Factors That Impact Consumers' Intention to Shop on Foreign Online Stores

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Abstract

Cross-border e-commerce has been rapidly expanding. However, little research has been done to investigate how consumers decide to shop across national borders. This study aims to explore the factors that impact consumers' intention to shop on foreign websites. A conceptual model is developed from the perspectives of consumer perceived trust and value. We also examine the effects of vendors' signaling on perceived trust, as well as the effects of benefits and costs on perceived value. This study conducts an online survey to test the research model. Our findings can help researchers and practitioners understand the barriers to cross-border e-commerce and devise strategies to overcome these barriers.

1. Introduction

The increasing globalization of world trade and the digitalization of society has caused online consumers to look beyond their borders [1]. Cross-border e-commerce, also called international e-commerce, refers to buying online from merchants located in other countries and jurisdictions [2]. In 2014, the global B2C cross-border e-commerce generated transactions totaling US$230 billion, the value will have increased to US$1 trillion by 2020 [3]. According to the ROC Ministry of Economic Affairs, Taiwan's e-commerce transactions are expected to double from NT$588.1 billion (US$30.76 billion) in 2015 to over NT$1 trillion in 2020, with cross-border retail transactions surging to NT$45 billion from NT$18 billion [4]. However, little research has been done to understand the factors that lead consumers to shop on foreign websites. This study aims to bridge this knowledge gap.

Perceptions of value and trust determine customers' online buying intentions [5]. "Perceived value" refers to the tradeoff between all relevant costs and benefits [6-8]. Benefits and costs are antecedents and components of value [9]. This study investigates the benefits and costs that influence consumer's perceptions of the value of cross-border shopping. The formation of trust is also important in determining whether or not consumers will purchase [5]. To increase buyers' trust, vendors can provide two types

of information: indices (unalterable vendor attributes) and signals (characteristics that vendors can invest in or acquire) [10]. This study considers how consumers' perceptions of a foreign vendor's trustworthiness are impacted by two indices (legal structure and national integrity) and three signals (website design quality, policy, and reputation).

In summary, this study attempts to understand how consumers' perceived trust and value affect their intention to shop on foreign websites. The scope of this study is narrowed to individual buyers making purchases for themselves, rather than buying for an organization. We also consider online shopping for physical goods only, which means that the merchandise is physically delivered across national borders. Our findings can guide firms to develop cross-border e-commerce strategies and help them understand the key factors that facilitate such commerce. The primary research questions addressed in this paper are as follows:

1. How do consumers decide to shop on foreign websites? What are the factors that affect the decision to shop on a domestic website versus a foreign one?

2. To what extent do trust factors drive the intention to shop on a foreign website?

3. To what extent do value factors drive the intention to shop on a foreign website?

2. Research model and hypotheses

Our research model is based on two theories: signaling theory and the consumer perceived value-based model (see Figure 1). Signaling theory suggests that in the absence of other information about an organization, consumers will draw inferences about the organization based on the cues from available information [10]. Perceived value is the consumer's overall assessment of the utility of a product or service based on perceptions of what is received and what is given [7]. The proposed model investigates and explains how consumers' perceptions of trust and value relate to their intention to shop on a foreign website. We consider a website's information indices and signals based on signaling theory, and study three types

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of cost and two types of benefits in accordance with the value-based model.

We adopted Koh et. al.'s definition of buyer's perceived trust in a vendor as the buyers' willingness to accept vulnerability based upon positive expectations of the intention or behavior of the vendor [10]. We define the perceived value of shopping on a foreign website as a consumer's overall perception of shopping on a foreign website based on the

considerations of its benefits and sacrifices [7]. In this case, sacrifices refer to the costs. Perceived benefit and perceived cost can affect the consumer's assessment of the value. When consumers face a choice regarding an item, they estimate the value of the item by considering all the relevant benefits and costs. Value is an overall estimation of the item to be chosen, and based on this valuation, the consumer decides among the selection of alternatives.
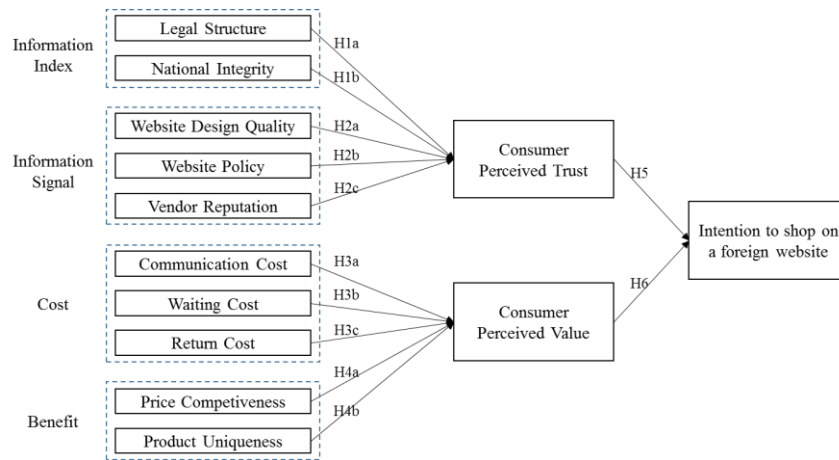

