



# Mexican national cross-border shopping: Exploration of retail tourism

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## ABSTRACT

This exploration of cross-border shopping by Mexican national shoppers at a regional discount outlet mall studies the: (1) economic impacts of their expenditures on the local and regional economies, and (2) activities they engage in while at the outlet malls and benefits received from shopping there. Spending by cross-border shoppers varied by accommodation type; hotels or motels/friends and family spent approximately \$800 (U.S.) on clothing daily and condominiums/day visitors between \$400 and \$475 (U.S.). The multiplier for cross-border spending at the local level ranged from 1.27 to 1.45. Top cross-border shopper activities were shopping and buying, followed by eating, and visiting.

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## 1. Introduction

The topic of shopping as a leisure activity is the subject of exploration in travel research (Law and Au, 2000; Tosun et al., 2007). It is evident that consumers willingly combine shopping with vacations, holidays, and trips during their work-related travel (Ghaddar and Brown, 2005; Timothy and Butler, 1995). Tourists choose to travel outside of their usual environment for leisure activities (Govers et al., 2008). Specifically, tourists who travel to another country's border for the explicit purpose of shopping are known as *cross shoppers*. Cross border shopping (i.e., shopping that is done outside a geographic location) has occurred for centuries and gained popularity (Oh et al., 2004; Robertson and Fennell, 2007). Henceforth, research confirms that cross border shopping and major leisure activities are an important part of travel (Law and Au, 2000). Previous literature on cross border shopping has also pointed out characteristics of cross border shoppers and identified them as consumers who belong to higher income groups, have fewer children living at home, and have negative attitudes towards the products sold in their local area (Herrman and Belk, 1968; Rosenbaum and Spears, 2005). It is important to understand if and how cross-border contributes to the vitality of U.S. retail sector and communities.

Given the close proximity of Mexico and the U.S., cross border shopping has become a notable feature. Literature on cross border shopping has been interchangeably used as the phenomenon of

'outshopping' (Guo and Wang, 2009). Outshopping occurs when consumers leave their local community to purchase goods or services (Sullivan and Savitt, 1997). When consumers leave a community to shop, retail sales leakage occurs in the communities where consumers live (Burns et al., 1999; Sullivan and Savitt, 1997). In their recent study, Guo and Wang (2009) refer to outshopping as shopping outside one's local community for various reasons such as to obtain better quality merchandise at relatively competitive price points and pleasant shopping environment. Although research stream on cross border shopping or outshopping has eventually matured, there remains a need to understand comprehensive relationships associated with cross-border "visitor" shopping behavior. This study attempts to focus on various relationships associated with travel and shopping. The advantages of this study are two-fold. First, information discovered in this exploratory study will generate additional constructs to examine an in-depth study of visitor cross-border shopping. Second, this exploratory probes geographically focused consumer spending and its contribution to economic development at the local and regional level.

This exploratory study specifically examines the topic within the context of cross-border shopping which occurs when consumers cross an international boundary into a geographically adjacent country for the purpose of shopping (Sullivan and Kang, 1997; Timothy, 1995). Mexican national shoppers at a regional discount outlet mall were used to understand the proposed research objectives in this study. The Mexican shoppers were interviewed regarding information about: (1) economic impacts of their expenditures on the local and regional economies, and (2) activities they engaged in while at the outlet malls and benefits received from shopping there.

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## 2. Literature review

### 2.1. Cross shopping

Cross-border shopping occurs when consumers travel outside their local area and cross a national boundary into an adjacent country primarily to shop (Dmitrovic and Vida, 2007; Mogab et al., 2005; Sullivan and Kang, 1997). Around the world, cross-border shopping is a common activity (Timothy, 1995) that is increasing (Nijssen and van Herk, 2009). The number of times consumers cross a national border or leave their local area to shop in a year is a measure of both outshopping and cross-border shopping (Dmitrovic and Vida, 2007; Piron, 2001; Sullivan and Kang, 1997).

Products, lifestyle brands, and images from other cultures now become attractive and exciting to consumers willing to travel in search of unique goods and services. Cornwell and Drennan (2004) assert that the similarities among consumers across the globe are increasing due to media, exposure to global communications, and mobility which results in increasing homogeneity amongst consumers. At the same time, it is also believed by researchers that consumers, especially from Mexico, are motivated to perform outshopping activities in the U.S. for various reasons.

