

Radosław Maćik  
Uniwersytet Marii Curie-Skłodowskiej w Lublinie

## Geo-discrimination in Online Shopping. The Consumer's Perspective

### Summary

The goal of the paper is to explore geo-discrimination practices by online retailers from consumers' perspective with a focus on young Polish consumers, using secondary data and six mystery shopping tasks embedded in the online questionnaire (n=405) with debriefing during group interviews.

Consumers experience multiple forms of geo-discrimination in cross-border online shopping. Some forms are more severe than others, including refusal to sell, the obligation to use expensive forms of payment or delivery/return. The paper deals with the perception of such practices. In general, the consumers are dissatisfied (re-routing is perceived least burdensome and refusal to delivery most oppressive), although they do not feel discriminated.

Practical implications include creating guidelines for consumers to avoid some of the obstacles or unnecessary cost, as well as for the consumer policy.

Social implications focus on the commonality of geo-discrimination by nationality or place of residence with denying access to some products or services, leading to unsatisfied needs and suboptimal allocation of consumer resources.

**Key words:** geo-discrimination, cross-border Internet shopping, dissatisfaction, consumer behaviour.

**JEL codes:** D12, D18, M39, O33

### Introduction

Consumers in Europe, including European Union Member States, are frequently discriminated in consumer rights based on geographically assumed the place of residence or nationality when they try to shop online outside their home country (European Commission 2016). Taking into account legal rules – including customs policies – this seems to be reasonable when the shopper's country of residence and the seller location are in countries without free trade agreements or customs unions. However, when geographical discrimination appears within the European Union, this is in conflict with the four basic EU freedoms, particularly with free movement of goods, which leads to discrimination of the consumers regarding available choice and prices.

Geographical discrimination in online sales takes the form of geo-blocking, that means the practices of automatically limit access or change the terms of the contract, by geo-lo-

calization of the device that the consumer is connecting to seller's website. Less automated practices based on address filled in delivery form also apply.

Geo-blocking practices include several categories on the base of the stages of the shopping process they appear or nuisance of difficulties that create. Mentioned practices belong into five main categories:

- denial of access to a website (typically via re-routing to a page explaining denial, and blocking the entrance to the shopping area),
- automatic re-routing (e.g. to a local site, often without online sales, and present contacts to physical stores or country's distributor),
- refusal to sell (via inability to register, input delivery address, or to make payment),
- changing the terms and conditions of sales (e.g. not allowing for free international returns of goods, changing the time for a return or limiting the choice of delivery methods and payment possibilities, including requesting additional fees),
- changing prices (typically when a seller presents prices in consumer's country currency (in effect of geolocalisation), and currency rates are flat or far from actual rates on the money market, sometimes hidden substantial exchange fees apply).

Each mentioned practice can take different forms on the seller side and can be experienced by the consumer at the various stages of the shopping process. If the geo-blocking does not happen immediately or automatically, the consumer spends significant time and effort on an online retailer website, making an attempt for cross-border purchase, before he or she realises that the seller or service provider refuses to sell to them or imposes different terms and conditions for him/her.

The goal of the paper is to explore the consumers' perception of geo-discrimination practices by online retailers with a focus on experiences of young Polish consumers, with quasi-experimental tasks during online interview and questions following the tasks.

## Literature review

The problem of geo-discrimination of the consumers is present in the retailing literature. It arises from the cross-border shopping activities. Early approaches analysed cross-border shopping in the physical channel, typically connected with international travels, and luxury or excise goods (e.g. alcohol, cigarettes) (Johansson et al. 2014; Nordblom 2011; Lakhdar 2008). Two distinct types of offline cross-border shopping activities can be distinguished (Kovács 2013). The first – regular cross-border retail shopping in borderland areas – involving citizens of neighbouring countries (e.g. USA and Mexico, Poland and Ukraine) (Baruca & Zolfagharian 2013; Powęska 2013), particularly when crossing the border is quick and easy (e.g. within the EU) (Spierings & van der Velde 2013). Moreover, the second one – less regular shopping tourism, when shopping is a principal or additional reason to travel abroad – in this case, distance is greater, and no physical border between shopper country and shopping destination may exist.

When online shopping became possible, and its popularity has been growing, the concepts of free of traditional obstacles and frictionless e-commerce arose, although from the 20 years perspective this concept never came true, particularly in cross-border settings.

