CHAPTER II

LITERATURE REVIEW

2.1 Definition of Cross-Border E-Shopping

Internet shopping is a way to buy products and services that are approved by all human beings. It has become one of the more popular means and activities in the world of the Internet (Bourlakis et al., 2008). As the time goes by, internet shopping have developed rapidly and become more advance day by day. Not only as a means of online purchase, but in sophisticated technology, it has been able to penetrate distance and boundaries and enable people to make a cross-border purchase transaction. Today's business environment is changing massively, and sellers can market their products very easily, not only domestically but also globally using online platforms (van Heel et al., 2014).

According to Iglicka (1999), Cross-border shopping is defined as purchases made from neighbor country by private persons who do not expect to pay sales tax from purchases to their home country. Purchases for the purpose of resale and petty trade are excluded and the same applies to purchases over the internet or other types of mail orders. Based from Liu & Walsh (2019), Cross-border e-commerce refers to international business activities owned by different trading entities, where there are transaction activity occurred, payments and settlements are made, and goods are sent via cross-border logistics to complete the action. With the rapid development of global electronic commerce and its promotion by governments, cross-border electronic commerce has become a new form of import and export trade and, in particular, has broken the time and space constraints of international trade (Yuye, 2017). In addition to involving global players, the development of the internet has supported local and regional business actors to easily access global markets. Of the existing e-commerce transactions, among them also involve cross-border trade and involve many business actors, especially micro, small and medium enterprises (MSMEs). This provides an opportunity for MSME players to participate in the global value chain.

The process of delivering cross-borders goods basically just the same as local online shopping which involves ordering, shipping and payment. However, e-commerce has changed the trade landscape by creating simpler systems, sometimes new ones and also involving intermediaries in the supply chain. Mukarromah (2018) argue that in the brick and mortar trading system, goods are usually imported in large quantities by intermediaries or direct importers. However, with the cross-border e-commerce, buyers in the form of individuals / individuals can easily order goods through computer networks directly without passing through intermediaries and have to dealing with the custom (Mukarromah, 2018).

2.2 Definition of Online Purchase Intention

Purchase intention is stated as one of the most important instrument to indicate consumer behavior. According to Salisbury, Pearson, R.A., Pearson, A.W. and Miller (2001), Online Purchase Intention is defined as the scale and measure of the strength of the buyer's intention to make certain buying behavior via the internet. In addition to that, according to Schlosser (2013) it is also defined as a consumer's feedback (positive or negative) about making purchase behavior on the internet, meanwhile as stated by Assael (1998), Purchase intention is the consumer's tendency to buy a brand or take an action related to a purchase as measured by the likelihood that consumers will make a purchase. Purchase decision is a complex process. Ghosh (1990) stated that purchase intention can be influenced by some factor such as price, quality and perceived value. In addition, there are two factors that can influenced the consumer when making a purchase, namely internal or external motivation during the buying process (Gogoi, 2013). It is very important for business actors to understand the consumers' online purchase intentions because through purchase intention, they can see the consumer behavior and predicts their actual buying activities (Ariffin, Mohan, & Goh, 2018).

Along with the line, Rahman et al (2012: 121) argue that purchase intention is a subjective assessment by consumers that occurs after conducting a general evaluation to buy a product or service. Where purchase intention includes:

- Willingness of consumers to consider buying
- Intention to buy in the future
- The decision to buy back.

2.2.2 Dimension of Purchase Intention

Based on Ferdinand (2006, p.129), purchase intention has 4 dimensions, and the following are the dimensions and their descriptions:

a. Transactional Interest; The tendency of consumers to want to buy a product.

b. Referential Interest; The tendency of someone to reference the product to someone else.

c. Preferential Interest; The behavior of consumers who have a primary preference for these products.

d. Explorative Interest; The behavior of consumers who are always looking for information about the products they are interested in.

Meanwhile, Another opinion expressed by Kotler and Keller (2012: 503) They stated the indicator dimension of purchase intention is through the AIDA stimuli model, which are attention (attention), interest (interest), desire (desire), and action (action). The explanation of each indicator of buying interest is as follows:

1. Attention

   Someone's buying interest begins with the stage of attention to a product, after hearing or seeing the products promoted by the company.

