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## The concept of digital shadow economy: consumer's attitude

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### Abstract

The article covers a new topic in the sphere of digital shadow economy – consumers' attitudes towards this phenomenon. Increasing transfer of transactions to electronic space determines the growth of the number of illegal digital operators and promotes consumers' involvement in digital shadow trade. Scientific literature does not contain any universal definition of digital shadow economy. Hence, the variety of terms, interpretations and features relevant to this phenomenon is rather wide, which determines the necessity to define the precise concept of digital shadow economy from the point of view of consumers as active participants in this field. This article is aimed at definition of the concept of digital shadow economy from consumers' position and identification of the measures would discourage potential consumers from participation in digital shadow economy. To increase the size of the survey sample, the method of "snowball" was engaged. The results of the research have revealed that consumers are inclined to distinguish criminal activities (drugs, prostitution, credential steals, etc.) from illegal economic activities, which also violate established legal norms and regulations. The participants of the survey perceive that the activities of digital shadow economy are performed exceptionally in electronic space without official registration of business and evading tax payment. Participation in digital shadow economy is voluntary and mutually beneficial to both transaction parties (a trader and a consumer). With reference to the results of consumers' evaluation, definition of digital shadow activities as illegal ones, development of the efficient legal framework, containing clearly established criminal and/or administrative responsibility for a consumer as a party of digital shadow transaction, public announcement and availability of the information on illegal e-traders in e-space, availability of appropriate protection software, more intensive supervision and control, establishment of e-police department and assurance of the sufficient number of supervising officers can be considered the most efficient measures of digital shadow economy prevention.

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*Keywords:* digital shadow economy, consumers, shadow economy, snowball.

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## 1. Introduction

With reference to Petrovic – Lazarevic and Sohal (2004), e-business, which refers to the transactions conducted over computer networks, has been of considerable interest to practitioners and researchers primarily because of its influence on digital market participants. Removing numerous barriers (e.g. geographical, complex transaction, complicated payment, etc.) and ensuring the variety and availability of products and services on offer, an explosive growth of online business has provided a wealth of opportunities for consumers to become participants of digital shadow economy, i.e. obtain items and services from illegally operating online entrepreneurs (Dobson et al. 2015). Numerous social drivers such as the contrast between personal and corporate or low level of public self-consciousness determine social acceptability of online purchases without making sure whether a supplier operates with complete legality or even realising the offensive nature of the activities.

Thus far, the studies on the topic of digital shadow consumption have basically covered the analysis of the particular forms (e-fraud – Gregg, Scott, 2006; Blackledge, Coyle, 2010; Akintoye, Araoye, 2011; Vlachos et al. 2011; Amasiatu and Shah, 2014 and others; digital piracy – Hill, 2007; Higgins, 2007; Williams et al., 2010; Belleflamme, Peitz, 2010; Yoon, 2011; Camarero et al. 2014; Vida et al. 2012; Taylor, 2012; Yu et al., 2015 and others or social determinants (contrast between personal and corporate - Calluzzo, Cante, 2004; Shang et al., 2008; Williams et al., 2010; low level of public self-consciousness - Amasiatu, Shah, 2014; social bonding - Higgins et al. 2008; Yu et al., 2015; relativism - Arli et al., 2015) of this phenomenon. However, the concept of digital shadow economy from consumers' point of view has hardly been researched. The research of consumers' attitudes towards digital shadow economy is scientifically significant due to several reasons. Firstly, formulation of the concept of shadow economy would enable to define the gap between official and unofficial economies, perceiving which consumers would make a conscious decision on participation in or retraction from digital shadow activities. Secondly, definition of the concept of digital shadow economy from consumers' position, would contribute to the development of the measures aimed at management and control of this phenomenon. The general aim of this research is to define the concept of digital shadow economy from consumers' position and identify which measures would discourage potential consumers from participation in digital shadow economy. For the fulfilment of the defined aim, the following objectives have been raised: 1) to analyse the terms and interpretations of digital shadow activities available in the scientific literature; 2) to select and present the methodology of the research; 3) to introduce the results of the empirical research on the concept of digital shadow economy and the measures of digital shadow economy prevention from consumers' point of view. The methods of the research include scientific literature analysis and consumer survey, carried out engaging the method of "snowball" for data collection

## 2. Digital shadow activity related terms and interpretations

Diversity, volatility and fast advance of technologies have determined a variety of the terms, concepts and interpretations referring to different types of illegal digital activities, the literature on which has not still established a common terminology of digital shadow economy. The analysis of the scientific literature has enabled to systematise digital shadow activity related terms by distinguishing three basic term groups: the terms reflecting the nature of digital shadow activities; the terms reflecting the role of a supplier as the main agent; and the terms reflecting the role of a consumer as the main agent. The terms and concepts attributable to each of the groups mentioned above as well as their interpretations, proposed by different authors, have been introduced in Table 1.

Table 1. Digital shadow activity related terms

Terms	Interpretation	Author(s), year
Terms reflecting the nature of activities		
	Profit-driven offences committed exploiting networked technologies	Moore et al. (2009); Herley, Florencio (2010); Yip et al. (2012)
Digital illegal economy	Income generated by economic activities online, performed violating the defined legal regulations on commerce	Ahmad (2008); Arango, Baldwin-Edwards (2014)
Digital unreported economy	Unregistered economic activities online, performed evading tax contributions	Feige (2007); Feige (2012); Gaertner, Wenig (2012)
Digital unrecorded	Economic activities online, performed circumventing the	Karanfil (2008); Feige, Urban (2008)

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