

DEVELOPMENT FACTORS FOR CROSS-BORDER B2C E-COMMERCE IN THE WORLD AND IN POLAND

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ABSTRACT

The study attempted to identify the factors determining the development of CBEC B2C e-commerce in the world and in Poland. The level of CBEC development in selected countries has been shown. CBEC is a dynamically developing trading sector in the world. Countries differ in terms of CBEC development, which is due to the varying levels of selection of the products in their internal markets and the economic development of a particular country. CBEC's worldwide development is also largely due to the international B2C electronic marketplaces. The barriers to the development of CBEC in the world include inadequate regulations to CBEC specificity, problems and costs of logistics and difficulties in conducting online marketing on foreign markets.

Key words: cross-border e-commerce, CBEC, Internet, B2C

INTRODUCTION

The Internet is a geographically unlimited medium, and the people of the globe have better access to the Web. This implies that more and more consumers around the world in search of products are increasingly visiting foreign websites. On the foreign market consumers buy products that they can't find in the home market, cheaper or with higher quality than domestic products. With the development of e-commerce and the prosperity of societies, shopping at foreign websites has become easier and more available for consumers around the world. Cross Border Electronic Commerce (CBEC) deals with online transactions between market participants from different countries. These are transactions in which individual Internet users make online purchases on foreign websites. This type of eCommerce is associated with the physical transport of products from the company's warehouse, directly to consumers from other countries in the form of individual shipments.

In Poland, cross-border e-commerce is not yet very well developed in terms of sales by Polish online stores to foreign consumers and in terms of purchases of Polish consumers in foreign online shops. However, both in Poland and in the world, CBEC is becoming increasingly popular.

The aim of the article is to identify the factors determining the development of CBEC in the world and in Poland. The author focused on B2C transactions, where the buyers of products sold by online shops are individual consumers. The study was based on a review of the literature and secondary CBEC data available mainly from Eurostat and the Google Barometer.

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EXPANSION OF ONLINE STORES INTO FOREIGN MARKETS AND ITS MARKETING SUPPORT

CBEC is developing because of the specific features of the Internet, which is a global interactive medium. Thanks to the network, consumers have access to products offered by sellers around the world. At the same time, online retailers gain an open, geographically unlimited market. In the world, changes in socio-cultural conditions can be observed as a result of globalization and internationalization. Consumers are increasingly looking for satisfying products because of their quality, price and place of origin in the world [Zalega 2017]. Consumers shopping in foreign online stores have access not only to increasingly diverse products that meet sophisticated needs, but often also to cheaper products compared to products offered in the domestic stores. A wider range of online products is a source of consumer prosperity because consumers have better access to the products they actually want [Laudon and Traver 2016].

Electronic commerce increases the geographical reach of the market for both sellers and buyers. This results in increased online competition and lower prices for electronic commerce products [Kommerskollegium 2012]. On the other hand, for internet sales companies, there are many new niche markets with the size to provide prospective new markets. These niches are also open to small firms [APEC 2015].

The launch of CBEC is accompanied by the establishment of a shop on its own website. Another solution is to use for sale so-called electronic markets. These are websites that bring together many sellers and buyers. Electronic markets have an appropriate IT infrastructure and operate according to specific rules. They offer sellers an easy way to present their products and also provide many sales support services. Electronic markets can be a way to expand business to foreign markets. For example, sellers from different countries may, for example, sell through the Chinese B2C Taobao market, which is used by some 350 million Chinese buyers [LTP Team 2015].

Electronic markets attract consumers because they provide a wide selection of products, efficient price comparisons and the ability to make quick, safe and satisfactory purchases. Especially important in the early stages of CBEC development in the world was the electronic B2C marketplace Ebay. Thanks to this electronic market, in the late 1990s, foreign purchases of European Internet users began on a large scale. The world is seeing a significant increase in overseas purchases through the Chinese B2C electronic market, Ali Express. It is a foreign B2C electronic market through which consumers have the opportunity to purchase products from foreign sellers. Its popularity is also high in Poland and in 2017 it was third with 4.14 million subscribers, behind such electronic online marketplaces as Allegro (15.3 million subscribers) and Ceneo (8.8 million) [Mazurkiewicz 2017].

A large part of CBEC takes place through separate, not operating within the electronic market, sales websites, i.e. online stores. Online stores that dominate CBEC's global sales come mainly from China, United Kingdom, Germany and USA [Cheliński and Szymkowiak 2017]. Large online stores are often created in a language version appropriate to a specific target market. This is an expensive solution because it requires translating the entire e-store with the individual product descriptions into the language of potential buyers. Managers of Polish companies planning to expand into foreign markets through e-commerce claim that the translation of the sales website is a big financial and organizational challenge [Belcik 2014].

