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Cross-Border Online Shopping of Polish Consumers and Cross-Border Online Sales of Polish Companies as Examples of the Processes of the Markets Internationalisation

Transgraniczne zakupy internetowe polskich konsumentów oraz transgraniczna sprzedaż internetowa polskich firm jako przykłady procesów internacjonalizacji rynków

Key words: cross-border online shopping; cross-border online sales; internationalization of markets; geo-discrimination; consumer behaviour

Słowa kluczowe: transgraniczne zakupy internetowe; transgraniczna sprzedaż internetowa; internacjonalizacja rynków; geodyskryminacja; zachowania konsumenta

JEL codes: D12; F61; D83

Introduction

Contemporary retail offers the consumer the opportunity to purchase a wide variety of goods through various sales channels and multiple formats within each channel. The Internet revolution about 20 years ago changed many habits of consumers including the choice between physical and virtual channel, and also made possible cross-border purchases not limited to travelling. During the first wave of interest and research on electronic markets at the end of the 20th century, an important point of view included thinking about Internet markets as frictionless and close to perfectly competitive ones:

The Internet is a nearly perfect market because information is instantaneous and buyers can compare the offerings of sellers worldwide. The result is fierce price competition, dwindling product differentiation, and vanishing brand loyalty. Imitators,

especially those with deep pockets, can steal innovations as fast as they are invented and marketed [Kuttner 1998, p. 20].

However, more accurate scientific analyses from this period pointed out that the perception of online markets as frictionless ones, and characterized by the lack of importance of location of the seller to the buyer, as well as providing possibility to get full information on prices and products on both sides of the market, leading to zeroing economic gain, is far from reality [Brynjolfsson and Smith 2000]. In effect, various factors both in the domestic and international markets affect the actual reduction of the importance of easy access to information and its quantity to consumers' decisions.

It is worth noting, that the advancement of Internet technology usage, increasing over time, and aggregating its influence from microeconomic level to macro level [Kauffman and Walden 2001, p. 12], although changed the shape of retail, for instance by making feasible multichannel or the so-called omnichannel strategies [Brynjolfsson et al. 2013], did not eliminate trade agreements between producers and sellers, and serious legal issues, so distribution of many products and brands (particularly, renowned ones) is still made on the base of territorially limited areas.

Even for digital goods, where the Internet allows for instant purchase delivery in the form of files, legal barriers connected with intellectual property rights and different taxation – this is easily visible in case of cross-border streaming/downloading movies, music or software. Barriers connected with location of the seller and the buyer significantly increase in regard to physical goods, where the completion of a foreign order involves typically higher shipping cost, increased risk of stealing parcels before delivery, and international payments handling on the seller's side, as well as taking into account the customs duties and taxes on the buyer side [Gomez-Herrera et al. 2014, p. 83]. Described difficulties mean a higher risk of selling to other countries, even within the EU, that can lead to practice the so-called geo-discrimination of consumers from several countries. Geo-discrimination takes the form of refusing to sell or more often imposing on the buyer additional obligations or significant financial burdens not applied to persons residing in other countries. Apart from the financial burdens, the consumer may experience significant emotional costs resulting from the need to make transactions in a foreign-language user interface and comply with the seller country's legal rules, or connect with experiencing geo-discrimination practices.

1. Goal of the paper

The main aim of the article is the qualitative assessment of the perception of the internationalisation processes of B2C markets by consumers. Adopting the perspective of compiling the experience of Polish consumers with cross-border online purchases and foreign buyers making such purchases in Poland will identify and analyse the barriers to the development of cross-border online commerce. For Polish consumers, data collected during their own online survey are the main source for the analysis.

Passive netnography gave insights into Internet purchases of foreigners in Poland. Both sources are used in the context of younger consumers cohort – assumed in a broader sense as persons aged 16–34 [Woźny 2013, p. 21]. The background of the analysis is secondary data about cross-border online shopping published mainly by Eurostat.

2. Cross-border purchases in the EU

Consumers’ involvement in cross-border online purchases in EU countries has grown over time, nearly doubling in average between 2011 and 2016, while the share of the consumers buying domestically grown with lower pace (Figure 1).