2. Interests

   After obtaining information about the products promoted by the company, consumer interest arises in these products. If consumers are impressed by the stimuli provided by the company, then at this stage there will be a sense of interest in the product being offered.

3. Desire

   After the consumer explores the advantages of the product, at this stage the consumer will have the desire and desire to buy the product.

4. Action (Action)

   At this stage, consumers have gone through several stages, starting from seeing and hearing a product being promoted, resulting in attention, interest and interest in the product. If there is a strong desire and desire, then the decision will be made to buy the product.

2.3 Factors Affecting Cross-Border E-Shopping intention

According to Bandyopadhyay (2019), there are some key factors that impacting cross border e-shopping such as;

- consumer trust,

- shopping cost,
- product selection and uniqueness,
- barriers to cross-border e-commerce such as delivery time, delivery reliability, price opacity, etc. and
- cultural attitudes.

Meanwhile, there are also some strategies that was made to address the barriers to cross-border e-shopping, mainly to

- adjust the price and payment system,
- language,
- delivery reliability and returns process,
- and last but not least, data privacy and security.

Huang & Chang (2017) also stated that there are two factors that can influence intention to shop on foreign website. The first is because of the consumer perceived trust including legal structure, national integrity, website design quality, website policy, and vendor reputation. The second factor is because of the consumer perceived value which including communication cost, waiting cost, return cost, price competitiveness and product uniqueness. Meanwhile, according to Kennedy, E. Noble and Gautam Kumar (2018), delivery charge and delivery time has an important role on online purchase decision. In this study, the researcher wants to take three factors that can influence cross-border e-commerce purchase intention namely price, shipping cost, and delivery time.

2.3.1 Price

Definition of price according to Alma (1992: p.44) is an amount of money that must be given by someone to get something in return of goods or services. According to Kotler, Bowen and Makens (1999), price is the amount of money needed to get a combination of goods and services. In a broader sense, price is the sum of the value consumers exchange for the benefits of owning or using a product or service (p. 445). So, the price is the amount of money that is sacrificed to obtain benefits from the product or service. Kotler & Keller (2016) stated that when purchasing something, price is one of the main consideration for motivating customers to whether to purchase or not. In the buying and selling process, price is one of the most important parts, because price is a medium of exchange in transactions. Based on all the definitions that have been mentioned above, the researchers arrived at understanding point that price is the value of a product in the form of money that consumers must sacrifice in order to get the product, whereas from producers or traders prices can generate income.

A study (Saleh, 2016) stipulated that 67% of global consumers buy from abroad online store because the prices are cheaper outside of their home countries. Not only offering cheaper prices for goods, consumers can also get another benefit from price reductions in purchasing costs related to the distance between countries (Martens, 2013), because in online transactions physical distance between buyers and sellers isn't really meaningful compared to offline transactions. The main source of reduction in distance-related trading costs comes from lower product search costs because consumers don't have to bother travel around to inspect products.

Dimension of Price

According to Kotler and Armstrong (2014), there are four measures that can characterize prices, which are price affordability, price compatibility with product quality, price compatibility with benefits, and price according to price capabilities or competitiveness. The four price measures are as follows:

a. Price affordability

Consumers can reach prices set by the seller. The products offered in one brand also vary, the price is from the cheapest to the most expensive. With the price set by the seller, many consumers buy the product, because it has been adjusted to their purchasing ability.

b. The suitability of product quality and price.

One of the main indicators of quality for buyers is price. People often choose a higher price between two goods because they see a difference in quality. When the price is higher, people tend to think that the quality is better.

c. Compatibility of benefits for prices.

The buyer will decide to buy a product if the benefits obtained are greater than or equal to the price that has been spent to get it. If consumers feel that the benefits of the product are less than the money spent, consumers will think that the product is expensive and consumers will think twice about making repeat purchases.

d. Prices are according to ability or price competitiveness.

Consumers often compare the price of a product with other products, the high and the low cost of a product is considered by consumers when buying the product.

