CONSUMERS’ CROSS-BORDER SHOPPING BEHAVIOUR IN THE CITY OF KONSTANZ

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Abstract: A significant and sudden change in the Swiss franc exchange rate has led to a sharp rise in cross-border shopping in German border towns. For German businesses, the appearance of massive streams of visitors from their neighbouring country is a gratifying and highly lucrative development. A survey of passers-by in the Konstanz marketplace was conducted to shed more light on cross-border consumer behaviour. To investigate the proportion of Swiss consumers, their purchasing power, purchasing preferences and motives of shoppers, five hypotheses were derived, and data were collected, analysed and evaluated. Overall, there are some remarkable differences between the behaviour of Swiss and German visitors to the Konstanz marketplace. Consumers from Switzerland generally visit the marketplace less often but bring a significantly higher budget with them. They are also generally more satisfied with the Konstanz marketplace. Surprisingly, despite the price levels, VAT refunds play a subordinate role for Swiss customers.

Keywords: Consumer Behaviour, Cross-Border Shopping, Outshopping, Marketing

JEL Classification: M31

INTRODUCTION
Due to its special location next to the Swiss border, the German City of Konstanz (Constance) on Lake Bodensee traditionally attracts many visitors from its neighbouring country. Visitors from Switzerland are not only an important factor for tourism but also (due to their high purchasing power) make a considerable contribution to the turnover of the retail trade. In this context, it is particularly important to gain an insight into the behaviour of Swiss consumers in order to strengthen their customer loyalty. The study aims to analyse different factors influencing consumer behaviour. These factors include purchasing budget, frequency of purchases, distance, attractiveness of the location, lower prices and VAT refunds. In this binational study, the behaviour of consumers coming from Switzerland has been examined in more detail by means of a survey of customers in the Konstanz marketplace. The Swiss National Bank surprised European financial markets and retailers on 15.01.2015 by issuing a press release announcing that “The Swiss National Bank lifts the minimum exchange rate of CHF 1.20 per euro.” (Schweizerische Nationalbank, 2015). This marked the end of an almost four-year bound between the Swiss franc and the euro in the form of a fixed minimum exchange rate. The subsequent collapse of the exchange rate led to a buying frenzy among Swiss consumers in German border towns, as the Handelsblatt noted in its article “Swiss in a buying frenzy” three days after abolition of the minimum rate (Handelsblatt, 2015a). For example, initial observations reported an increase of up to 60 per cent as Swiss consumers crowded into the Rheincenter mall in Weil am Rhein on the first Saturday (Handelsblatt, 2015b).

For the retail trade close to the Swiss border, the development described above (with the appearance of massive streams of visitors from the neighbouring country) is a pleasing and highly lucrative development. Nevertheless, there are still uncertainties regarding consumers coming from Switzerland. It
is difficult to find reliable information on the proportion of customers from Switzerland who shop in Konstanz. Furthermore, there is a lack of research in terms of cross-border shopping. The purchasing behaviour of Germans, Austrians and the Swiss has so far only been examined by Rudolph et al. (2014). In addition to this, Spierings and van der Velde (2012) research provides insights into ways in which people from the German French cross-border regions deal with differences. Furthermore, Bonn et al. (2012) explored the Mexican national cross-border shopping behaviour. Finally, a review of the most important literature on the phenomenon of cross-border shopping was conducted by Leal et al. (2010).

The aim of the study is to determine the proportion and characteristics of consumer behaviour among customers from Switzerland in comparison to customers from Germany within the context of the Konstanz marketplace, and to provide practical guidelines for sales personnel and businesses. Consequently, this leads to the following research question: What kind of consumer behaviour is demonstrated by consumers from Switzerland in a place close to the border, such as the city of Konstanz, in comparison to consumers from Germany?

The paper begins by reviewing extant literature regarding theories and models of cross-border shopping as well as the fundamental factors affecting consumer behaviour. Relevant hypotheses are then derived, and data collected, analysed and evaluated.

1. LITERATURE REVIEW

Cross-border shopping is defined by Reynolds and Darden (1972) as “the purchase of goods or services in another country by a consumer who foregoes local retailers and identifies shopping as a major motive for going abroad”. When shoppers cross a political boundary, outshopping becomes cross-border shopping (Sullivan & Kang, 1997). Marketers and retailers have long been interested in the “leakage” of customers from the local market to surrounding trade areas (Taylor, 1997).

