

Exploring Factors that Influence US Consumers' International Online Outshopping (IOO) Intentions at E-Tailers in Developing Countries: Propositions

Bharath Ramkumar and Byoungho Jin

Introduction

Outshopping, the physical movement of consumers from their local trade area to a neighboring region or oftentimes to a foreign country with the intention to shop for goods, has been well documented in literature (Herrmann and Beik 1968; Lee et al. 2009). An unprecedented access to consumer goods online has further impacted this phenomenon giving rise to International Online Outshopping (IOO), thereby enabling the virtual movement of consumers to distant global marketplaces with the click of a button. With online shopping increasing by the day among US consumers in search of better deals and products on the World Wide Web, online retailers (referred to as e-tailers from now on) in developing countries are successfully leveraging this opportunity to target these consumers effectively. The resulting IOO effect may leave domestic US retailers, both online and offline, with loss of sales from these outshoppers. Though studies addressing cross-border outshopping exist (Piron 2002), international outshopping through the Internet has been hardly examined. The purpose of this chapter is to identify and develop testable propositions of factors related to US consumers' intention to engage in IOO at e-tailers in developing countries. This study focuses on exploring factors influencing US consumers' IOO at developing countries' e-tailers only, because factors pertaining to other countries' e-tailers might be different (Lee et al. 2009).

B. Ramkumar (✉) • B. Jin
University of North Carolina at Greensboro, Greensboro, NC, USA
e-mail: b_ramkum@uncg.edu; b_jin@uncg.edu

Literature Review

This section first describes the three-phase evolution process of outshopping identified in literature. This is followed by the discussion of factors related to IOO intention and subsequent propositions.

First phase—Outshopping: Traditionally, outshopping was operationalized as the number of trips a consumer took outside the local market area in search of products (Reynolds and Darden 1972). A few decades ago, consumer and marketing research identified such consumer market-patronage patterns as a key area to investigate since consumers' switching behavior between local and neighboring marketplaces affected local businesses. Studies profiled outshoppers as having high income levels, no children, out-of-town charge bank accounts (Herrmann and Beik 1968). In addition, shoppers who owned a home, were educated, physically fit and formed negative attitudes towards local merchants were seen to indulge more in outshopping (Hawes and Lumpkin 1984). Apart from individual characteristics, marketplace characteristics such as inadequate assortment of products and dissatisfying service levels were also identified as factors contributing to consumer outshopping (Reidenbach et al. 1984). At this point, outshopping research was restricted to rural or urban regions in the USA.

Second phase—Domestic online outshopping: The domestication of Internet and the open access to a national marketplace resulted in the exponential increase in online shopping wherein online retail sales towards the end of the century crossed \$15 billion annually (USDC 2001). With the Internet playing a major role in consumer shopping for various products, the outshopping phenomenon applied to online shopping activities as well, with similar consumer motivations and ill effects on local retailers. Studies identified in-home shopping preferences, negative support for local retailers, and time pressure as key factors contributing to online outshopping behavior (Lee et al. 2009). Additionally, the adverse effect of such online outshopping behaviors on brick-and-mortar retailers was also heightened. On the other hand, this new mode of economic trade also introduced emerging opportunities for retailers who could expand their operations through the new virtual medium (Lennon et al. 2009).

Third phase—Cross-Border or International outshopping: With globalization imminent, retailers increasingly exposed consumers to a variety of new and innovative products, the availability of which remained spread throughout the global marketplace (Alden et al. 2006). The decrease in global travel costs encouraged consumers' cross-border outshopping activity. The activity of cross-border shopping between the USA and Canada elicits this phenomenon where consumers from both countries consistently cross the border to shop for products like food, medicine, and gas that are relatively cheap in the other country owing to the temporary shifts in exchange rates (Asplund et al. 2007). Other factors related to such international outshopping behaviors observed in prior studies include quality of product, quality of service, fashion consciousness, perceived expressiveness towards foreign products, and outshopping enjoyment (Guo and Wang 2009; Wang et al. 2010).

The emerging phase—International online outshopping (IOO): A recent market report revealed that about 34.1 million US consumers engaged in IOO in 2013 spending close to \$40.6 billion (Paypal 2013). This number is expected to rise to 41.8 million consumers spending \$80.2 billion on foreign e-tailers by 2018. In realizing the opportunities posed by potential online shoppers in the USA, e-tailers in developing countries like China are increasingly targeting these consumers. Almost 60% of US online outshoppers purchased from developing countries' e-tailers such as Gofavor and Aliexpress.com in 2013. Considering these figures and the recent attention received from popular media, the impact of IOO on domestic US e-tailers and the economy could be overwhelming. However, there is a significant lack of studies that explore factors contributing to the IOO intentions of US consumers at these developing countries' e-tailers.

Factors Influencing IOO and Propositions Development

This chapter identifies factors related to US consumers' IOO intentions at developing countries' e-tailers. Below discusses propositions using each factor.

Brand Consciousness: Brand consciousness refers to the tendency of a consumer to choose brand name products that are popular, well-known and highly advertised (Sproles and Kendall 1986). Online retailers in developing countries like China offer products originating from local manufacturers (Gu 2013), whose brand names are mostly unknown to the US consumer. This means that US consumers engaging in IOO are not necessarily looking for branded products since such products are readily available in their domestic marketplace. Therefore, it is postulated that US consumers' intention to purchase from a developing country's e-tailer may be inversely affected by their level of brand consciousness.

