

FACTORS INFLUENCING CROSS-BORDER SHOPPING

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ABSTRACT

This concept paper discusses the factors influencing cross-border shopping. This type of shopping activity is already well known nowadays as evidenced by the appearance of many cross-border shopping destinations around the world. Visitors tend to choose cross-border shopping destination as their shopping spot because they can find variety of products and services which include household items, fruits and vegetables, clothes and also handicraft products. The factors influencing cross-border shopping are grouped under consumer characteristics and market characteristics. Consumer characteristics consist of age, gender, marital status, education level, occupation, and average income per month whereby market characteristics consist of lower price, variety of goods, lower tax, accessibility, communication, social status and opening hour. Lower price and variety of goods are the dominant factors for cross-border shopping.

Keywords: cross-border shopping; consumer characteristics; market characteristics.

1. INTRODUCTION

Beck (1998), Jansen-Verbeke (1991), Timothy and Butler (1995), and Timothy (2005) noted that shopping activities is the primary reason for million travellers taking trips each year. It is also supported by McCormick (2001) which states that 51% of travellers' survey said that the primary or secondary purpose of one or more trips during the previous years is shopping activities. Similar results were found, which estimated that 47% of all shopping person-trips that were taken by travellers claimed shopping as their primary or secondary reason for travelling (Travel Industry Association of America, 2001).

Shopping in border areas has become a common activity in many parts of the world. Border shopping generally attracts local population and domestic tourists. These shoppers are found to be willing to travel outside their home environment for the purpose of shopping. They are sometime known as the "outshoppers". Economic and leisure have been the two motivating factors that attract the outshoppers to travel to the border town and shop (Timothy, 1995). Shopping attractions at borderlands are located adjacent to, or directly on political boundaries. Besides shopping, other tourism activities at borderlands usually include gambling, prostitution, alcohol tourism, enclaves and international parks. The term 'cross-border shopping' refers to the activity where local shoppers cross the national boundary and shopped at the neighbouring sites.

1.1 The Growth of Cross-Border Shopping

According to Leimgruber (1988), there are four conditions of economic and socio political that allow and facilitate the growth of cross-border shopping. First, enough contrast between travellers' place and the potential cross-border destination can create the variations such as price of the product, selection of goods and product quality. Second, enough information about the goods that are sold in border country can help shoppers to be more aware of what lies on that side. The potential buyers can get the information either through personal visit or media. Third, issues such as exchange rate and personal mobility. Shoppers have to be able and willing to make the vacation. Lastly, the border must allow the flow of people between countries. People tend to choose border countries that have fewer immigration and custom restrictions as compared to borders with extensive formalities and barriers for their out-shopping activities. The existence of these four conditions will lead to the cross-border shopping activities. Besides that, border shopping phenomenon can also be influenced by several other motivations such as variety selections of product and services, good customer service and favourable exchange rate between currencies.

Cross-border shopping is present around the world. Most academic attention focuses upon its development in North America and Europe (Leimgruber, 1988; Timothy & Butler, 1995; Gelbman & Timothy, 2010). Besides that, shopping destinations from cross-border of Southeast Asia are also becoming more popular these days. Malaysia is located in the heart of Southeast Asia and borders with many others countries. For example, the North of peninsular Malaysia border has Thailand, the South border has Singapore and the East of Malaysia border have Brunei Darussalam and Indonesia.

1.2 Cross-Border Shopper

A cross-border shopper refers to visitors who travel beyond the countries of their own nation to shop in a neighbouring country. According to Timothy and Butler (1995) in cross-border shopping, the trip may be short for the people who live near the border of the country. While for visitors who live far from the border, the duration of the shopping trip can be longer and sometimes tends to be more leisure.

The research from Timothy and Butler (1995) also indicated that even if the shopping destination is only a few kilometres away from the shoppers, they are still more likely to choose to stay at least a night in the destination country. Duty-free allowance is one of the reasons why these conditions occur. When shoppers stay overnight at their shopping destination they can claim a higher duty-allowance. According to Cahill (1987); Meldman (1995); Szabo (1996), and Yenckel (1995), in recent years, this specific form of international travel has become popular and it help to guide consumers to the best locations for border land shopping.

The border shoppers are mostly a day visitors or international excursionists. These types of visitors mostly make trips to cross the border during the weekend. This activity is considered a form of tourism and official agencies counted them as international arrivals because they travel abroad, spend their money, use the tourism infrastructure and also motivated by curiosity and pleasure (Jansen-Verbeke, 1990; Jansen-Verbeke, 1991; Matley, 1976; Ryan, 1991; Timothy, 1995, Timothy, 2001; Timothy, 2002).