The phenomenon of cross-border shopping corresponds to Petty and Cacioppo’s (1986) elaboration likelihood model of persuasion (ELM). The ELM proposes that attitudes might be formed and changed by logical reasoning and superficial judgements. Consequently, consumer behaviour plays an essential role within this process. According to Swoboda (2016), consumer behaviour is defined as “the behaviour of end consumers when buying and consuming economic goods or services”. Factors influencing consumer behaviour have been elaborated by numerous studies (Hofmann & Akbar, 2016; Foscht et al., 2015). Dmitrovic and and Vida (2007) examined examines consumer motivations for shopping abroad and explored the role of demographic versus socio-psychological factors in explaining the phenomenon of cross-bordershopping.

Evans, Lane and O’Grady (1992), who specifically examined the cross-border shopping of Canadians, found that lower prices, greater variety and better service appeared to be the primary motivating factors. Furthermore, Varshney and Goyal (2005) proposed the following psychographic variables, which they found to be positively associated with outshopping behaviour: urban orientation, financial optimism, level of confidence, shopping innovation, self-consciousness, shopping enjoyment and fashion consciousness. In addition to this, Diehl (2009) revealed that the influencing factors of cross-border shopping differ according to the level of the price that consumers are willing to pay.

Kunesova and Micol (2015) have investigated the development of cross-border B2C e-commerce within the EU single market in regard of the involvement of Czech e-shops, focusing on electronics, clothes and sports equipment. In addition to this, Segerer (2017) investigated the cross-border shopping behaviour and potential of Czech customers in Upper Palatinate (Bavaria), proposing concrete activities within the categories "welcome culture" and "marketing and communication". In another study, Wang (2004) studied Hong Kong residents crossing the border to shop and consume in Shenzhen. Wang found that the most important motivational reasons included lower prices; better quality, goods and services (not found in their home area); better customer service; a comfortable shopping environment; and convenient opening hours.

In conclusion, as asserted by Piron (2002), in addition to differential sales and tax rates between countries, other variables may also affect consumers’ motivation to engage in cross-border shopping, including
foreign currency exchange rates; duties, tariffs and goods restrictions; governmental subsidies for commodities; availability and/or the quality of goods and services or specific brands; border crossing access, costs and convenience; information sources; and consumers’ degree of ethnocentricity, to name but a few.

In the case of cross-border shopping in Konstanz, it needs to be highlighted that Swiss consumers are not bound by the 19 per cent VAT that is levied on German consumers. The VAT must be paid at the point of sale but can be reclaimed if the goods are exported in a customs-covered manner. Furthermore, in Germany, the prices of goods are significantly lower than in Switzerland (Swiss Retail Federation, 2015).

In summary, it can be concluded that there is agreement among researchers about the primary motivations for outshopping behaviour, such as financial benefits, a greater selection of merchandise, and higher quality goods and services (Dmitrovic and Vida, 2007).

The decisive “reason to buy” factors given above promote customer satisfaction, finally resulting in a purchase decision. The above-mentioned literature, therefore, indicates that the main variables determining consumers’ “reason to buy” are lower prices, VAT refunds, city ambience, product selection, gastronomy, service and travel distance.

2. DERIVATION OF HYPOTHESES AND METHODOLOGY

Based on the previously presented objective and research question, five hypotheses were formulated, detailed below.

As soon as it was announced that the Swiss franc would no longer be pegged to the euro, headlines such as “Swiss in a buying frenzy” began appearing in newspapers (Handelsblatt, 2015a; 2015b). The first hypothesis is formulated on the basis of these two articles, which state that on an average shopping day about 50% of consumers in Konstanz are from Switzerland. Consequently, the following hypothesis is proposed:

H1: Most consumers in the city of Konstanz are from Switzerland.

According to Pepels (2013), there is a need to understand shoppers’ reasons for buying in order to describe their customer behaviour. Furthermore, Pepels (2013) states the relevant factors as being pricing, shopping ambience, product selection and additional factors that result in a positive shopping experience. Consequently, the following hypothesis is proposed:

H2: Specific shopping-related criteria attract Swiss consumers.

Due to the high average gross earned income (Bundesamt für Statistik, 2016), combined with a historically favourable exchange rate, a higher budget for shopping can be expected, compared to German consumers. This leads to the following hypothesis:

H3: Swiss consumers generally have a higher budget than German consumers.

Furthermore, the higher financial leeway assumed (compared to the domestic shopping experience) also has a positive effect on the minds of Swiss consumers. It can, therefore, be assumed that customers coming from Switzerland are generally very satisfied with the shopping experience in Konstanz. Hence, the following hypothesis is formulated:

H4: Swiss consumers have different satisfaction criteria to German consumers.