Figure 1. Conceptual model

2.1. Information index

Information indices are observable, fixed, relatively unalterable attributes of an individual, such as race or nationality [11]. Country of origin is an important information index that influences evaluations of products, people, and firms [12-14]. Firms from countries that are viewed as untrustworthy may themselves be perceived as untrustworthy [13]. In the context of global B2B e-commerce, two indices associated with vendors' country of origin may be especially important: legal structure and national integrity [10].

In transactional relationships, trust depends on stable legal, political and social institutions [15]. "Legal structure" broadly refers to the rules and regulations in a country that govern relationships between entities, e.g., individuals, firms and organizations. Such structure can help clarify the responsibilities and obligations between vendors and consumers. The legal structure of a vendor's country gives buyers a first impression regarding the certified norms in the vendor's country and builds their expectations regarding the vendor's likely behaviors [10]. The legal structure in the vendor's country is positively related to the buyer's trust in that vendor, e.g., the buyer may expect a vendor from a country

with strong legal structure to be more trustworthy. The effect of legal structure has been confirmed in the B2B context, and the same principle can be applied in the B2C and C2C contexts. Thus, we propose the following hypothesis.

H1a: The perceived level of legal structure in the vendor's country is positively related to the consumer's perceived trust in the vendor.

National integrity is the extent to which typical persons in a particular country are presumed to adhere to some set of moral or ethical principles in their actions, e.g., fairness and honesty toward others. It is also an awareness of a common identity amongst the citizens of a country. The higher the national integrity of a country, the less likely it becomes that a particular vendor in that country will perform deviant actions that could damage its reputation [10]. National integrity is associated with social norms, which can create a strong form of social capital that restrains deviant actions [16, 17]. Based on these findings, we consider that, in the B2C or C2C cross-border e-commerce context, buyers are also likely to trust a vendor whose country has a higher level of national integrity. Vendors in countries with high national integrity are more likely to have higher moral principles and greater self-discipline, and are less likely to behave in an untrustworthy manner. Therefore, we hypothesize as follows.

H1b: The perceived level of national integrity of the vendor's country is positively related to the consumer's perceived trust in the vendor.

2.2. Information signal

Signals are messages that a vendor can deliver to consumers to better communicate the vendor's ability, benevolence or integrity. As mentioned before, information signals encompass the micro factors that the vendors can control to affect consumers' perceived trust. In accordance with previous studies [18-20], we specifically investigate website design quality, website policy, and perceived vendor reputation as the key information regarding a foreign website.

Wakefield, Stocks and Wilder [18] noted that website design quality is determined by an appealing appearance, a clear layout, effective navigation, and up-to-date information. In the context of Internet shopping, the online vendor is faceless and consumers cannot know what the vendor looks like, so the website interface becomes the "online storefront" which forms the viewer's first impression of the vendor. If a consumer perceives the vendor's website as one of high quality, the consumer will be more likely to develop a positive belief in the vendor's trustworthiness. Fung and Lee [21] noted that site information quality and a good interface design strengthen the formation of consumer trust. Therefore, the following hypothesis is proposed.

H2a: Website design quality is positively related to the consumer's perceived trust in the vendor.