2. CONSUMER CHARACTERISTICS INFLUENCING CROSS-BORDER SHOPPING

Consumer characteristics are often used to predict how likely a group of people to purchase a product. Lau, Sin, and Chan (2005) noted that consumers' shopping motivation can be stimulated by the demographic factor and it can also affect shoppers' decision. This study indicates that demographic elements can influence visitors or shoppers to choose border land for their shopping destination. Demographic factor in this study is referring to consumer characteristics. There are several studies that point out demographic as the factor that can influence cross-border shopping (Kuncharin, & Mohamed, 2013; Subramaniam, Devadason, & Sundararaja, 2008; Lau, Sin, & Chan, 2005). The similarity of the factors comprises of age, gender, marital status, education level, occupation, and average income per month. Majority of the shoppers ranged between 20 to 40 years old. This indicates that most of the middle age shoppers prefer to shop at border land than the older people. This is due to the condition of shopping area is not very comfortable compared to a shopping complex. The second factor of demographic is gender. According to previous study of cross-border shopping of Malaysian in Hatyai (Kuncharin, & Mohamed, 2013), Chinese residents (Lau, Sin, & Chan, 2005) and also Bruneian in Limbang (Subramaniam, Devadason, & Sundararaja, 2008), majority of the cross border shoppers are females. In addition, Piron (2002) quoted that most Singaporeans went abroad for shopping purpose and spent on grocery, clothes, handbag, shoes and cosmetic. This shows that cross-border shopping can easily attract female shoppers because it offers variety of specialty products that are related to them. Next, marital status is the third demographic factor which influences cross border shopping since most of the shoppers are married. Kuncharin and Mohamed (2013) mentioned that the majority of the Malaysian shoppers in Hatyai are married people and this goes to show that married shoppers prefer to choose border land as their shopping destinations. Visitors who already have their own family are usually selective in choosing their shopping destination because of the economic condition. Besides that, married shoppers also like to go abroad to spend more time with their family because it is outside from their own residence. In addition, majority of shoppers who choose border land as shopping destination have secondary level of education and having occupation status as employed. Therefore, it can be deduced that shoppers who shop in cross-border are mostly from low and middle income groups (Mohd Amin, 2014).

3. MARKET CHARACTERISTICS INFLUENCING CROSS-BORDER SHOPPING

Market characteristic is defined as an attribution that a destination provides to attract visitors. According to Subramaniam, Devadason and Sundararaja (2008), market characteristics that consists of the products' and services' attributes, shopping area and also physical factors influenced Bruneian's come to Limbang, Sarawak for shopping purposes. In this study, many factors that influence shoppers to shop at border land are categorized under market characteristics. Cheaper price and variety of goods are the dominant factors that influence cross-border shopping. Besides that, lower tax, accessibility, communication, social status and opening hours are also categorized under market characteristics.

3.1 Cheaper Price and Variety of Goods Are Dominant Factors of Cross-Border Shopping

According to Timothy and Butler (1995), Subramaniam, Devadason and Sundararaja (2008), Mat Som, Mohamed and Wong (2005), and Tomori (2010), cheaper price and variety of goods are factors that led shoppers choose to shop at border land. This signifies that both factors are

the major factors that influence cross-border shopping. Keowin (1989) made a hypothesis that the lower the price that a destination offers, the more popular the destination will be for shopping. Price is a very important element in shopping activities, because shoppers always want to choose shopping places that offer the cheapest price for goods and services. All goods and services offered in neighbouring countries, especially in Malaysia-Thailand border town have cheaper prices and sometimes visitors can also bargain the price up to 50% (Amir Salim, 2002; Azmi, Abdul-Hamid, Abdul Wahab, Ramli, & Mohd Karim, 2014). All these, might draw the visitors to shop at the border towns. In fact, these factors provide win-win situation to the tourists and also retailers because tourists will buy the retailer's product with a much more reasonable price and at the same time retailers can sell more of their products and this can also increase their economy. For example, Ju (2010) noted that there are three shopping destinations which are very popular in Shenzhen and they are Dongmen Market, Book City, and Huaqiang Road. Dongmen Market is famous for its variety supply of all kinds of goods such as food, housing facilities, clothing and others. The book city is the biggest book store in Shenzhen while Huaqiang Road is famous for its electronic products. Among these three shopping destinations, Dongmen Market and Book City are considered the top destinations amongst visitors. It is because, both of these shopping places offered lower prices. In addition to this, a study by Kuncharin and Mohamad (2013) highlighted that the lower currency of Thailand enticed Malaysian residents to cross the border to do their shopping activities because they can shop at a lower price for goods and services (Kuncharin, & Mohamed, 2013).

The findings from previous research also indicated that price is the main factors in the selection of shopping destinations by the customers. Many researchers have already shown that products that are offered at lower prices will be more likely to attract shoppers. Most of border town sellers are able to sell their products at cheaper prices because the products are usually produced by their own country. Moreover, the price of products in border land is highly competitive as most of the shopkeepers usually sell the same products to customers. Therefore, they must offer the best price to attract shoppers to purchase their products. (Timothy & Butler, 1995; Subramaniam, Devadason, & Sundararaja, 2008; Mat Som, Mohamed, & Wong, 2005; Tomori, 2010; Ju, 2010; Kuncharin, & Mohamad, 2013; Azmi et al., 2014).