Since Swiss shoppers have to travel further than German shoppers, it can be assumed that Swiss consumers shop less often. The frequency of visits variable describes how often a consumer visits the Konstanz marketplace. The following hypothesis can, therefore, be proposed:

H5: Swiss consumers generally shop less frequently than German consumers.

The next step involved defining the variables to be utilized, as in Table 1 (code plan) shown below.
A face-to-face survey based on a standardized questionnaire was conducted to collect data (Bortz & Döring, 2006; Möhring & Schlütz, 2010). The questionnaire was designed in three parts with an introduction, main part and conclusion, containing ten questions, with a total duration of approximately 5 to 10 minutes.

The aim of the introductory question was to arouse the interest of participants and motivate them to participate. The introductory statements were formulated as questions and served as an icebreaker, introducing participants to the interview situation and capable of being answered quickly with little cognitive effort (Möhring & Schlütz, 2010). After this introduction to the interview, the actual part of the survey began, which was surveyed in a standardized manner. The survey was completed by providing socio-demographic data and a postcode. In order to avoid answer tendencies based on social desirability, the questions were postulated appropriately (Schumann, 2006) and anonymity was guaranteed.

The survey was conducted in Konstanz, Germany. Since the overall sample of the visitors was unknown, street-intercept method using random sampling as a subset in order to represent the entire group was conducted. In social science, the street-intercept is a commonly used and proven methodology for data collection (Bush & Grant, 1995; Miller et al., 1997; Nowell & Stanley, 1991). The survey took place at two main central city locations. The survey was conducted at each location on three half-days (Tuesday morning, 0900–1300; Thursday afternoon 1300–1700; Saturday, 1100–1500). Every third person that passed-by was asked for participation. Tablets connected to the EFS Survey/Unipark online tool were used for data entry. In order to ensure a high level of representativeness, a total of 733 passers-by were interviewed. These included 434 women and 299 men. Evaluation of the data was carried out using SPSS statistics software.

3. RESULTS

Data obtained from the survey were merged and standardized for further analysis in SPSS. The quality of the data was assessed, and outliers, missing values, skewness and kurtosis were all checked. No abnormalities were observed, and the data were distributed normally. The five hypotheses were then examined using descriptive analysis for their interrelationships.

H1: Most consumers in Konstanz are from Switzerland.
The results reveal that consumers coming from Switzerland account for a not inconsiderable proportion (41%). On Saturdays, an average of just under 44% of passers-by arrive from Switzerland, compared with around 38% on Wednesdays (see Table 2). As a result, hypothesis 1 cannot be confirmed.

Tab. 2: Cross-classification table of day and country of origin

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>First day (Saturday)</td>
<td>216</td>
<td>114</td>
<td>102</td>
<td>-</td>
</tr>
<tr>
<td>Second day (Wednesday)</td>
<td>319</td>
<td>194</td>
<td>121</td>
<td>4</td>
</tr>
<tr>
<td>Third day (Saturday)</td>
<td>198</td>
<td>115</td>
<td>77</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>733</td>
<td>423</td>
<td>300</td>
<td>10</td>
</tr>
<tr>
<td>Proportion</td>
<td>100%</td>
<td>58%</td>
<td>41%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: authors

H2: Specific shopping-related criteria attract Swiss consumers.

A frequency analysis indicated that lower price is the most important factor for consumers. The second most important factor is the ambience of the city (a historic town with a picturesque location by Lake Constance, closely followed by the selection of products and good gastronomy). The VAT refund was not mentioned by Swiss consumers as being the main reason for coming to the German border town. The quality of service was mentioned as the last reason. It can, therefore, be concluded that Swiss customers visit the Konstanz marketplace mainly because of price advantages. Our analysis revealed the following ranking in terms of Swiss consumers’ reasons for buying (see Table 3): (1) price level; (2) ambience of the city; (3) product selection; (4) gastronomy; (5) VAT refund; and (6) service. Since the variable were measured using a scale, the mean value of each variable was determined.

Tab. 3: Frequency analysis of reasons for buying

<table>
<thead>
<tr>
<th></th>
<th>VAT Refund</th>
<th>Ambience of the City</th>
<th>Gastronomy</th>
<th>Price Level</th>
<th>Product Selection</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>158</td>
<td>205</td>
<td>156</td>
<td>231</td>
<td>183</td>
<td>117</td>
</tr>
<tr>
<td>Missing</td>
<td>142</td>
<td>95</td>
<td>144</td>
<td>69</td>
<td>117</td>
<td>183</td>
</tr>
<tr>
<td>Mean</td>
<td>3,69</td>
<td>4,23</td>
<td>3,87</td>
<td>4,74</td>
<td>4,55</td>
<td>3,44</td>
</tr>
<tr>
<td>Ranking</td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: authors

H3: Swiss consumers generally have a higher budget than German consumers.