From the first sight, geo-discrimination in online sales from the seller's perspective seems to be without the sense as auto-limiting possible revenues. Although as not all transactions are considered profitable, in reality, geo-discrimination of consumers from some countries may limit the risk of operations, simplify logistics and payment handling as well as decrease costs, making the sales more profitable.

Geo-discrimination practices may take from consumer's perspective "hard" form – when sales refusal happens, or "soft" one – when a purchase is possible, but the consumer pays more or has limited choices (for product/services, delivery options or payment possibilities). The only situation when the geographical restrictions for a delivery address can be justified is fulfilling the contract by the seller with the producer or brand owner with restricted sales rights geographically, or when sales to a particular country are illegal (e.g. for digital content) or embargoed. Unfortunately the growth of online trade and popularity of multichannel and omnichannel strategies not eliminated many of trade agreements between producers and sellers, and also serious legal issues exist (Gomez-Herrera et al. 2014, p. 83). In effect distribution of many products and brands is still made on the base of territorially limited areas, becoming an obstacle to cross-border shopping.

Interesting results obtained in large-scale mystery shopper study prepared for European Commission shows that Polish consumers take the 9<sup>th</sup> place regarding the prevalence of geo-blocking – up to 72% of shopping attempts were unsuccessful, mostly because of payment or delivery restrictions (European Commission 2016, p. 125). Also finding exact product or similar version has been impossible in about 5% of cases for Polish consumers (the highest number of any EU28 countries), where the average was 1.7% (European Commission 2016, p. 73).

## Method

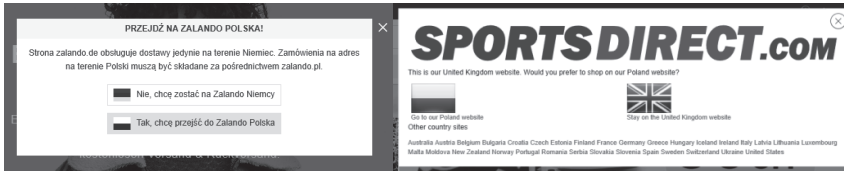
The main method used in this study was quasi-experiment in natural settings of retailers webpages. Participants evaluated six websites differing in geo-discrimination practices toward Polish consumers performing three tasks (each in A-B test formula) embedded in longer CAWI questionnaire, with the main topic connected with online shopping habits. The tasks were followed by a set of questions – with different measurement scales, including Visual Analogue Scale (VAS) in the form of the slider (giving output as 11-point scale 0-10) and Net Promoter Score (NPS) measures of satisfaction. Paper presents only selected results from the study. The purpose sample of 405 young consumers (17-34 years old, full-time or part-time students) consisted of about 64% of women, and 43% of participants declared buying online abroad.

Selection of websites for tasks based on different types of geo-localization practices; mostly ones considered as geo-discrimination. For Task 1 there were selected online clothing stores with re-routing practices: obligatory for Zalando.de (version A of the task – described as Case 1) and voluntary for Sportsdirect.com (version B – Case 2). For Task 2, US-based

online store HerRoom.com (version A – Case 3) (with the practice of adding Polish VAT and duty) and British lingerie brand store CurvyKate.com (version B – Case 4) (with announced denial of delivery to Poland) and were selected. Task 3 included marketplaces without clear geo-discrimination: Amazon.de (version A – Case 5) – with machine translated Polish lan-

**Figure 1**  
**Information for Polish consumers on main pages of online stores using geo-localization**

a) Zalando.de (Germany based) (Case 1) b) SportsDirect.com (UK based) (Case 2)



c) CurvyKate.com (UK based) (Case 4)



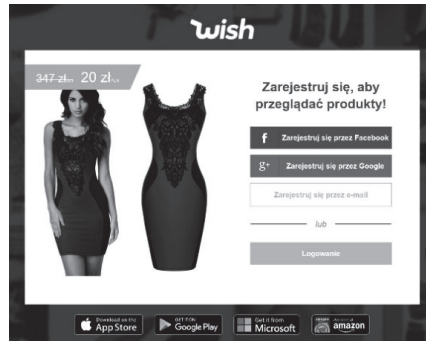
d) Amazon.de (Germany based) (Case 5)



e) HerRoom.com (US based) (Case 3)



f) Wish.com (US based) (Case 6)



Note: Messages for a), b), e), and f) displayed on a new layer, while c), and d) without layering.  
 Source: Screenshots from online stores.

guage version and delivery denial from many independent sellers visible late in the shopping process, and Wish.com (version B – Case 6) – requiring registration before entering the shopping area, considered by many users as prohibitive practice. Figure 1 presents messages to Polish consumers shown on the base of geolocalisation.

