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Issues and Trends in Cross-border E-commerce in Korea

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Background of Cross-border E-commerce Growth in Korea

Consumers purchase cross-border e-commerce products directly from overseas online shopping malls. This practice increased since 2010, becoming an irreplaceable variable in the market for domestic consumer products and distribution industries. Resultingly, variety and range of purchasing items increases. Gradually, the customer base expands as more middle-aged shoppers become active e-commerce consumers. In addition, the demand for cross-border e-commerce accelerates. It results from changes in exchange rates, including the weakened U.S. dollar and Japanese yen. Additionally, it is influenced by global sales days, such as China's Guangdong Gunze and U.S.'s Black Friday.

Status and Increased Factors of Cross-border E-commerce Practices in Korea

Scale The scale of cross-border e-commerce in Korea reached a record high of \$2.11 billion (▲29.1%), with 23.59 million buying instances (▲35.6%), in 2017. **Items** The most frequently purchased items from each country were health food products (32%), such as vitamins in the U.S.; electronics products (22%), such as computer components in China; and cosmetics and perfumes (29%) in Europe (Korea Customs Service; here after KCS, 2018). **Consumer** The majority of e-commerce consumers were women (60%), while men accounted for the 40%. Specifically, the primary consumers were women aged 20-30 and men aged 40. These categories carried different consumer characteristics based on gender and age (KCS, 2015).

Domestic distribution environment Distribution environment enabled transactions directly between partners by improving access to information and supporting services, such as payment and delivery on the internet. **Price** Despite international shipping costs, the price of many products purchased abroad remained lower than prices of the same products available for purchase domestically. "Price reversal phenomenon" refers to the situation where Korean products are less expensive overseas, due to differences in distribution structures, production costs, and additional services. **The diversity of product** Cross-border e-commerce allows for the purchase of domestic brands and excellent foreign brands/products that otherwise cannot be found in a domestic market. **Shipping system** As freight forwarders for cross-border e-commerce maintain superior logistics systems, they can efficiently process international freights and provide reduced shipping costs. Further, the number of cross-border e-commerce users will continue to increase as the number of shopping malls offering direct shipping to Korea continues to expand. **Expansion of duty-free range & Simplified clearance** Customs-clearance items through cross-border e-commerce expanded to all consumer goods. In addition, KCS introduced a smart customs clearance system that electronically reviews and repairs items' e-commerce

import declarations for individuals importing less than \$2,000 (KCS, 2017). **Hedonic motivation** Hedonic reasons, such as pleasure derived from shopping, and stimulation from searching and learning, are motives for cross-border shopping (Moscardo, 2004). Specifically, consumers purchasing fashion products using cross-border e-commerce are more affected by hedonic motivation than utility motivation (Lee, Choo, & Lee, 2015).

Research Trends in Cross-border e-commerce in Korea

To analyze research trends related to cross-border e-commerce, titles and keywords from a total of 98 academic articles on the subject of cross-border e-commerce (since 2014 to date) were collected. After refining the data set, a semantic network matrix was constructed and visualized using the NodeXL program. Analysis revealed that 1128 edges among 70 vertices were formed. The most frequent keywords included: “cross-border e-commerce” ($n=137$), “Consumer” ($n=43$), “Shopping” ($n=43$), “Intention” ($n=23$), “Purchase” ($n=22$). The average geodesic distance of the network was 1.511, and the density of the graph was 0.467. Cluster analysis, based on the Clauset-Newman-Moore algorithm, revealed that cross-border e-commerce studies focused on 3 main categories (see Figure 1). These categories in cross-border e-commerce studies were as follows: “process” (including purchase, oversea, direct, mall, commerce, and so on), “consumer” (including intention, satisfaction, repurchase, efficiency, and so on), and “country” (including Korea, Chinese, China, B2C, and so on).