A t-test analysis revealed a higher mean average budget among Swiss shoppers than German shoppers (see Table 4). It can be concluded that the average budget for Swiss consumers is 420 euros, whereas the average budget for German consumers is 300 euros. Consequently, it can be concluded that consumers from Switzerland spend more on an average shopping day. Hypothesis 2 can, therefore, be confirmed.

Tab. 4: Paired T-test of budget class and country of origin (source: authors)

<table>
<thead>
<tr>
<th>Country of Origin</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Mean Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget class</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>405</td>
<td>1.23</td>
<td>.652</td>
<td>.032</td>
</tr>
<tr>
<td>Switzerland</td>
<td>299</td>
<td>1.72</td>
<td>.855</td>
<td>.049</td>
</tr>
</tbody>
</table>

Source: authors
H4: Swiss consumers have different satisfaction criteria to German consumers.

For the analysis, (see Table 5) a ranking of the customer satisfaction criteria of each shopper group (Swiss and German) was determined in a first step and both rankings were compared in a second step (difference in ranking column). The results reveal that, in general, 46% of Swiss visitors and 34% of German visitors were fully satisfied with the marketplace in Konstanz when interviewed. On the other hand, most consumers from Germany (56%) as well as from Switzerland (20%) did not like the current parking situation. Furthermore, visitors (CH: 14%; D: 31%) also disliked the crowdedness of the marketplace. On the other hand, few objections were made in regard of customer service and product selection. Price levels, as already stated, did not cause any complaints. Consequently, shoppers appear to be quite satisfied with these issues. In general, it can be said that both consumer groups have similar (though not the same) expectations in terms of customer satisfaction.

Tab. 5: Customer satisfaction ranking by country of origin (source: authors)

<table>
<thead>
<tr>
<th>Customer Satisfaction</th>
<th>Difference in Ranking</th>
<th>Swiss Shoppers</th>
<th>German Shoppers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Swiss vs. German</td>
<td>Improvement Required (Ranking)</td>
<td>Valid</td>
</tr>
<tr>
<td>I am satisfied</td>
<td>1</td>
<td>1</td>
<td>300</td>
</tr>
<tr>
<td>Parking situation</td>
<td>-1</td>
<td>2</td>
<td>300</td>
</tr>
<tr>
<td>Crowdedness</td>
<td>0</td>
<td>3</td>
<td>300</td>
</tr>
<tr>
<td>Waiting times</td>
<td>1</td>
<td>4</td>
<td>300</td>
</tr>
<tr>
<td>Customer service</td>
<td>2</td>
<td>5</td>
<td>300</td>
</tr>
<tr>
<td>Product selection</td>
<td>0</td>
<td>6</td>
<td>300</td>
</tr>
<tr>
<td>Price level</td>
<td>-3</td>
<td>7</td>
<td>300</td>
</tr>
</tbody>
</table>

Source: authors

H5: Swiss consumers generally shop less frequently than German consumers.

In order to be able to test the fifth hypothesis, frequency and country of origin were linked in a cross-classification table. An analysis of both Germany and Switzerland was conducted ("Other" countries were disregarded in this evaluation). Table 6 below shows the country-specific distributions.

Tab. 6: Cross-classification table of country of origin and frequency of visits

<table>
<thead>
<tr>
<th>Country of Origin</th>
<th>Frequency of Visits</th>
<th>Total = n</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Daily</td>
<td>Weekly</td>
</tr>
<tr>
<td>DE absolute</td>
<td>68</td>
<td>124</td>
</tr>
<tr>
<td>DE in %</td>
<td>16.6%</td>
<td>30.3%</td>
</tr>
<tr>
<td>CH absolute</td>
<td>7</td>
<td>46</td>
</tr>
<tr>
<td>CH in %</td>
<td>2.0%</td>
<td>15.1%</td>
</tr>
</tbody>
</table>

Source: authors
The data show that German consumers reported doing "daily" and "weekly" visits more often than Swiss consumers (approximately 30%). In addition to this, the fact that consumers from Switzerland visit the Konstanz marketplace less frequently than consumers from Germany can also be seen by conducting a t-test (see Table 7).