The second major factor that influences visitors to shop at border town is the variety of goods. Shopping destinations that provide variety of goods and services to shoppers lure many visitors to flock there. Hence, shoppers can buy whatever they like and this gives them the opportunity to make a good selection of the products being offered. For example, Wang Kelian Sunday Market sold variety of goods to visitors and this includes agricultural products such as fruits and vegetables, household items, clothes and also handicrafts (Mat Som, Mohamed, & Wong, 2005). The variety of products managed to attract visitors to shop at Wang Kelian Sunday Market. In addition, the differences in products variety are a special case of cross-borders shopping. It occurs when there is no significant town in the neighbouring country which could compete with the range of product at the border (Tomori, 2010).

Furthermore, the link between cheaper price and variety of goods were discussed by Timothy (2005) where it indicates that among the factors influencing cross-border shopping as a motivation for travel are merchandise, destination and price. In Mexico, products that offer to retail consumers make the shopping destination become famous. Besides that, Tanzer (1996) noted that items sold in Hong Kong such as watches, electronic equipment, Chinese antiquities and cameras were popular among shoppers because the prices were cheaper as compared to the

price in other countries such as in Europe and North America. In line with the above discussion, cheaper prices and variety of goods are the main factors that encouraged shoppers to shop at border land. Both of the factors are available in cross-border and these make border land famous among shoppers.

3.2 Others Market Characteristics Influencing Cross-Border Shopping

Timothy and Butler (1995) noted that many Canadian choose to shop at the United States because there is limited enforcement of tax collection by Canada customs. Mostly, in terms of taxes shoppers will cross the border for shopping activities to buy goods that have lower taxes in their neighbouring country. For instance, lower taxes when shopping at Wang Kelian Sunday Market also made it one of the famous shopping destinations (Mat Som, Mohamed, & Wong, 2005). According to Kuncharin and Mohamed (2013) shoppers who are taxed more heavily will choose to shop at neighbouring countries that offer lower taxes.

Another factor is accessibility. This factor is divided into two parts, which are transportation and also travel document. Transportation facilities make cross-border shopping accessible for visitors. Sometimes, visitors prefer to use public transportations than private transportations for their trip. Bar-Kolelis and Wiskulski (2012) noted that when visitors from Europe travel by bus, they transit through Poland and they will stop for some last minute shopping in Tri-City before they return home. Furthermore, Lau, Sin, and Chan (2005) also mentioned that visitors living in the Northern part of Hong Kong visit Shenzhen by bus as the public transport of Hong Kong is very efficient. It shows that visitors in Hong Kong do not find transportation as a troublesome issue because they have easy access to the public transports. Besides that, neighbouring countries that allow visitors to cross the border for shopping activities without any document will also attract shoppers. The need to present the required documents in order to cross a border can sometimes dampen the visitors' intention to travel to a particular destination.

Apart from that, communication is also important. According to Bar-Kolelis and Wiskulski (2012), it will be easier to communicate when there are similarities between the languages used. Therefore, communication is also one of the factors that might initiate the visitors to cross the border for shopping purposes. Shopping activities, involve two-way communication between the shopper and also the shopkeeper. When the languages that are spoken by both parties are quite similar, the interactions as well as the business transactions between the shoppers and the shopkeepers will be smooth and easy.

Next, social status and opening hours are some of the minor factors that influence shoppers to choose cross-border shopping activities. Social status in cross-border shopping refers to visitors who can afford to purchase goods and services from the border land. Generally, cross-border shopping activities are famous among low and middle income earners. Finally, opening hours is a minor factor that influences cross-border shopping. Opening hours of most cross-border shopping is flexible. Even though the shopping places operate everyday but they are more happening during weekend. For instance, Bar-Kolelis and Wiskulski (2012) noted that Polish Market offer flexible opening hours to their visitors in big commercial centre.

4. CONCLUSION

To recapitulate, the factors influencing cross-border shopping are grouped into two major factors which are consumer characteristics and market characteristics. Besides the discussion on the factors influencing cross border shopping, these activities also give impact in terms of social, cultural and also the economics of the country involved. When visitors shop, they will spend more money in that place and at the same time the country can generate more income from customers' spending either from direct, indirect or induced benefits. Besides that, visitors will also bring their culture from their own country and it will give impact on both sides of the communities either in negative or positive ways. If the impact is positive it can be a new knowledge or experience for the local people, but if the impact is on the negative side, it might create problems such as social or safety issues among the local community. Lastly, social relations between countries will also be strengthened due to cross-border shopping activities since each country has the responsibility to build good relationship with its neighbouring countries to ensure that border activities can be held without any obstacles.

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