Simple statistical methods are used to show and compare the severity of geo-discrimination in each case.

## Results

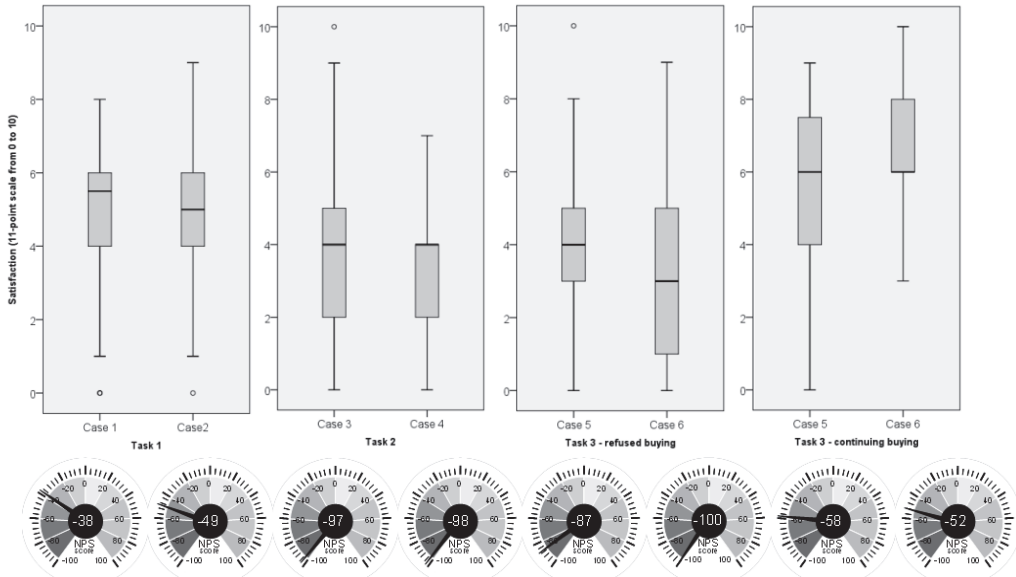
Before quasi-experimental tasks, the study participants answered some questions about their experiences with cross-border shopping, and the experiencing of the inability to make the purchase, as well as a feeling of being discriminated during their previous cross-border purchases. Only 7.3% of respondents confirmed facing a situation of being unable to complete the process of buying online during the year before the study. The majority of them experienced such situation shopping by Polish retailers (about 56% of such cases – 5.3% of the whole sample). Mentioned problems by retailers from abroad were the case of about 31% of situations – 3.1% of the entire sample. There were also cases when a particular person experienced both situations (about 13% of cases). However, only a single respondent confirmed discrimination feelings on the base of nationality and place of residence (complaints were very vague). Not feeling discriminated during cross-border online shopping comes probably from often experiencing problems looking as technical difficulties (“website not works”, or “...not works properly”) in online shopping regardless buying domestically or from abroad.

In Task 1 results suggest that obligatory re-routing to Polish website is perceived less burdensome, although more known brand for Case 1 (Zalando) might disturb the results. In this task most of the study participants continued shopping after re-routing, so results from this group are presented. Using satisfaction measure on a scale from 0 to 10 anchored “not satisfied at all” and “fully satisfied” respectively, the median for Case 1 was on a slightly higher level compared to Case 2 (difference not significant), both being in the neutral range of about 5. The Net Promoter Score (NPS) measures although suggest dissatisfaction being on the level of -38 for the Case 1 versus -49 for the Case 2 (Figure 2).

For Task 2, the majority of participants found serious obstacles to buying (nearly obligatory deduction of taxes and customs fees for Case 3 and refusal on delivery for Case 4), so they decided not to enter deeper than the home page. Serious dissatisfaction in this group is confirmed particularly by nearly lowest possible NPS scores (-97 and -98 respectively). Median values on 0-10 scale were also low – 4 for both cases.