"Website policy" refers to a list of statements telling consumers and visitors how the organization protects their privacy and ensures safe and secure shopping, including notification of order confirmation, a clear exchange policy, Internet transaction security, appropriate handling of private information, and detailed information on the warranty [19, 22]. According to a PayPal [23], 88% of cross-border online shoppers believe that buyer protection is important or very important when making an overseas online purchase. According to previous studies [24], security strongly influences consumer enthusiasm and website utilization. A guaranteed return policy ensures a less risky environment that will increase trust [25]. Bahmanziari, Odom and Ugrin [26] also found that participants' initial trust is significantly affected by e-assurances, which include return policies, guarantees, etc. A United Parcel Service (UPS) white paper regarding online shoppers [27] reported that protection of personal information is the top non-product factor that influences the likelihood that a consumer will shop with an online retailer. Thus, consumers tend to regard system security as one of the most important factors

relevant to Internet shopping [28-30]. Hence, the following hypothesis is proposed.

H2b: Website policy is positively related to the consumer's perceived trust in the vendor.

According to the Oxford Dictionary, "reputation" refers to a widespread belief that someone or something has a particular characteristic. Reputation may reflect professional competence [31] and trustworthiness, e.g., benevolence [32], honesty and predictability [20]. Reputation can also be an important trust-building factor for online vendors [21], especially in the initial trust phase. Reputation can be a key factor in attracting online customers because such consumers do not have face-to-face experience with the online vendor. McKnight, Choudhury and Kacmar [33] reported that hearing from someone else that interacting with a vendor was a positive experience can help alleviate consumers' perceptions of the risk and insecurity involved in interacting with that vendor. Consumers may depend on other consumers' feedback and evaluations regarding the vendor to form their perception of the vendor's reputation, which further influences their trust in the vendor. A number of studies have found that perceived reputation positively affects trust in a Web store, and lists reputation among the factors affecting trust in general [34, 35]. Thus, we propose the following hypothesis.

H2c: Perceived vendor reputation is positively related to the consumer's perceived trust in the vendor.

2.3. Costs

The business magazine Finweek [36] reported that shopping costs, delivery time, and return shipping costs are barriers to online shopping worldwide. Based on this report, we consider the costs of shopping on a foreign website to be comprised of the following: communication costs, waiting costs, and return costs. When these costs are high, the consumer's perception of the value of shopping on the website may decrease.

Low communication costs and less time spent in coordination add up to a lower transaction cost [37]. In cross-border online shopping, consumers may have to read and understand other countries' languages in order to buy from foreign websites. Consumers may also need to interact or negotiate with foreign vendors via email, message boards, or apps. Thus, using an unfamiliar language for communication is also a kind of cost that may decrease the value as perceived by the consumer. Language familiarity plays a critical role in persuasion behavior in e-negotiations. In the context of cross-border trade, non-native language speakers are less active than native language speakers [38]. Consequently, when people consider shopping on foreign websites, they may assess the communication

cost of the transaction. When they think that understanding the content on the foreign website might require more time and effort, they may become less willing to engage. Thus, we propose the following hypothesis.

H3a: Communication cost is negatively related to the consumer's perceived value of shopping on a foreign website.

When seeking good deals around the world, consumers' biggest concerns regarding cross-border purchases involve logistics, e.g., receiving the ordered item in a timely and cost-effective manner. Forrester Research [39] pointed out that high shipping costs and long delivery times are the top two concerns when considering cross-border purchases. The waiting cost is the total amount of time required for the purchased item to arrive at the target destination. Cross-border delivery times are usually longer than domestic delivery times because of the geographical distances between countries and the complex procedures involved in overseas purchases. When shopping online, consumers consider how long it will take for them to actually receive the goods. Consumers who wish to reduce waiting costs are not likely to shop on a foreign website since the probability of a longer delivery time decreases the overall value. Therefore, we hypothesize that, in a cross-border e-commerce context, waiting cost is negatively associated with consumer perceived value.

H3b: Waiting cost is negatively related to the consumer's perceived value of shopping on a foreign website.

"Cost of return" is defined as the perceived difficulty and monetary cost of returning goods. International Post Corp. [40] addressed the main barriers for cross-border online shopping and noted that one of the perceived costs to the consumer is a long and complicated return process. PostNord [41] survey report of the European e-commerce market found evidence that, in all markets, a very high proportion of consumers regard simple return processing as an important factor in the decision to shop online. According to a 2015 UPS survey of online shoppers, cost and convenience are the top factors influencing purchase decisions. Shoppers favor having the option to either return the product for free or ship it back with a convenient prepaid label supplied by the retailer. When it comes to having to pay for return shipping, only about four in ten are likely to complete the transaction [27]. Returning goods across borders usually costs more and is less convenient than returning goods to a domestic vendor. Consumers consider whether they must pay the refund and return costs (such as cross-border shipping costs and/or other custom costs) if anything goes wrong with the product. Thus, we propose the following hypothesis.