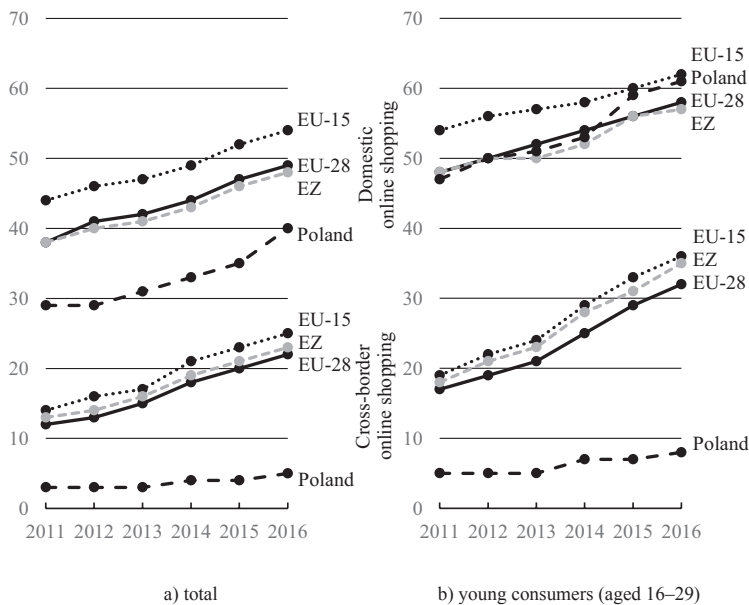


Figure 1. Consumers buying online domestically and internationally in the years 2011–2016 (% of population)

Note: EZ – Eurozone

Source: Author’s own elaboration based on Eurostat data [Eurostat 2017].

Despite the strong correlation between these variables at the aggregate level, at the national level, the variation in the individual years is large, and since simple regression functions explain no more than 20% of this variability, a significant influence of other factors on this differences should be assumed (Figure 2).

According to European Commission Report [European Commission, 2015], online consumer markets within the EU are in effect far from a common market idea. Differences in popularity of online cross-border purchases may be the result of

mentioned legal difficulties and self-limitation practices on the sellers’ side (treating purchases from abroad as unwanted from cost and communication reasons), but also an effect of the size and structure of the market – for example, for high involvement observed in small (Luxembourg) or insular countries (Malta, Cyprus) where building a separate national e-commerce infrastructure is not feasible. Also smaller countries sharing a common language with their neighbours tend to have a higher share of consumers doing online shopping abroad – that has been pointed out by Gomez-Herrera et al. [2014, pp. 89–90].

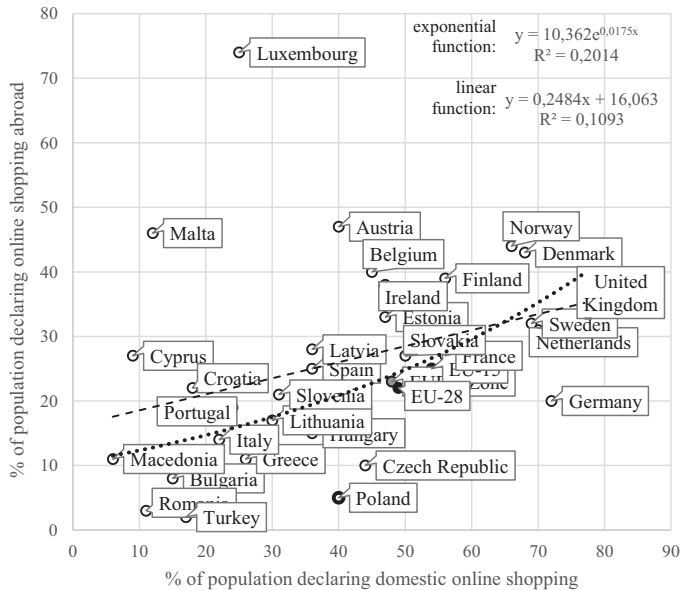


Figure 2. Consumers buying online domestically vs. from abroad for European countries in 2016 (% of population)

Source: Author’s own elaboration based on Eurostat data [Eurostat 2017].

3. Cross-border online shopping by Polish consumers

Although in the whole population online shopping is less popular in Poland if compared to the EU average, particularly to EU-15 and Nordic countries, for young Polish consumers (aged 16–29) the situation reverses (Figure 1). Those purchases – also taking into account buyers’ age – are mainly domestic ones. Involvement of Polish consumers in cross-border online buying is one of the lowest in Europe (Figures 1 and 2) – it remains on the single digit level. This suggests a lack of interest in such purchases – possibly after not satisfying experiences, or encountering serious barriers – both on demand and supply sides of the market. Three most popular countries to

buy abroad by Polish consumers in the EU are: Germany, the United Kingdom and the Czech Republic (Figure 3) – two of them are neighbouring countries, while the UK has large Polish diaspora, but it is also the most common place to shop online by Europeans as a whole. Unfortunately, mapped data do not include non-European countries, so probably buying in China and the United States is also popular, as other sources (e.g. in PostNord research, countries which were most frequently selected by Poles to buy online in 2016 were: Germany – 11%, the United Kingdom – 10%, China – 9%, the United States – 6% [PostNord 2016, p. 37], as well as author's own questionnaire research and netnography suggest.