P1: US consumers' brand consciousness will negatively influence their intention to engage in IOO at developing countries' e-tailers.

Price Consciousness: Price conscious consumers are typically those who are primarily concerned with the cost associated with acquiring a product (Sproles and Kendall 1986). In outshopping literature, Piron (2002) found price to be a key reason for consumers to travel cross-border in order to shop for food-related products. The products sold by many e-tailers in developing countries are predominantly manufactured in their home country, enabling the price of goods to be relatively low. This makes it possible for these retailers to offer heavy price discounts and free shipping options, making the overall cost of acquisition of a product relatively low. Building on this, this study posits that price conscious US consumers, due to their access to low-priced products at developing countries' e-tailers, will have a higher IOO intention.

P2: US consumers' price consciousness will positively influence their intention to engage in IOO at developing countries' e-tailers.

Desire for unique consumer products (DUCP): "Consumers differ in the extent to which they hold as a personal goal the acquisition and possession of consumer

goods, services, and experiences that few others possess” (Lynn and Harris 1997, p. 602). This attraction towards unique products could trigger the need to reach out to newer venues to acquire these products. A study conducted by Burns and Warren (1995) showed that consumers’ motivation to shop at a regional shopping mall outside of one’s area of residence may be prompted as an expression of the individual’s need for unique products not readily available in the local marketplace. Guo et al. (2006) suggested a similar relationship in the international outshopping motivations of Mexican consumers to the USA. Given the myriad product varieties available at developing countries’ e-tailers, US consumer’s desire for unique products can result in their engagement in IOO at those e-tailers.

P3: The desire for unique consumer products will positively influence US consumer’s intention to engage in IOO at developing countries’ e-tailers.

Trust in foreign website: A multidimensional concept, trust, has been shown in prior ecommerce studies to be an important factor that can decide consumers’ proclivity to shop from a particular website. Studies have shown that the development of consumer trust on online retailers is substantially more difficult than on offline retailers (Bhattacharjee 2002), with perceived reliability of foreign retailers being a strong predictor of propensity to outshop (Wang et al. 2010). Moreover, Cyr et al. (2005) found that US consumers exhibited more trust on local websites than on foreign websites. This implies that consumers’ engagement in IOO will be highly channeled by the level of trust that they perceive at a developing country’s e-tailers. Therefore, the proposition follows that,

P4: US consumers’ trust in a foreign website will positively influence their intention to engage in IOO at developing countries’ e-tailers.

Frequency of domestic online shopping: In predicting consumers’ intentions to purchase products through the internet, Balabanis and Vassileiou (1999) found that consumers who had a higher frequency of engaging in non-internet modes of shopping (in-store, catalog etc.) were more likely to purchase from a website. This finding suggests the influence of consumers’ prior shopping experience in a familiar shopping mode (like domestic websites) on the acceptance of a newer mode of shopping (like foreign websites). Though domestic online shopping has been around for a couple of decades, international online shopping is relatively new. Stemming from this notion, the present study posits that US consumers’ engagement in IOO at developing countries’ e-tailers will be higher in those who have prior experience shopping through domestic websites than those who do not. Therefore the following is proposed.

P5: US consumers’ frequency of domestic online shopping positively influences their intention to engage in IOO at developing countries’ e-tailers.

Ethnocentrism: Consumer ethnocentrism is related to the beliefs held by consumers about the appropriateness, and morality of purchasing foreign-made products (Shimp and Sharma 1987). In previous studies, consumer ethnocentrism has been applied to explain consumers’ approach towards outshopping. Frequent international outshoppers have been found to typically score low on ethnocentrism (Piron 2002), suggesting that US consumers who purchase foreign products do not necessarily support the notion that “purchasing a foreign-made product is

un-American.” Based on this, this study posits that the same notion will apply to international online outshopping settings.

P6: US consumers' ethnocentrism will negatively influence their intention to engage in IOO at developing countries' e-tailers.

Conclusion and Implications

This chapter identified brand consciousness, price consciousness, desire for unique consumer products, trust in a foreign website, the frequency of domestic online shopping, and ethnocentrism as possible predictors of US consumers' IOO intention at developing countries' e-tailers. In providing theoretical implications, these propositions will expand the understanding of predictors that may apply specifically to IOO namely, trust in foreign website and frequency of domestic online shopping. It is important to call for empirical studies in this newly emerging area of marketing research to test these factors, thereby adding substantive understanding to existing outshopping literature.

Future studies testing the proposed propositions will provide domestic e-tailers with ways to preventing domestic consumers from outshopping and encouraging international consumers to shop from US e-tailers. In specific, it will help US retailers pinpoint the characteristics of their customers who purchase from developing countries' e-tailers resulting in loss of potential revenues for the domestic retailers. In addition, US e-tailers can learn from the strategies of these foreign websites in targeting potential consumers in foreign markets thereby achieving economies of scale and scope. Though large American e-tailers like Amazon and eBay operate in foreign markets, there are a number of smaller e-tailers who, due to the lack of capital, are unable to do so. These smaller US e-tailers can gain insights as to selling products directly to foreign consumers the way developing countries' e-tailers successfully do.

Reference available upon request.