Online sales abroad entail high costs of online and offline promotions in a given country, with the need to design an appropriate positioning strategy, content marketing and display ads tailored to consumers in a particular country. Entry to new markets is also linked to relatively expensive informative advertising. Messages communicated on modern markets should be connected to the cultural space of target consumers and effectiveness of communication relies on correct identification of consumers' cultural codes of different nations of the world [Mazurek-Łopacińska 2016]. The successful online sale of products in CBEC requires firms to adapt their marketing efforts to the specificity of their international customers. From the perspective of a single online retailer starting CBEC, it is important to make a decision about the target market, website translation, payment method and tax information for consumers. It is also important to choose the right courier to deliver the shipment.

THE POPULARITY OF ONLINE SHOPPING ABROAD AMONG CONSUMERS

In order to determine the degree of CBEC development in different countries, data from Eurostat were used. Referring to them, the table 1 provides information on what percentage of the population in a given country makes foreign purchases online. This information relates to the period 2011–2016.

Table 1. Percentage share of consumers of selected European countries making online purchases abroad between 2011 and 2016

Country	2011	2012	2013	2014	2015	2016	Difference between 2016/2011
Austria	36	41	45	44	52	52	16
Czech Republic	8	8	10	11	13	13	5
Germany (former FRG)	13	15	17	18	21	23	10
Estonia	16	19	20	35	39	41	25
Spain	13	15	16	21	26	29	16
Finland	39	44	45	48	50	45	6
France	20	21	24	26	26	27	7
Italy	7	8	8	11	13	14	7
Poland	4	5	6	8	8	9	5
Portugal	12	14	16	19	22	23	11
Romania	3	2	3	2	3	5	2
Slovakia	16	23	25	25	30	32	16
United Kingdom	18	20	20	27	30	33	15
EU-28	14	16	18	21	23	26	12

Source: Author's analysis based on Eurostat database.

Table 1 shows the selected EU countries only for clarity of information in order to present significant changes in CBEC. The table shows that countries with a relatively high share of consumers buying products online abroad are Austria, Estonia, Finland, the United Kingdom and Slovakia. In turn, the biggest change after 5 years in the share of consumers buying online abroad was recorded in Estonia. Major changes have also occurred in Austria, Spain and Slovakia.

On the basis of the data presented in Table 1, it can be assumed that a relatively significant factor influencing the level of foreign online purchases by the buyers of a particular country is the relatively small internal market, which forces consumers to search abroad for a variety of products at an attractive price, as it can be found in e.g. Estonia or Slovakia, where the share of online buyers abroad was higher in 2016 than in the Czech Republic, Italy or Spain.

It can also be said that the level of economic development and consumer prosperity also determines the activity of consumers in foreign online markets, as evidenced by, for example, a significantly higher share of consumers buying online abroad in countries such as Germany and Spain compared to Poland and Romania. Poland has a relatively large and well-stocked internal market, but Germany in this respect is certainly superior to Poland.

In spite of this, the percentage of Germans who bought abroad in 2016 was more than double the percentage of Poles buying online abroad.

Comparing these two countries, data from the Google Barometer survey conducted in 2015 has been used. The research concerned internet users' opinions regarding the factors preventing them from buying online abroad. Internet users were asked why they did not buy products online abroad. The author compares the opinions of German and Polish Internet users in Table 2.

Table 2. German and Polish Internet users' opinions on the factors preventing them from online shopping abroad (%)

Opinions of internet users	German users (sample $N = 1\,152$)	Polish users (sample $N = 1\,445$)
Online stores from my country meet my needs	36	41
I did not consider this problem	23	27
I suppose they are more expensive	14	23
I suppose the delivery takes longer	18	19
I suppose the return of the product is difficult / expensive	28	24
I'm worried about customer service issues	21	17
I'm afraid to pay in foreign currency	12	14
I'm afraid of language problems	8	20
I do not trust foreign online stores	26	12
Sites of foreign stores are of low quality	4	1

Source: Author's analysis based on Consumer Barometer with Google data, <https://www.consumerbarometer.com/en> [accessed: 27.05.2017].

The information presented in Table 2 indicate that significant factors preventing Polish and German Internet users from shopping online abroad are: meeting the shopping needs in the national e-stores, fear of long delivery times and problems with product return and customer service. There is also a high percentage of Internet users who have never considered buying online abroad. Comparing the data presented in Table 2, it can also be said that the biggest differences between Polish and German Internet users are in perception of online shopping costs, language problems and trust with foreign online stores. Polish Internet users, compared to German, view online shopping as more expensive, more often fear language problems, but on the other hand they trust more foreign online stores.

