

The factors of digital shadow consumption

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Abstract

Increasing volumes of e-trade contribute to motivation of consumers to obtain commodities and services in electronic space. At the same time, upsurge of e-trade determines rising scopes of shadow economy in respect of favourable conditions for traders and service providers to operate in e-space evading tax paying. The purpose of the article is to identify the factors of digital shadow consumption. In order to fulfil the defined purpose, the empirical research – survey of consumers (e-trade participants) – was performed. The research of the scientific literature has revealed that thus far the problem of consumers' participation in digital shadow economy has been basically analysed focusing on the impact of e-payment systems on shadow economy. Nevertheless, the rapid spread of e-services determines the changes in the concept of shadow economy itself. It remains indistinct which features indicate whether economic activities performed in e-space should be accounted or not. Widely exploited e-spaces such as social network platforms, alternative future currencies, e-trade systems, cyber computer games or online gambling terminals generate turnover of real money (or its electronic equivalent), which is not officially accounted.

The problem raised in this article is highly topical for Lithuania, where online networks as well as mobile connection systems are comparatively advanced (with reference to the data of Lithuanian Department of Statistics, the number of households possessing a computer and the Internet access made over 65% in 2013). Intense exploitation of advanced IT technologies and online networks is considered as a breeding ground for generation of digital economy, a part of which is presumed to be digital shadow. The results of the research have revealed that the most significant factors of digital shadow consumption include lower prices of products and services in digital black markets, unfavourable economic situation in the country, technological advancement, IT advantages, time saving obtaining a product/service in the local market and lack of opportunities to obtain a desired product in the local market. The majority of the consumers neither verify the status of a trader nor request (or not always request) purchase confirmation documents, which highly contributes to motivation of an illegal trader to maintain e-activities unregistered, this way escaping revenue taxation.

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1. Introduction

Customers' illegal activities in e-space (i.e. getting particular products or services online without paying for them or paying only a part of the decent amount) are treated as a part of digital shadow economy since this way consumers deprive a legal seller or service provider from the revenues that could have been legally earned, accounted and declared (Gasparyniene & Remeikiene, 2015). In fact, consumers' participation in digital shadow economy may determine negative consequences for different economic subjects, including legally operating companies, which experience higher operational costs due to competition with successful illegally operating traders, thus losing a significant share of potential profits, and other consumers, who lose their benefits obtaining more expensive items or services, offered on the basis of an officially registered business. Moreover, the spread of digital shadow consumption may undermine the general level of public morale and reduce society's self-consciousness.

In order to design the appropriate measures, aimed at reduction of the scopes of digital shadow consumption, first of all, it is purposeful to research the factors that determine consumers' involvement in it. The previous scientific research on the topic of consumers' participation in digital shadow economy is basically limited with the studies on e-fraud (Amasiatu & Shah, 2014; Mello, 2013; Vlachos, Minou, Assimakopoulos, & Toska, 2011; Yip, Shadbolt, Tiropanis, & Webber, 2012) and the motives of digital piracy (Amasiatu & Shah, 2014; Arli, Tjiptono, & Porto, 2015; Camarero, Anton, & Rodriguez, 2014; Sirkeci & Magnusdottir, 2011; Taylor, 2012; Vida, Koklic, Kukar-Kinney, & Penz, 2012; Williams, Nicholas, & Rowlands, 2010; Yu, Young, & Ju, 2015 and others). However, the factors of digital shadow economy have never been comprehensively researched either in national or in international levels. Identification of the factors of digital shadow consumption would not only provide the clear view of what this phenomenon refers to, but would also contribute to purposeful establishment of the measures aimed at prevention of digital shadow economy. With reference to Fullerton and Punj (2004), "an investigation of the darker side of consumers is worth in view of the considerable financial and non-financial consequences emerging as a result of their behaviors" (p. 1239). Considering the reasons explicated above, this article **is aimed** at identification of the factors of digital shadow consumption. For the fulfilment of the defined aim, the following **objectives** have been raised: (1) to analyse the theoretical literature on possible drivers of digital shadow consumption; (2) to select and present the methodology of the research; and (3) to introduce the results of the empirical research. **The methods** of the research include systematic and comparative analysis of the scientific literature, and consumer survey, carried out engaging the method of "snowball" for data collection.

2. Drivers of digital shadow consumption: theoretical background

Although scientific literature does not contain a precise definition of digital shadow consumption, closely related concepts such as consumer misbehaviour (Fullerton, Punj; Amasiatu, Shah, 2014), aberrant consumer behaviour (Harris, Daunt, 2011; King, Dennis, & McHendry, 2007), deviant consumer behaviour (Moschis, Cox, 1989; Siegel, 1993) or dysfunctional consumer behaviour (Harris, Daunt, 2013; Harris, Reynolds, 2003) are proposed. According to Amasiatu and Shah (2014), consumer misbehaviour may be defined as "consumer actions which violate the generally accepted norms of conduct" (p. 807), which, with reference to Moschis and Cox (1989), are formed on the basis of customs, regulations, rules, laws or social norms. Reynolds and Harris (2009) note that following their personnel benefits, consumers often behave negatively, consciously ignoring regulations of legality and disrupting functional interests of other transaction participants. Hence, it can be stated that, in its general sense, digital shadow consumption refers to benefit-driven and legal or social norms violating consumers' activities online, basically related to acquisition of products and services.

The analysis of the scientific literature has enabled to systematize theoretical drivers of digital shadow consumption (see Table 1).

As it can be seen from the data presented in Table 1, the drivers of digital shadow consumption fall into economic (market), source, social, risk, moral, technology, institutional and situational groups. Economic (or market) drivers, covering price, cost reduction and consumer benefit, have been acknowledged as the most influential. Considering price as a driver of digital shadow consumption, two different aspects must be considered. At first, online traders may offer lower prices due to lower digital business costs (absence of premise rent, staff maintenance costs, etc.). On the other hand, a substantial number of the authors established that price difference between the authentic and pirated products traded online positively influences consumers' willingness to purchase a product

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