H6c: The return cost is negatively related to the consumer's perceived value of shopping on a foreign website.

2.4. Benefits

Studies investigating the drivers of cross-border online shopping have found the two main drivers to be price and product exclusiveness [39, 40]. Thus, we selected price competitiveness and product uniqueness as the variables that represent consumer perceived benefits of cross-border online shopping. "Price competitiveness" refers to a lower, comparable or better price resulting from lower taxes or exchange rates. One reason why consumers shop on a foreign website is that the total cost of the purchase (including duties, taxes and shipping fees) from the foreign site is less than the cost of the same purchase in their home country. Regardless of whether the shopping is done online or offline, price is unquestionably one of the most important cues involved in a consumer's decision-making process [42]. According to previous studies [43, 44], perceived price influences the consumer's choice of shopping channel. Therefore, we posit that a foreign website's offering of competitive prices will positively influence the consumer's perceived value of shopping on that site.

H4a: Price competitiveness is positively related to the consumer's perceived value of shopping on a foreign website.

Another benefit is product uniqueness. Many people shop on foreign websites because they cannot buy a particular product in their own country [45]. Some products which have limited availability or cannot be found in the consumers' home country might be popular or common in other countries. Unique products can reshape consumer preferences and differentiate themselves from other products [46]. Furthermore, Kleinschmidt and Cooper [47] found that a relative advantage such as product uniqueness is often one of the most important drivers of product and firm adoption. Thus, we hypothesize that product uniqueness determines the level to which cross-border shopping is beneficial.

H4b: Product uniqueness is positively related to the consumer's perceived value of shopping on a foreign website.

2.5. Consumers' perceived trust and value

"Intention" has been defined as "a plan or will to behave in certain ways" [48]. Several studies [49, 50]

have noted that online trust significantly affects purchase intention. Trust has also been shown to have a positive impact on the intention to use an online shopping mall [51]. According to the Theory of Reasoned Action [52] and the Theory of Planned Behavior [53], beliefs affect a person's attitudes, which, in turn, influence behavioral intentions. Online trust affects the consumer's attitude toward both online shopping and the intention to shop online [54]. Therefore, we make the following hypothesis.

H5: Consumers' perceived trust in the vendor is positively related to their intention to shop on a foreign website.

Value is an important factor relating to usage intention. Pi, Liao, Liu and Hsieh [55] found that consumers' perception of value can influence their intention to use a website or blog service. A number of studies have demonstrated that the perception of value has a significant effect on Internet user behavior [56, 57]. Consumers demonstrate greater levels of purchase intention when a higher level of trust is built based on exchanges which provide value [54]. When trust and value increase, purchase intention also increases. Thus, we believe that consumers who perceive a higher value in cross-border shopping will be more willing to shop on a foreign website. Thus, we propose the following hypothesis.

H6: Consumers' perceived value of shopping on a foreign website is positively related to their intention to shop on such a website.

3. Research methodology

3.1. Pilot test

We developed a questionnaire in which each item is measured via a 7-point Likert scale (1 = strongly disagree, 4 = neutral, and 7 = strongly agree). The items measuring legal structure and national integrity were adapted from Koh, Fichman, and Kraut (2012) [10]. Website design quality was measured via items adapted from McKnight, Choudhury, and Kacmar (2002) [33]. Website policy was measured via items adapted from Kim and Kim (2006) [22]. Vendor reputation was measured via items adapted from Kim, Ferrin, and Rau (2008) [49]. Communication cost was measured via items adapted from Lai, Lin, and Kersten (2010) [38]. Price competitiveness was measured via a scale adapted from Host and Knie-Andersen (2004) [58]. Product uniqueness was measured via a scale adapted from van Everdingen, Sloot, van Niero, and Verhoef (2011) [59]. We measured consumer perceived trust and value via scales adapted from Ashraf, Thongpapanl, and Aiuh (2014) [60] and Kim,

Chan, and Gupta (2007) [61]. Intention to purchase was measured by the items adapted from Kim, Ferrin, and Rau (2008) [49]. The scales for measuring waiting cost and return cost were developed by this study.