Therefore, it can be assumed that the significant factors indicated by internet users as frequently stopping them from shopping on the Internet abroad result largely from problems connected with communication with foreign entities and logistical problems of product delivery. One can also assume that it is difficult for online stores to get with the promotional message to the awareness of foreign consumers.

SECURITY AND TRUST IN CBEC TRANSACTIONS

In e-commerce, consumer trust with online stores is very important [Turban 2006]. Trust means that the other side of the transaction will keep the promise and honestly deal with the transaction. Therefore, an important task

for an internet seller is to establish a high level of trust with the buyers. This is particularly important in CBEC because of the high rate of fraud compared to national e-commerce. Making fraud in CBEC is easier than in domestic trade. Transaction participants come from different countries, therefore, the enforcement of their rights is very difficult. The transaction is conducted with an entity operating in another country, time zone and other legal system and using a different currency [Huang et al. 2007].

There are 4 important security issues in e-commerce: transactional parties must know their identity, data can not be seen by eavesdroppers, communicating parties need to know when data has been compromised, it must be possible to prove that the transaction took place [Pittayachawan et al. 2004].

CBEC retailers are estimated to experience 50% more fraud cases compared to online domestic retailers and experts point to the following major security-related challenges facing retailers in international e-commerce [Renfrow and Donela 2017]: constantly evolving fraud tactics, lack of global buyer identity verification standards, differences between countries in terms of the number of frauds, rejections of many legitimate transactions due to fears of fraud, difficulty in promptly verifying the identity of the purchasers.

Verifying data on buyers is not only a security issue, but also can impact a higher shipping costs and lost sales. The problem of data verification is also indicated by Polish entrepreneurs selling products to consumers abroad. They say that the company needs a system of efficient verification of data and addresses of foreign customers buying online, because customers often enter addresses incorrectly, making it difficult or impossible to ship products [Fajferek 2017].

Various initiatives are in place to increase the security of e-commerce transactions. For example, in 2014, the European Banking Authority (EBA) announced guidelines for secure online payments in the European Union. An important point of these guidelines is the recommendation for “strong authentication” use in online transactions. This is a kind of multifactor authentication. It consists of using at least two of the following three features: 1 - something that only the user knows (e.g. password); 2 – something that only the user has (e.g. token), 3 – specific user characteristics (e.g. fingerprints) [Campi 2012]. However, these are guidelines that apply to only a few online stores due to the cost of implementing it.

Legal factors in CBEC

CBEC transactions are related to parties representing two or more different countries. Even within the European Union, in spite of the general regulations on e-commerce, each member state has its own specific regulations in force. Therefore, it is important to know these specific regulations by those who want to sell to a particular country. An internet seller considering foreign sales should check for any country that there are no regulations in place that give consumers specific rights. This is a particularly important question of checking the laws in force in a given country because in the case of online sales of goods to consumers, the appropriate court is the one of consumer place of residence [Czerniawski and Wiercińska-Krużwska 2017]. It should also be noted that in cases where the transaction is subject to the jurisdiction of another country, the cheated seller often resigns of asserting his rights due to the high costs of legal proceedings abroad, translations, etc.

Very often, entrepreneurs are discouraged from selling to foreign consumers because of fear of double taxation. Difficulties in practical implementation of taxation for cross-border income stem largely from two concepts of taxation. The first is territorial jurisdiction, where the taxation of income earned on the territory of a given country is assumed. On the other hand, the second concept assumes taxation of the incomes of the inhabitants of a particular country irrespective of which country in the world these incomes have been achieved. As a result, the adoption of one of these two legal concepts can lead to double taxation of the online store. It is believed that there is a mismatch between the current way of taxation in the world and the specifics of electronic commerce [Gałuszka 2013]. This is due to the ambiguity in the approach of taxation in the territorial concept. It is particularly difficult to justify taxation when income in CBEC is linked to many countries and it is difficult to pinpoint the specific contribution of one country.

The European Commission is taking steps to simplify the tax system and encourage small retailers from the EU to sell in other countries. One example is the Mini One Stop Shop concept. This is a solution that enables entrepreneurs to conduct electronic transactions with consumers from EU countries without having to register in each of the countries of origin of the buyer. With this solution is only one registration in the database without having to register in each country separately. This is a solution that facilitates the payment of VAT in the countries where the buyers come from, through a single country of identification, that is, the country where the store is located [Vasquez et al. 2017].