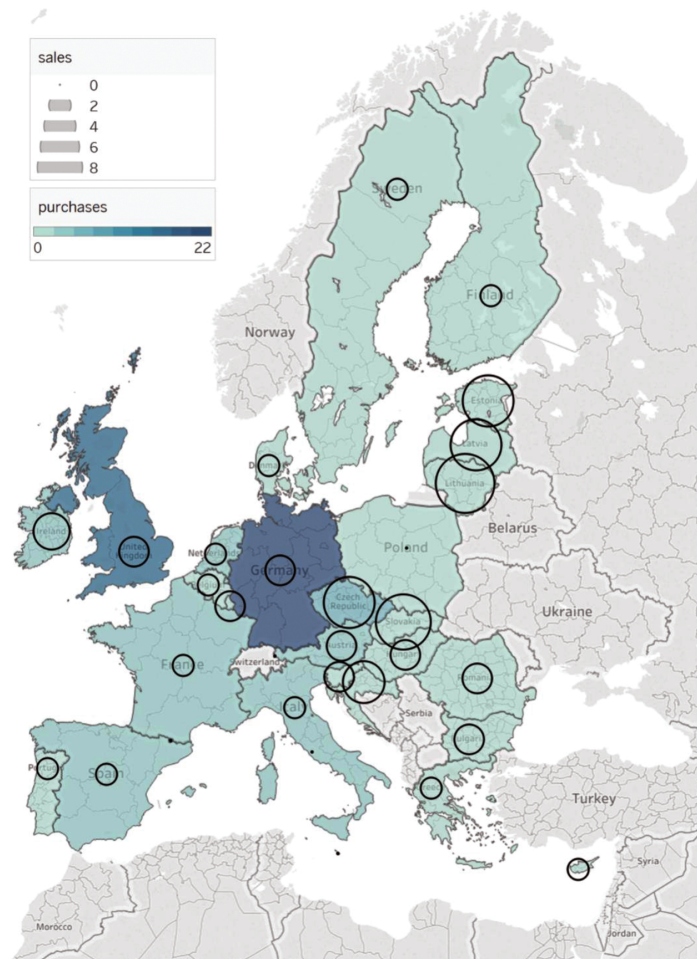


Figure 3. Cross-border purchasing of Polish consumers in EU countries and EU consumers in Poland in 2016 (%)

Note: Colour denotes cross-border purchasing in EU countries, bubble size – sales to other EU countries.

Source: Author's own elaboration with Tableau Public based on the European Commission [2016, pp. 167–168].

To assess the opinions and feelings of Polish consumers about cross-border online shopping, the block of mostly open-ended questions in CAWI questionnaire has been used. Purpose sample of 405 young consumers from eastern and central Poland buying online (17–34 years old, mostly university students) consisted of about 64% of women, and 43% of participants declared buying online from abroad.

Perception of cross-border online shopping by consumers without such experience is rather negative: they perceive such shopping as riskier (e.g. “I am afraid to risk and buy something” (Female), and they do not trust foreign retailers (e.g. “In my opinion foreign websites are not transparent to Polish consumers, we feel that it is easier to cheat us, more time [is needed] to shop” (Female)); feel language barriers (e.g. “I do not feel comfortable because I do not understand all the messages on the site” (Male)), and also are afraid of exchange rates changes (e.g. “Unpredictable euro exchange rate makes products more expensive” (Male)). Visible in this group is also the preference of national sellers because of economic patriotism (e.g. “I prefer to support Polish companies” (Female)), as well as the opinion about discrimination of Polish consumers by foreign online retailers because of the country of residence – shopping is impossible (e.g. “Small chance for delivery to Poland” (Female)), or penalties on delivery prices or payment apply (e.g. “There is a problem with the delivery of goods to Poland by foreign sellers. In addition to mailing costs, additional charges, such as VAT and duty, must be added. The problem may be also to make a payment when there is no info on bank transfer” (Female)).