Prospects and Implications

The cross-border e-commerce phenomenon is not limited to Korea. An increase in the popularity of cross-border e-commerce means that smart consumption trends revolutionized the consumption process. Indeed, the war of borderless distribution started. Consequently, there is a need for more in-depth studies of various aspects of cross-border e-commerce. As such, retailers may respond to the perfectly competitive market. In particular, consumers in Korea most often purchase clothing, fashion, and related products in overseas online shopping malls (KCS, 2018). Consumers in the U.S. and China expressed a similar purchasing tendency with preferences for clothes, shoes, cosmetics, and products for kids (Kotra, 2017a; 2017b). Therefore, future research should focus on fashion products within the main categories (“process”, “consumer”, “country”) found in this study. In addition, it is necessary to find solutions for the successful and stable operations of the domestic market by finding the impacts of exchange rates and customs’ policies on the cross-border e-commerce market.

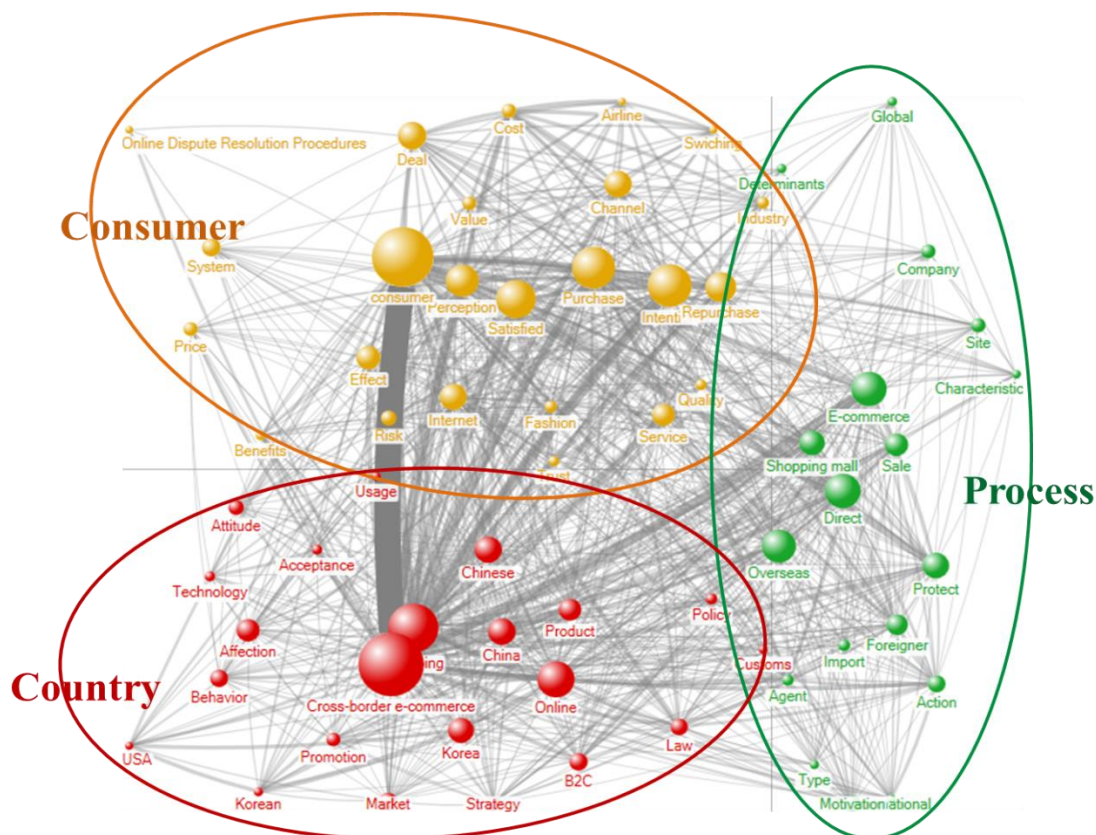


Figure 1. Relationship between cross-border e-commerce research subjects: Cluster analysis

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