The questionnaire items were first pretested with two experts to ensure face and content validity. Next, a pilot test was conducted to collect responses and the respondents' feedback in order to identify unclear items and other issues to ensure the suitability of the questionnaire's instructions and descriptions. In the pilot test, an online survey was used to collect data from a convenience sampling. A total of 74 respondents participated in the pilot test. Two items for measuring product uniqueness had factor loadings of less than 0.5, so we modified the item wording based on the participants' feedback.

3.2. Main survey

To test the hypotheses, an Internet survey was conducted using judgmental sampling. The subjects were recruited online. The qualifications for participating in the survey were as follows:

1. The subject must have experience shopping on a foreign website or considering and comparing buying from a foreign website with a domestic website within the past 12 months.

2. The goods to be purchased required physical delivery across national borders.

3. The respondent can name one foreign website on which he or she has currently shopped or considered shopping.

The announcement was posted on PTT (ptt.cc), the largest Bulletin Board System (BBS) in Taiwan. In order to recruit foreign participants, we also posted the announcement on Facebook, Twitter, Weibo, and Baidu. The survey lasted for nearly one month. Each participant was offered a chance to win a gift card as a reward for completing the survey.

4. Data analysis and results

The sample was comprised of 475 participants. After checking the answers to the reverse-coded items and questions about qualifications, we eliminated unqualified participants, resulting in an effective sample size of 449. The demographic data are displayed in Table 1.

Table 1. Sample demographics

Attribute	Categories	Frequency
Gender	Male	114
	Female	335

Age	16-20	39	
	21-25	195	
	26-30	104	
	31-35	69	
	36-40	27	
	41-45	8	
	46-50	5	
	Over 50	2	
Occupation	Business and financial	45	
	Service industry	41	
	Information Technology	63	
	Teaching	14	
	Student	149	
	Government functionary	21	
	Freelancer/household	36	
	Unemployed	17	
	Other industry	63	
Country	Taiwan	343	
	China	91	
	USA	5	
	UK	2	
	Australia	1	
	Brazil	1	
	Czech	1	
	Estonia	1	
	Greece	1	
	Japan	1	
	Malaysia	1	
	Netherlands	1	

4.1. Measurement model

One item of product uniqueness and two items of waiting cost were deleted since their factor loadings were lower than 0.7. Values for composite reliability (CR), Cronbach's alpha, and average variance extracted (AVE) were greater than 0.7, 0.7, and 0.5, respectively, indicating that all scales have acceptable reliability. Item-total correlation (ITC), factor loading, and AVE were greater than 0.3, 0.7, and 0.5, respectively, indicating that all scales have good convergent validity. The square root of AVE of each construct is greater than the inter-construct correlation coefficients, which means that discriminant validity is satisfactory.

4.2. Testing of the research model

We tested the proposed model using SmartPLS 2.0 with a bootstrapping procedure. Partial least squares (PLS) path modeling is more appropriate than covariance-based modeling for an exploratory study such as ours. Since PLS does not assume that the data is normally distributed, bootstrapping (a nonparametric procedure) can be applied to test the significance of estimated path coefficients. All the constructs were modeled as reflective. As shown in Figure 2 and Table 2, the path coefficients and t-values indicate that the paths are significant, with the following exceptions: the path from website design quality to consumer perceived trust, the path from communication cost to consumer perceived value, and the path from return cost to consumer perceived value.
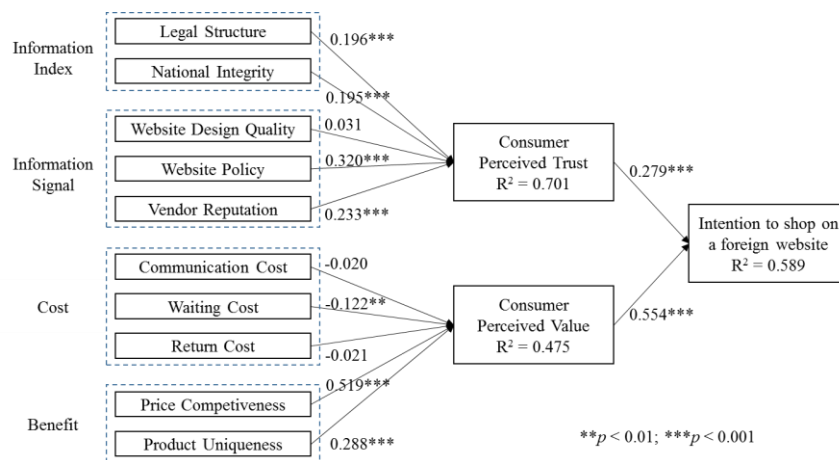