Subjects with personal experience in online shopping from abroad are satisfied with a wide assortment (e.g. “I like shopping online with foreign sellers because I have better choice, the assortment is much bigger than in Polish shops” (Female)) as well as affordable prices – particularly for purchases from China (e.g. “I am not used to other online stores than AliExpress. It is the best regarding price, so my general opinion is that such purchases are all right if one has a good place” (Female)). Sometimes prices are perceived as high: “Product prices are high for the earnings of »ordinary« Poles” (Male).

Both groups are worried about high costs of delivery and long delivery time – perceived by the first one (e.g. “I do not want to overpay for the shipping and wait for delivery for a month (if not lost at all)” (Male)), and experienced by the other (e.g. “Often long waiting times for delivery. High shipping costs, duty” (Male)).

On the basis of mentioned quotes, it is possible to draw a conclusion, that increasing cross-border purchasing by young Polish consumers requires Polish language version of the webpage, accepting payment in Polish currency and provide delivery at no additional cost – this is the case of the popularity of Chinese AliExpress marketplace and German Zalando online store.

4. Cross-border online shopping in Poland by foreign consumers

Lack of common language with any of European countries makes the must for Polish online retailers to offer other language versions of their online store's web-pages and customer service in English or other languages.

According to data shown in Figure 3, buying online in Poland is more common for consumers from EU smaller countries close to Poland: Lithuania, Slovakia, the Czech Republic, Latvia and Estonia (for each of these countries not less than 6% of consumers bought something online in Poland). Fragmentary data from the Ipsos study for PayPal present different geographic structure – the top 3 countries of residence of consumers buying in Poland are Germany, the United Kingdom and Russia [Newseria, 2015]. It is worth noting that Polish e-commerce market is heavily fragmented, and in addition to a few relatively large retailers, there are several thousand small online shops, and many sellers are available on the most popular Allegro.pl platform, additionally, smaller shops are using PayPal payments more often than larger ones. This applies in particular to highly specialised retailers and small producers of clothing and similar products – the product category where some Polish firms have competitive advantage relying on high quality, small-scale production, and wide size assortment with possible customizations. That differentiates their offer from mass-retailers, although their success in the niche often comes from word-of-mouth from Internet communities rather than from their marketing activity – mainly through social media platforms.

Exploration of opinions about buying online from Poland took the form of passive netnography – ex-post observation of user-generated content in a relevant virtual community devoted to fashion took place during March 2017. This approach proved to be useful in the previous author's research [Nalewajek and Mącik 2013]. All brand names or personal information were anonymized not to disclose author's identities.

Feelings of foreigners who buy online in Poland are mixed, particularly when contact with the seller is needed to dispel the doubts. There were rather positive opinions about language skills on the seller's side, for instance: "I would be careful about sizing, since [brand name] seems to be still trying to figure that out! Best bet is to email them with measurements and ask for a recommendation; their customer service is awesome. I have consistently gotten immediate and helpful responses in English, and it is nice to support a small new business!" (Female from the USA, December 30, 2016); "Their English is not bad via email, and they are super keen to break into the market and can be very accommodating" (Female from Canada, February 1, 2017).

Unfortunately, visible are complaints about customer service, particularly response time for emails and (lack of) other communication: "They still aren't responding on any social media or the phone though" (Female from the USA, March 23, 2017); "I had a similar issue. I ordered and didn't get a confirmation. I tried to

contact them to confirm it for weeks and nothing. I did finally get an »order completed« email, but it did not say it was shipped or anything. No responses to any email whether via the website or directly at the three email addresses I could find. I also tried the Facebook page and nothing” (Female from the USA, February 28, 2017) or “[Brand name] still have not responded to my emails, I wrote them both in Polish and in English, and it has been three days. I guess that’s not really long enough to complain I’m just so eager!” (Anonymous User, February 17, 2015).

Sometimes there are also technical bugs preventing the consumers from abroad to register and made a purchase: “How did you order from [retailer name]? I had issues registering since it will not take the zip code because it’s in a different format. I emailed them but then they replied in Polish, and I think it is just one of those generic replies” (Female from the UK, September 23, 2016).

The previous passage also implies not enough care about consumer complaints, confirmed by other opinions, for instance: “When I emailed them last month asking for customizations, [name of customer service clerk] instructed me to make the order on the website. I didn’t get specific replies on my question. :(” (Anonymous user, January 2016).

Also managing the orders regarding sending confirmation of shipment or tracking codes for sent parcels does not satisfy the customers: “I placed and paid for a custom [item name] a while ago, but haven’t heard back from them since I paid. No confirmation of payment or any notice saying that they started working on my [item name] or that they are shipped already. Is this normal?” (Female from Sweden, April 25, 2015), moreover, “You have to email them and ask for the tracking number. The same number will work in the Polish and the US system. Shipping can take anywhere from 2 to 8 weeks though ... good luck being patient!” (Female from the USA, May 2015).