Table 7: Paired T-test of frequency and country of origin (source: authors)

<table>
<thead>
<tr>
<th>Country of Origin</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Mean Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>409</td>
<td>3.11</td>
<td>1.670</td>
<td>0.083</td>
</tr>
<tr>
<td>Switzerland</td>
<td>300</td>
<td>3.99</td>
<td>1.582</td>
<td>0.092</td>
</tr>
</tbody>
</table>

DISCUSSION, AND THEORETICAL AND PRACTICAL CONTRIBUTION

This study set out to determine the proportion and characteristics of consumer behaviour among customers from Switzerland in comparison to customers from Germany within the context of the Konstanz marketplace. As a result, a research questions was formulated, five hypotheses were drawn up and the collected data were analysed. An evaluation was made of the proportion of Swiss consumers, their purchasing power, purchasing preferences and shopping motives. In reference to the research question, the most relevant results are presented below.

The first hypothesis (that “Most consumers in Konstanz are from Switzerland”) could not be verified as the proportion of Swiss shoppers on the three survey days (two Saturdays and one Wednesday) averaged 41% (visitors from Germany: 58%). Nevertheless, it should be noted that customers from Switzerland account for a considerable proportion of consumers in the Konstanz marketplace.

With regard to the second hypothesis (that “Specific shopping-related criteria attract Swiss consumers”), 111 out of 300 Swiss consumers indicated that low prices (price levels) were the main reason for them shopping in Konstanz, while the VAT refund was only given as being the most important reason by only 21 participants. As a result, the analysis has revealed the following order of relevence: (1) price level; (2) ambience of the city; (3) product selection; (4) gastronomy; (5) VAT refunds; and (6) service.

In terms of the third hypothesis (that “Swiss consumers generally have a higher budget than German consumers”), the data reveal that most consumers from both Germany and Switzerland have a budget of between 0 and 150 euros (84% and 49%, respectively). However, a total of 51% of the Swiss consumers reported having a significantly higher budget available on some occasions, whereas German consumers with budgets in the higher ranges amounted to only 16%. In conclusion, it can be said that Swiss shoppers (budget approximately 420 euros) have a higher budget than German shoppers (budget approximately 300 euros). This hypothesis can, therefore, be confirmed.

In the next step, the fourth hypothesis (that “Swiss consumers have different satisfaction criteria to German consumers”) was evaluated. The data show that Swiss shoppers have slightly different expectations than German shoppers. When focusing on Swiss consumers, Konstanz should seek to reduce “waiting times”, while, for German consumers, the actual “price level” should be taken into consideration. On the other hand, two areas have been identified where improvement is needed: the “parking situation” and “crowdedness”. However, it should also be stated that participants expressed general satisfaction with the marketplace. Of the Swiss consumers, 46% stated that they were satisfied with the marketplace, whereas only 17.9% of the German consumers expressed this opinion.

Finally, analysis of data in relation to the fifth hypothesis (that “Swiss consumers generally shop less frequently than German consumers”) indicates that German consumers do visit the Konstanz marketplace more frequently than those living in Switzerland. As a result, this hypothesis can be verified.

Even though the proportion of consumers from Switzerland was not as high as expected, as a surprise, the VAT refund was not found to be the main reason for travelling, analysis shows that Swiss consumers play a very important role in the Konstanz marketplace. The combination of price devaluation, higher
purchasing power and price advantages (in comparison with the Swiss retail trade) has a very strong 
effect on the retail trade in Konstanz, and Swiss customers are, therefore, extremely important. 
Several managerial contributions can be drawn from these findings. In order to improve the local business 
in Konstanz, governmental bodies conducting location promotion should seek to maintain the ambience 
of the city and improve the parking situation as well as the crowdedness, whereas local shops need 
to maintain their price advantage and should try to reduce waiting times. 
According to Reidenback, Cooper and Harrison (1984), there are two basic problems with outsourcing 
 studies, namely generalization of results and development of theory. In addition to this, Hozier and Stem 
(1985) have cited the lack of studies and limited generalizability across geographic boundaries 
and product classes. Furthermore, it needs to be added that our survey provides only a snapshot 
of customer characteristics on the days when it was carried out and not a comprehensive evaluation that 
can be applied to all buyers in Konstanz. However, the results provide a deeper insight into the Konstanz 
marketplace and could be used to support successful orientation of marketing instruments in retailing. 
There is room for further research. Future studies could expand the sample and include other border 
towns in Germany as well as in Switzerland. In addition to this, since the present study did not include 
the differences of gender, this could also be investigated in a future study.

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