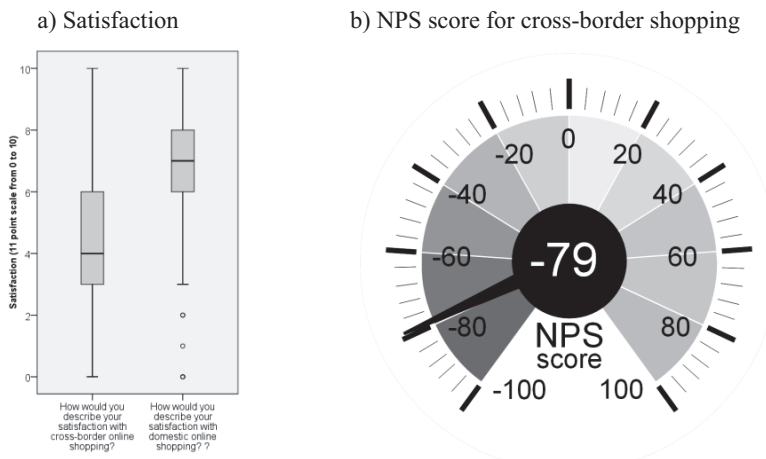
For Task 3 the group refused to buy at early stages of website visit was similar in size comparing those who continued shopping. Satisfaction for those declined to buy resembles pattern from Task 2 – low satisfaction grades and nearly lowest possible NPS scores (Figure 2). However, for participants continuing shopping satisfaction on 0-10 scale is higher than in Task 1, although at the same time NPS scores are slightly lower (-58 for Case 5 and -52 for Case 6).

**Figure 2**  
**(Dis)satisfaction measures for analysed cases**



Note: for Task 3 both groups shown – refusing buying and continuing task. For Task 1 majority continued shopping (about 90% of the sample), and for Task 2 majority (about 90% too) realised obstacles – for those tasks small groups not shown.  
Source: own research.

**Figure 3**  
**Satisfaction measures for cross-border and domestic online shopping in general**



Note: The difference is significant at  $p=0.000$  in Wilcoxon test.  
Source: as in Figure 2.

When comparing general declared satisfaction in online shopping domestically and abroad with mentioned 11-point scale, the difference is substantial, and significant ( $p=0.000$ ) in Wilcoxon test comparing average ranks (Figure 3a). Also, the range of scores is broader in the case of purchasing abroad.

The NPS score for buying online abroad is inferior (-79). Only 3% of respondents were promoters of such purchases, while 82% – detractors.

## Discussion

As the literature evidence of geo-discrimination practices in online shopping is rather humble (Gomez-Herrera et al. 2014; European Commission 2016), the discussion part of this paper focuses on author own research findings, mostly providing a broader context to shown results. Qualitative research (Maçik 2017) shown the higher importance of the perceived barriers from demand side than supply side factors. Particularly high prices and other fees, including payment and delivery handling, long delivery times and language barriers are more severe obstacles for consumers than supply-side geo-discrimination practices.

It turned out that foreign language of the store website can be such distressing for young consumers, that re-routing to the local site in Polish is considered a better solution (comparing to struggling on a website in a foreign language – Task 1 – particularly in German – Case 1). This effect is probably stronger because of heavily advertised, and well-known brand used (Case 1 – Zalando) in this case. In effect, obligatory or voluntary re-routing for the Polish version is considered to be beneficial, and satisfaction level is slightly positive or neutral, and NPS scores – although negative – were highest from obtained for all tasks.

Low satisfaction levels noted for Task 2, particularly for NPS scores are in line with expectations. In the case of refusal of delivery to Poland (Case 4) the general satisfaction level was only slightly lower comparing the situation when delivery was possible, but with tricky to avoid automatic deduction of taxes and customs fees (Case 3). About 40% of participants selected for Case 4 realised inability to delivery to Poland at later stages of the purchase process, usually trying to put the product in the basket, that means they ignored information from the store's main page (this information about the refusal of delivery to Poland was an appropriate message). Some of the study participants (women) reported that despite the denial of delivery they found new to them, interesting brand, and checked product availability in other stores making deliveries to Poland, so their satisfaction not fallen so much. For Case 3, the practice of United States based store to automatically deduct taxes and customs fees – has been perceived as unwanted, and not necessary, as increasing the final cost of purchase. Polish consumers typically try to avoid paying customs, and for rather small amounts paid this is often successful. As resignation from mentioned deductions was from client side not easy to find, the satisfaction levels were in this case low.