Figure 2. PLS analysis of research model

Table 2. Summary of hypothesis test results

Hypothesis	Path coefficient	T value	Supported
H1a	0.196	3.458	Y
H1b	0.195	3.706	Y
H2a	0.031	0.750	N
H2b	0.320	6.467	Y
H2c	0.233	4.902	Y
H3a	-0.020	0.520	N
H3b	-0.122	3.133	Y
H3c	-0.021	0.519	N
H4a	0.519	11.985	Y
H4b	0.288	6.330	Y
H5	0.279	5.602	Y
H6	0.554	12.355	Y

5. Discussion

The results show that intention to shop on a foreign website is influenced by consumer perceived trust and perceived value. Furthermore, consumer perceived trust is affected by information indices and signals provided by the vendor. In addition, costs and benefits are two main factors that impact consumers' perceived value. A higher ratio of benefits to costs will lead to a greater intention to shop on a foreign online store.

A possible explanation for the insignificant effect of website design quality on consumer perceived trust is that consumers might be more concerned about the foreign website's reputation and policies. The major reason why the cost of communication between the foreign vendor and the consumer has no influence on perceived value is that consumers are more likely to consider foreign websites that use languages that are familiar to them. Most of the participants in our survey were from Taiwan, and the foreign websites they used were located in China (34%), the United Kingdom (24%) and the United States (17%). Mandarin is the official language of both Taiwan and China. English is the most familiar foreign language in Taiwan. Consumers do not add websites that use an unfamiliar language to their consideration sets. Language is definitely a barrier to communication with a foreign vendor. One possible reason for the weak impact of return cost on consumer perceived value is that if the price is competitive enough, the return cost can be balanced by the low price.

6. Conclusion

To the best of our knowledge, this is the first study to systematically examine the factors driving consumers to shop on a foreign website. Our findings can help e-commerce companies attract foreign consumers to shop on their websites.

6.1. Theoretical implications

This study developed a conceptual model for explaining consumers' intention to shop on a foreign website. We integrated signaling theory and the consumer perceived value-based model. Consumer perceived trust and value determine consumers' intention to shop across national borders. Consumers' perceived trust is influenced by the perception of social and formal norms in the vendor's country and by the perceived reputation of the vendor. Benefit and cost considerations determine perceived value.

Previous studies of trust in global e-commerce involved only the business-to-business model [10]. Our findings confirm that trust is a key factor driving consumers to shop across national borders. We also verified that product uniqueness and competitive price drive consumers to shop on a foreign website, and that the time spent waiting to receive the goods is the major cost. Thus, this study advances our understanding of perceived trust and value in the context of cross-border e-commerce.

6.2. Practical implications

This study helps cross-border distributors or vendors to better understand the mindset of cross-border shoppers and the factors that drive consumers to shop across national borders.

Lower price is consumers' major motive for buying online products [62]. A higher level of product uniqueness is associated with a higher level of product adoption [59]. E-commerce vendors who wish to increase international sales should offer special discounts or products with unique advantages for foreign consumers. Some products are cheaper in their country of origin than in other countries. Some products are hard to find in some countries. We recommend that vendors help foreign shoppers buy products that are expensive or hard to find in the shopper's home country.

Waiting cost is a major inhibitor blocking consumers from shopping on foreign websites. Vendors should enhance their global logistics to shorten shipping times. In addition, consumers do not bother to consider a website that uses an unfamiliar language. We suggest that vendors provide multi-language websites and consumer services, or cooperate with service providers who can act as a proxy to communicate with foreign vendors and deal with

international payments, deliveries, duties and laws on the consumer's behalf.

Consumers pay more attention to a foreign website's reputation and policy than they do to website's design quality. Therefore, vendors should try to accumulate positive consumer reviews in order to gain trust, and provide a clear and fair policy to protect consumer privacy and ensure safe and secure shopping online.

The legal structure and national integrity of a vendor's country influence consumer perceived trust in the vendor. The vendor cannot alter the legal structure and national integrity of their country. Thus, providing guarantees is one possible solution for vendors in countries whose level of legal structure or national integrity is low. Another solution is to sell through agents in countries whose legal structure and national integrity are at higher levels.

The limitation of our study is that 95% of the participants came primarily from Taiwan and China. There is a lack of variety in the resident countries represented in our sample. Thus, our findings may not be generalizable to other countries.

7. References

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