These reasons include having a better perception of quality and wider options of the merchandise at more competitive prices, reliable after-sales service, warranties, access to latest products, and a safe and pleasant shopping environment (Dawson and Garland, 1983). Guo et al. (2006) proposed psychological factors for outshopping by Mexican consumers in the U.S. by using Hofstede's cultural dimensions; however, the relationships were found to be not significant. Also, country of origin influences the types of products purchased during a cross-border shopping trip. Cross-border shoppers tend to be less ethnocentric than other consumers (Nijssen and van Herk, 2009). Relationships between cross-border shoppers and service providers develop. These relationships have a transactional dimension present. Product authenticity can also be considered an important reason for cross shopping. For example, in a Turkish study, Tosun et al. (2007) described visitors' satisfaction with shopping attributes, store features, sales staff service and quality. The study documented the activity of shopping as the third most important reason for visiting Turkey, while product authenticity was reported as the most important motivation for shopping.

Burns et al. (1999) suggest visitor sensation with different experiences may affect the visitor's choice of shopping destination. Visitors with different levels of need for sensation, or different experiences will vary in their propensity to outshop. Education, income, credit, gender and number of children under 18 living at home positively predict the money spent outshopping, while age negatively predicts dollars spent on shopping (Sullivan and Savitt, 1997). A study of international outshopping, when consumers cross a country border to shop, indicates about two thirds of outshoppers shop with family members and about one-quarter do so with friends (Piron, 2001). The primary mode of transportation in Piron's study of outshopping in Singapore was an automobile, followed by public bus. Travel costs ranged from \$3 to \$30 (U.S.). Pleasure and vacation were given as secondary reasons for visiting the international outshopping location, suggesting these psychological benefits sought during the travel experience are closely connected with shopping. About 27% of outshoppers' purchases were for food and beverages, 24% for groceries, and 17.5% for fashion products. Products sold outside of their local community were perceived by frequent outshoppers as having superior quality. Both frequent and infrequent outshoppers view product prices at the outshopping location as more competitive than in their home market. Apparently, Mexican

cross border shoppers' expenses on travel, dining, and shopping contributes to the regional area and the local community of the retail outlet.

International outshopping and cross-border shopping satisfy consumers' needs and provide them with benefits sought including value, relaxation, pleasure, variety seeking, sensation seeking or a learning experience (Moscardo, 2004; Burns et al., 1999). One study found that consumers crossing borders for the purpose of shopping are motivated and influenced by dissatisfaction with local market conditions, currency rates, and government policies, such as excise taxes (Cornwell and Drennan, 2004).

### 2.2. Travel

Travel activities include transportation, accommodations, dining, shopping, and other activities (Mossberg, 2007). Tourists are defined by both distance and amount of time spent away from home (Timothy, 1995). Masberg (1998) questioned visitor bureau professionals to explore the definition of a "tourist." The criteria used most often to define a tourist reported by respondents was distance traveled (65.3%), followed by purpose of the trip (56.9%), residence of the traveler (54.25%), and length of stay (45.8%). Furthermore, the concept "usual environment" in the definition of "tourist" helps differentiate visitors from residents or others, such as commuters or students in a given location (Govers et al., 2008). However, the more frequently an attraction is visited, the more likely the consumers perceive that location as a part of their "usual environment," rather than a tourist destination. Timothy (1995) suggests the definition of the tourist is operationalized through recognition that travel includes crossing some political boundary, such as municipality, county, state, region and country. For international travel, the actual border may function as a visitor attraction with common activities that include dining, shopping, sightseeing and night life entertainment.

Recent literature on cross border shopping indicates a relationship between travel destination related activities and culture (Kongsompong, 2006; Rosenbaum and Spears, 2005; Lehto et al., 2004). In general, consumers shopping outside their home country visit the United States in search of bargains and often report their economic savings from purchasing certain items at a deep discount (Jackson, 2007). In this regard, various companies sell shopping trip packages and promote U.S. malls in foreign markets. In their promotion, the United States is frequently positioned as an "inexpensive and varied shopping destination" (Jackson, 2007, p. W1). Besides shopping for inexpensive items, one of the fastest growing segments of visitor shoppers is the group that travels for the purpose of "attending conferences and meetings". Shopping activities are included in conference itineraries as they help generating conference attendance. Research documents that business visitors typically spend more than leisure visitors (Robertson and Fennell, 2007).

Moscardo (2004) found away-from-home visitors, those staying at a travel location at least one night, ranked shopping relatively low (21 out of 28) as an important criterion for visiting a destination. This same study categorized visitors into four distinct groups with respect to shopping: (a) serious shoppers, (b) arts and crafts shoppers, (c) not so serious shoppers, and (d) non-shoppers.

*Serious shoppers* had visited the area before, spent the most amount of money, and remained in the area longer than the other groups. Serious shoppers stayed in expensive accommodations or with family and friends. Serious shoppers found features such as beach style holiday resort experience, fashionable place, well-known nightlife and entertainment places, and places to talk about at home more important than other groups of shoppers. Serious shoppers also showed a high level of participation in most

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