Selected customers’ opinions confirm that having unique products attracts the customers, particularly when first communication in English is satisfying, but regarding customer service and technical flaws, there is much to improve. At present state, building satisfaction and loyalty on the base of product features only, seems dangerous and myopic. However, the possible reason for that are limited human resources, and the prohibitive cost of employing additional staff for customer service at present scale of operation will make their future growth more difficult.

Conclusions

Qualitative research explains the low involvement of Polish consumers’ common beliefs and opinions about cross-border online shopping of Polish consumers and online sales by Internet stores located in Poland. Low interest in purchasing from abroad is an effect of negative perception, fears or sometimes troublesome experiences of such activity, connected with consumer patriotism. Geo-discrimination also plays the role, but it is not as burdensome as it seemed. In the case of Polish online

sellers, only sales for neighbouring smaller markets is more frequent for larger online stores, and for niche players – the sales of not usual assortment, possibly with frequent customization requirements. Internationalisation of the markets connected with Internet revolution opened access to international markets for smaller firms, but unfortunately, many of them rely on product strategy, not taking customer needs regarding customer service seriously.

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Cross-Border Online Shopping of Polish Consumers and Cross-Border Online Sales of Polish Companies as Examples of the Processes of the Markets Internationalisation

Paper exemplifies markets internationalisation processes taking into account young Polish consumers' cross-border online shopping, and Polish retailers' cross-border sales activity, investigated in a qualitative way on the basis of open-ended questions' responses from the CAWI questionnaire and passive netnography respectively, on the background of relevant comparative statistics from EU countries.

Such purchases, within the EU, but also from China or the USA, are made by the growing percentage of young buyers, although the majority of respondents have negative opinions about them, often emerging from stereotypes rather than from their own experience. The perceived barriers from the demand side

have a stronger impact on respondents than supply side factors. Identified demand-side barriers are high prices and other fees, including payment and delivery handling, long delivery times and language barriers. Geo-discrimination practices applied by foreign sellers, usually experienced with regard to delivery and payments are the only significant obstacle on the supply side.

Polish online retailers' international operations are typically limited geographically to smaller neighbouring countries or focused on niches (particularly for smaller firms). In those niches, they compete with foreign sellers mainly on product features and customization, but their consumer service is often not satisfying, particularly in terms of response time and language competences.

Transgraniczne zakupy internetowe polskich konsumentów oraz transgraniczna sprzedaż internetowa polskich firm jako przykłady procesów internacjonalizacji rynków

Artykuł przedstawia procesy internacjonalizacji rynków na przykładzie transgranicznych zakupów internetowych młodych polskich konsumentów i transgranicznej sprzedaży detalicznej przez Internet polskich sprzedawców, analizowane jakościowo odpowiednio na podstawie odpowiedzi na pytania otwarte z kwestionariusza internetowego oraz pasywnej etnografii, na tle statystyk porównawczych dla krajów Unii Europejskiej (UE).

Internetowe zakupy transgraniczne, dokonywane w krajach UE, ale także w Chinach lub USA, deklaruje rosnący odsetek młodych nabywców, chociaż większość badanych ma negatywne opinie i przekonania ich nich dotyczące, często wywodzące się ze stereotypów, a nie z własnych doświadczeń. Postrzegane bariery kupowania online za granicą ze strony popytu mają silniejszy wpływ na respondentów niż czynniki podażowe. Zidentyfikowanymi barierami popytu są wysokie ceny i inne opłaty (podatki, cła), w tym obsługa płatności i dostawy, długie terminy dostaw i bariery językowe. Praktyki geodyskryminacji, stosowane przez zagranicznych dostawców, są doświadczane zazwyczaj w odniesieniu do dostawy i płatności i są jedyną istotną przeszkodą po stronie podażowej.

Sprzedaż polskich sprzedawców detalicznych jest zwykle ograniczona geograficznie do mniejszych państw sąsiadujących z Polską lub – w przypadku mniejszych firm – koncentruje się na niszach rynkowych. Działający w niszach konkurują ze sprzedawcami z innych krajów przede wszystkim z cechami produktu i jego kustomizacją, ale ich obsługa klienta często nie jest satysfakcjonująca, zwłaszcza w zakresie czasu odpowiedzi na pytania/problemy klientów oraz kompetencji językowych.