2.3.2 Shipping Cost

According to Kotler & Keller, (2013) shipping costs are an amount of money that a customer must pay to obtain a product. The use of the internet for buying and selling activities is a common things nowadays. Sellers and buyers can make transactions anytime and anywhere as long as they are connected by an internet network. This online transaction, of course, makes it easier for users. Even so, purchasing goods online actually adds to the costs that must be paid by consumers, namely shipping costs. One of the component of cost that often appear in the list of operational costs of the good shipping is the cost of shipping goods. There are actually many factors that can cause large or small shipping costs. Of the many factors, the most dominant influence is the route taken during the delivery of goods along with the cost of transportation services used by the company. The existence of a physical boundary between the buyer and seller of the product creates costs for assembly and transportation of orders that are not found in traditional retail (Rosen and Howard 2000). Postage is the cost of sending goods or services that are charged by the seller from the customer during the buying and selling process with shipping costs charged to the buyer. Lewis (2016) argued that shipping costs can reduce the volume of orders because higher shipping surcharges increase the cost of the consumer more without changing or adding to the usability of the product the customer wants to buy. Charging a small (or even free) shipping fee is an effective marketing tool for engaging consumer purchasing decisions (Nguyen *et. all*, 2019). It is important to consider the relationship between order incidence and shipping costs for several reasons through a research experiment taking place in the marketplace (Courogen, 2002) and found out it is showing that a significant uncertainty arises about the elasticity of demand on the level of delivery cost. Various kinds of promotions are carried out to influence potential customers, including cross-border e-commerce like e-Bay, AliExpress, Amazon even the local e-commerce like Shopee, Lazada and Tokopedia. One of the famous promotion tactic that almost all vendors do is the promotion of free shipping discounts. This promo makes consumers not need to spend additional money on shipping costs until the goods arrive in the hands of consumers, even though sometimes the high cost of shipping goods to distant and unreachable areas causes free shipping promos to be unable to cover the shipping costs that must be paid by consumers. This results in consumers still having to pay part of the shipping costs.

Dimension of Shipping Cost

In determining shipping costs, of course there are several factors that determine it. Based on the Entrepreneurial Journal (Ucig, 2019), there are three factors that determine the shipping cost, which are the weight of the goods, additional costs, and the method of delivery. By considering these factors, it is hoped that the determination of shipping costs will be more solid and stable.

2.3.3 Delivery Time

Delivery Time is the time taken from the order of the product to the delivery of the product to the consumers (Kennedy and Gautam, 2018). According to Handoko, (2010) on time delivery is the length of time the customer orders the product until the product arrives at the customer. The estimated arrival arrival is usually a benchmark for customers to know whether the delivery service is good or not. Parey (2016) on multichannel merchant stated that based on a survey from Dotcom's "How Fast Delivery and Quality Packaging Drives

Customer Loyalty", 87% of 558 online shoppers agree that delivery time is one of the most important factors in the decision to shop with an e-commerce brand again. Consumers always expect that package delivery can be delivered immediately (Kerner, 1976). The longer the package is delivered, it can raise the buyer's suspicion. When buying goods online, usually an estimated time for the goods to arrive at their destination will be provided, starting from the time the goods are paid for by the buyer and processed by the seller, including in cross-border shopping. The time of sending goods via cross-border e-commerce usually takes more time, considering the delivery is made from abroad. This can sometimes be a consideration for buyers if they want to buy goods online from abroad, especially if they have urgent needs.

Dimension of Delivery Time

There are 3 dimensions of on time delivery based on the research from Hafizha and Nuryani (2019), namely:

1. Accuracy in delivery services.
2. Accuracy in determining prices.
3. Accuracy in determining time.

Meanwhile, according to Qiang Chen Jian (2019) Delivery time is a matter of speed in delivering goods and also the speed at which orders are processed after making a payment until the goods arrive in the hands of the customer. The ability to shorten the time from processing orders to delivering products is one of the determinants of delivery time because this will provide a realistic estimate as well as what is written to customers regarding the time needed to process their orders (Graham, 2005).