LOGISTICS IN CBEC

In CBEC there is usually a large distance between the seller and the buyer. The consequence of this is a significantly higher cost of shipment compared to domestic shipments. The characteristic of e-commerce logistics is the importance of the so-called last mile delivery, which is the most complex and costly process of all processes in the supply chain. Small batches of goods must be delivered to many geographically dispersed consumers. This problem becomes more complex in CBEC, where we are dealing with extended delivery times and various legal regulations. In CBEC there is a problem of the relatively small flow of goods between countries carried out by a single courier company. In international trade, shipping must often be subject to additional measures and pass through more distribution hubs, which with low flow of goods causes higher unit costs. The solution to this problem can be, for example, the introduction of additional entities into the supply chain in CBEC, which are so-called fourth party logistics (4PL) companies whose tasks include supporting the flow of information between the supplier, the buyer and the logistics service provider (courier). 4PL creates an electronic platform on its website that allows to find offers, compare them, pay and track shipments. The platform keeps up to date with information about the services and prices of logistics companies, allowing to decide on the company that will deliver the shipment [Kawa 2017]. Due to such kind of intermediaries in the logistic chain, it is possible to lower the unit costs of the shipment, and thus lower the price paid by the buyer in a foreign online shop.

Streamlining CBEC's product delivery chains is particularly important for small and medium-sized businesses that should strive to reduce shipping costs, especially given the fact that large online retail stores are increasingly offering free shipping. They can afford this because they are able to negotiate better prices with large couriers [Ballebye et al. 2017].

High impact on logistics efficiency have barriers on the borders of states. Import of some products may be restricted. Some countries introduce regulations leading to the extension of import tariffs and requirements for goods imported through CBEC [Laubscher 2017]. On the other hand, countries are also seeking to maintain preferential treatment for foreign products imported that are purchased online and distributed through so-called bonded warehouses. For example in China international brands are transported to Chinese consumers without being subjected to import quarantine obligations and long-term quality controls. This is particularly important for products which marketing is strictly regulated such as food products, diet supplements, cosmetics [Brennan 2017].

Logistical problems may in the future be influenced by a macro-environmental factor, which is the depletion of natural resources such as crude oil and the possible price increase of this material in the world [Fechner 2007].

The research conducted among Polish online shops intending to start CBEC shows that the major problems of these companies are concerns about high costs of shipping products and returns, lack of knowledge about foreign trade and costs of settlement of disputes with buyers [Cheliński and Szymkowiak 2017]. This confirms the earlier thesis that logistic barriers and legal barriers are the main barriers to the launch of CBEC.

CONCLUSIONS

As a result of the presented analysis, the following conclusions regarding the development of CBEC and its determinants have been found:

- CBEC is a dynamically growing commercial phenomenon on a global scale.
- CBEC is at particularly high level in developed countries, and in countries with relatively less developed internal markets in terms of selection of products.
- There are significant differences in attitudes towards CBEC in terms of the country of origin of Internet users.
- An important factor in the development of CBEC in many countries are international B2C electronic markets. They are an attractive place to do business online and a safe and easy way to shop abroad for consumers.
- Important barriers to the development of CBEC in the world are the mismatch of legal solutions in many countries with the specificity of CBEC, logistics problems and shipping costs, as well as the difficulty of conducting marketing activities via the Internet on foreign markets comparing with domestic markets.

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UWARUNKOWANIA ROZWOJU TRANSGRANICZNEGO HANDLU ELEKTRONICZNEGO B2C NA ŚWIECIE I W POLSCE

STRESZCZENIE

W opracowaniu podjęto próbę identyfikacji czynników warunkujących rozwój transgranicznego handlu elektronicznego CBEC typu B2C na świecie i w Polsce. Pokazano stopień rozwoju CBEC w wybranych krajach. Można stwierdzić, że CBEC jest dynamicznie rozwijającym się sektorem handlu na świecie. Kraje różnią się pod względem rozwoju CBEC, co wynika z różnego poziomu zasobności w produkty ich rynków wewnętrznych oraz rozwoju gospodarczego danego kraju. Do rozwoju CBEC na świecie w znacznym stopniu przyczyniły się międzynarodowe rynki elektroniczne B2C. Do barier rozwoju CBEC na świecie można zaliczyć niedostosowania regulacji prawnych do specyfiki CBEC, problemy i koszty logistyczne oraz trudności w prowadzeniu działań marketingowych online na rynkach zagranicznych.

Słowa kluczowe: transgraniczny handel elektroniczny, CBEC, Internet, B2C