Interesting findings obtained in Task 3 also require some explanation. In Case 5 (Amazon.de) study participants were exposed to a known brand of an online marketplace in comparison to Case 6 (Wish.com), this may influence the satisfaction measures for Case 5 in those not



decided to shop. In Case 5 about a half of participants experienced problems with readiness to delivery by affiliated sellers, some of them were also not satisfied with the quality of machine translation of pages into Polish. Also, required registration prior entering shopping area for Case 6 was a serious obstacle to shopping by nearly the half of study participants assigned to this condition in Task 3. In effect, there were comparable groups for each task, when they were not able to buy in Case 5 or not entered inside website in Case 6. For those consumers, satisfaction levels were the lowest from all analysed conditions. However, when the possibility to deliver existed (Case 5) or the product offers – presented in a way focusing on savings in comparison to other places/ similar products – were assessed – the satisfaction was the highest on the 0-10 scale, and not so bad for still negative NPS scores.

Taking into account perception of cross-border online shopping in general negative NPS scores in all Cases 1-6 are reasonable, and NPS levels are more sensitive to changes in (dis)satisfaction factors connected with geo-discrimination, discriminating minor obstacles from serious ones.

## Study implications

The practical study implications come from analysing all used cases and some findings from follow-up FGIs. They include basic guidelines for consumers as well as for consumer policy.

Particularly re-routing for the Polish version of store website is probably the best solution for consumer avoiding problems with language and geo-discrimination, although this not guarantees the same benefits (price levels, discounts) that original website. The second guideline is to find another seller when we experience refusal to delivery or payment, although this often requires additional effort, it can lead to finding better offers. The third is not to assume that foreign stores operate the same way as their Polish counterparts, including accepted forms of payment and some fees (not always obligatory – contrary to popular belief) and international delivery forms or times – this will protect them from lack of satisfaction.

Social implications from the analysis include confirmation of the commonality of geo-discrimination (often hidden). The consumers' discrimination by nationality or place of residence exists, but rather rarely leads to serious consumer dissatisfaction. Further, geo-discrimination may lead still to unsatisfied needs and suboptimal allocation of consumer resources, although there are other dissatisfaction factors, so geo-discrimination is not as a severe limitation of consumer choice in consumers' opinion. Despite this, there is still a need for consumer education on geo-discrimination practices and their consequences.

## Conclusions

The main finding from the analysis is that although experiencing geo-discrimination in online shopping is common for young Polish consumers, it in most cases not leads to feeling



discriminated. Other factors decreasing dissatisfaction from geo-discrimination practices by online sellers from abroad come from the demand side. Particularly high prices and other fees, including payment and delivery handling, long delivery times and language barriers are more important than supply-side geo-discrimination practices by sellers on delivery and payments. For presented cases, the denial of delivery is seen similarly regarding the severity of geo-discrimination as imposing unnecessary fees. Also finding information about the refusal of delivery or payment later in shopping process is viewed more negative compared to earlier information about it. Requiring registration before show offers (not typical) also prohibits many consumers from using the website. Least severe is re-routing to Polish-based and Polish language version of the store, many of young consumers even expect this because of language difficulties.

There are further studies needed, including on more diversified demographically sample, and also using real experimental setting to explore the topic further. Research should include not only within-EU perspective, particularly because of so-called Brexit, and increasing popularity of Chinese online marketplace platforms, as shopping at UK-, US- and China-based online retailers become common among the consumers.

## Bibliography

- Baruca A., Zolfagharian M. (2013), *Cross-border shopping: Mexican shoppers in the US and American shoppers in Mexico: Cross-border shopping*, "International Journal of Consumer Studies", No. 37(4).
- European Commission (2016), *Mystery shopping survey on territorial restrictions and geo-blocking in the European Digital Single Market. Final Report*, European Commission, [http://ec.europa.eu/consumers/consumer\\_evidence/market\\_studies/docs/geoblocking\\_final\\_report\\_2016\\_en.pdf](http://ec.europa.eu/consumers/consumer_evidence/market_studies/docs/geoblocking_final_report_2016_en.pdf) [access: 20.02.2017].
- Gomez-Herrera E., Martens B., Turlea G. (2014), *The drivers and impediments for cross-border e-commerce in the EU*, "Information Economics and Policy", No. 28.
- Johansson P., Pekkarinen T., Verho J. (2014), *Cross-border health and productivity effects of alcohol policies*, "Journal of Health Economics", No. 36.
- Kovács A. (2013), *On Borders, Border Regions and Cross-Border Retail-Trading*, "Scientific Papers of the University of Pardubice. Series D, Faculty of Economics & Administration", No. 20(28).
- Lakhdar C.B. (2008), *Quantitative and qualitative estimates of cross-border tobacco shopping and tobacco smuggling in France*, "Tobacco Control", No. 17(1).
- Maçik R. (2017), *Cross-border online shopping of Polish consumers and cross-border online sales of Polish companies as examples of the processes of the markets internationalization*, "Annales UMCS, Sectio H", (forthcoming).
- Nordblom K. (2011), *The complex attitudes to alcohol taxation*, "Applied Economics", No. 43(24).
- Powęska H. (2013), *The Development of Retail Trade in the Border Areas in Poland in the Light of Selected Theoretical Approaches*, "Acta Scientiarum Polonorum. Oeconomia", No. 12(2).
- Spierings B. & van der Velde M. (2013), *Cross-Border Differences and Unfamiliarity: Shopping Mobility in the Dutch-German Rhine-Waal Euroregion*, "European Planning Studies", No. 21(1).

