; Platform Usage Patterns; Customer Experience; Revenue and Pricing Perceptions; Sustainability Opinions; And Open-Ended Suggestions. Secondary Data Were Sourced From Peer-Reviewed Journals, Company Reports, And Industry Publications.

**Sampling**

A convenience sampling technique was employed, given the exploratory nature of the study and resource constraints. The sample included customers of hyperlocal platforms, local retailers affiliated with ShopCardd, and general users of hyperlocal services, all located within Nagpur—the primary geographic market of the case company. While convenience sampling limits generalizability, it is appropriate for preliminary case-based investigation.

**Analytical Methods**

Data were analyzed using percentage analysis, tabular analysis, graphical representations, and Chi-Square Tests of Independence. The Chi-Square test was selected to assess whether observed relationships between categorical variables (e.g., sustainability perception and operational cost ratings) exceeded what would be expected by chance. Effect sizes were measured using Cramér's V. All analyses were conducted at a 5% significance level ( $\alpha = 0.05$ ).

**VI. Data Analysis and Findings**

**Descriptive Analysis**

Variable	Key Finding	Interpretation
Platform Awareness	96% (Yes)	Very high market awareness; only 1 respondent unaware.
Usage Frequency	44% Occasional 40% Weekly	Primarily convenience-driven, not habitual daily use.
Preferred Platform	Blinkit 56% Shop Cardd 12%	Established players dominate; Shop Cardd faces intense brand competition.
Customer Satisfaction	Satisfied 40% Neutral 36%	Moderate satisfaction; significant scope for improvement.
Sustainability Opinion	Not Sustainable 56%	Majority doubt long-term viability of current business model.
Reaction to Price Increase	Switch 68%	Low customer loyalty; high price elasticity of demand.

Table 1: Summary of Descriptive Findings (N = 25)

The descriptive findings reveal a paradox central to the hyperlocal business model: while consumer awareness and acceptance are high (96% aware; majority weekly/occasional users), the commercial conditions necessary for profitability are structurally unfavorable. Customers exhibit strong price sensitivity 68% would switch platforms upon any price increase and prefer established players (Blinkit: 56%; Swiggy Instamart: 24%) over emerging alternatives like ShopCardd (12%).

Challenge severity ratings indicate that customer loyalty/retention is perceived as the most pressing challenge (11 respondents rated it 'most severe'), followed by low profit margins per order (8 respondents, rating 5) and intense competition (7 respondents, rating 5). These findings collectively suggest that the demand-side conditions confronting hyperlocal platforms are structurally challenging, independent of operational decisions.

This study crystallize a fundamental structural tension in the hyperlocal e-commerce model: the gap between consumer expectations and platform economics. Customers demand fast delivery, low prices, and high service quality simultaneously yet each of these requirements imposes costs that compress margins. The 68%

willingness to switch platforms upon any price increase confirms that hyperlocal customers are not brand-loyal; they are outcome-loyal. This dramatically limits platforms' pricing power, a prerequisite for sustainable revenue generation.

ShopCardd's situation illustrates this tension vividly. As an emerging regional platform competing against venture-backed incumbents with deep pockets (Blinkit, Swiggy Instamart), it cannot match the discount depth or delivery speed of established players without incurring unsustainable losses. Its 12% preference share, against Blinkit's 56%, reflects not just brand recognition differentials but also the compounding advantages of scalelower per-unit delivery costs, better merchant terms, and more sophisticated technologyenjoyed by incumbents.

The non-rejection of all three hypotheses, interpreted in conjunction with the descriptive findings, supports the view that financial unsustainability in hyperlocal commerce is systemic rather than attributable to any single factor. This is consistent with Startup Finance Study (2022), which identifies systemic loss-making as a structural feature of digital platform scaling strategies, and with Ganapathy (2019), who argues that operational inefficiency alone is insufficient without a corresponding sustainable revenue architecture. The study also has implications for the broader quick-commerce ecosystem in India. As Blinkit's parent Zomato demonstrated through its path to EBITDA profitability (FY23–FY26), achieving financial sustainability in hyperlocal commerce requires disciplined unit economics, inventory optimization, and a diversified monetization stack not just volume growth. ShopCardd, operating at an earlier stage with far fewer resources, must find a regionally differentiated path to sustainability that does not rely on the subsidy-led customer acquisition strategies viable only for well-capitalized incumbents.

**Hypothesis Testing**

Hypothesis	$\chi^2$ Value	df	p-value	Cramér's V	Decision
H1: Op. Costs ↔ Sustainability	2.26	4	0.688	0.18	Fail to Reject Ho
H2: Price Sensitivity ↔ Profitability	3.11	4	0.539	0.21	Fail to Reject Ho
H3: Competition ↔ Sustainability	4.02	4	0.404	0.27	Fail to Reject Ho

Table 2: Chi-Square Test Results (N = 34;  $\alpha = 0.05$ )

All three null hypotheses were not rejected ( $p > 0.05$ ). While this may appear to suggest these factors are irrelevant, a more nuanced interpretation is warranted. The Cramér's V effect sizes (0.18, 0.21, and 0.27) fall in the small-to-moderate range, indicating weak but non-trivial associations that the limited sample size (N = 25–34) may have been underpowered to detect. This has important implications: rather than concluding that operational costs, price sensitivity, and competition do not matter, we argue that no single factor in isolation determines financial sustainabilitythe challenge is structural, multidimensional, and requires an integrated response.

Furthermore, the non-rejection of H3o ( $\chi^2 = 4.02$ , Cramér's V = 0.27) carries the largest effect size of the three, suggesting that competitive intensity may be the most consequential individual factor, even if statistical significance was not achieved at this sample size. Future studies with larger samples are needed to confirm this relationship.

**VII. Conclusion**

This study examined the financial sustainability and revenue model of hyperlocal e-commerce platforms through the lens of ShopCardd, an emerging regional platform in Nagpur. The findings confirm that hyperlocal platforms enjoy strong consumer acceptance and growing usage, but face a structural profitability challenge rooted in the inherent conflict between customer expectations (low prices, fast delivery) and platform economics (high logistics costs, thin margins, intense competition).

Chi-square analysis failed to establish statistically significant relationships between individual factors operational costs, price sensitivity, competition—and financial sustainability, but descriptive analysis and effect sizes suggest that these factors collectively constitute a systemic challenge. The majority of respondents (56%) believe hyperlocal platforms are not financially sustainable under current models, a perception that aligns with the broader industry narrative.

For platforms like Shop Cardd, financial sustainability is achievable but requires a fundamentally different strategic posture: one that prioritizes unit economics over growth velocity, diversifies revenue beyond commissions and delivery fees, builds genuine loyalty through value rather than discounts, and leverages regional differentiation as a competitive moat. The future of hyperlocal commerce in India will belong not to the platforms that grow fastest, but to those that grow most sustainably.

### **Future Scope**

The present study is limited to a small sample size and a single hyperlocal platform, Shop Cardd, operating in Nagpur. Future research can be conducted with a larger sample size covering multiple cities and different hyperlocal e-commerce platforms to improve generalizability of findings. Comparative studies between regional platforms and large national players such as Blinkit and Swiggy may provide deeper insights into sustainable business strategies. Further studies can also examine the role of technology adoption, artificial intelligence, customer retention programs, and green logistics in improving operational efficiency and profitability. In addition, future researchers may apply advanced statistical and financial models to better understand long-term sustainability and revenue optimization in the hyperlocal e-commerce sector.

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