## Geodyskryminacja w zakupach internetowych – perspektywa konsumenta

### Streszczenie

Celem artykułu jest eksploracja postrzegania praktyk geodyskryminacji w handlu internetowym przez polskich młodych konsumentów, na podstawie źródeł wtórnych danych i zadań o charakterze *mystery shopping*, osadzonych w kwestionariuszu internetowym (n=405), z debriefingiem w postaci wywiadów grupowych.

Konsumenci doświadczają wielu form dyskryminacji w transgranicznych sklepach internetowych. Niektóre formy są bardziej dotkliwie, włączając odmowę sprzedaży albo przymus użycia drogich form płatności lub dostawy/zwrotu. W tekście omówiono postrzeganie takiej geodyskryminacji. Ogólnie konsumenci odczuwają dyssatisfakcję w takich sytuacjach (przekierowanie jest postrzegane jako najbardziej łagodna forma, a odmowa sprzedaży – jako najbardziej opresyjna), jednak nie czują się dyskryminowani.

Implikacje praktyczne obejmują sugestie dla konsumentów, jak uniknąć niektórych problemów lub niepotrzebnych kosztów, a także dotyczą polityki konsumenckiej.

Implikacje społeczne koncentrują się na efektach dyskryminacji konsumentów ze względu na miejsce zamieszkania, przez odmowę dostępu do niektórych produktów lub usług, co w efekcie może prowadzić do braku zaspokojenia potrzeb i suboptymalnej alokacji zasobów konsumentów.

**Słowa kluczowe:** geodyskryminacja, transgraniczne zakupy internetowe, dyssatisfakcja, zachowania konsumentów.

**Kody JEL:** D12, D18, M39, O33

## Геодискриминация в покупках онлайн – перспектива потребителя

### Резюме

Цель статьи – изучить посприятие практик геодискриминации в интернет-торговле молодыми польскими потребителями на основе источников вторичных данных и задач типа *mystery shopping*, помещенных в интернет-вопроснике (n=405), с дебрифингом в виде групповых интервью.

Потребители испытывают много форм дискриминации в трансграничных интернет-магазинах. Некоторые формы более чувствительны, включая в это отказ в продаже или принудительное применение дорогих форм платежа или поставки/возврата. В статье обсудили восприятие такой геодискриминации. В общем в таких ситуациях потребители чувствуют неудовлетворенность (перенаправление на другие сайты воспринимается как наиболее мягкая форма, а отказ в продаже – наиболее ущемительная), но они не чувствуют себя дискриминированными.

Практические импликации включают в себя подсказки для потребителей, как избежать некоторых проблем или лишних затрат, а также они касаются потребительской политики.

Социальные импликации сосредоточены на эффектах дискриминации потребителей по местожительству путем отказа в доступе к некоторым продуктам или услугам, что в итоге может вести к неудовлетворению потребностей и к субоптимальному размещению ресурсов потребителей.

**Ключевые слова:** геодискриминация, трансграничные интернет-покупки, неудовлетворенность, поведение потребителей.

**Коды JEL:** D12, D18, M39, O33

Artykuł nadesłany do redakcji w maju 2017 roku

© All rights reserved

Afiliacja:

dr hab. Radosław Maćik

Uniwersytet Marii Curie-Skłodowskiej

Wydział Ekonomiczny

Katedra Marketingu

Pl. Marii Curie-Skłodowskiej 5

20-031 Lublin

email: [radoslaw.macik@umcs.pl](mailto:radoslaw.macik@umcs.pl)