The Impact of Country-of-Origin on Liability-of-Foreignness

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Doctor of Philosophy

Presented By

Natascha Loebnitz

Faculty of Business, Technology, & Sustainable Development
Bond University

Queensland, Australia

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Statement of Originality

This thesis contains no material that has been accepted for the award of another degree at a university or other educational institution. To the best of my knowledge and belief it contains no material previously published or written by another person or persons except where due reference has been made.

……

Natascha Loebnitz

Faculty of Business,
Bond University,
Australia,
December 2009

DEDICATION

To my dad

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ABSTRACT

This study explores liability-of-foreignness (LOF) and how multinational corporations (MNCs) can develop competitive strategies in order to adapt to consumers' perceptions of tangible and intangible sources of LOF as a result of negative stigmatization of marketing mix elements used in the foreign market.

Upon entering a new and foreign market, MNCs encounter business environments that are far more diverse and complex that what they are accustomed to experiencing in their home market. MNCs face inherent impediments by gaps in understanding consumers' perception of respective market offerings that impact both the firm's external and internal environments, and thus, experience costs associated with marketing efforts. The costs incurred in overcoming such differences have often been grouped under the umbrella term LOF in the international business literature.

One of the major concerns of international marketers is whether the "foreignness" of a product will make it less preferable to consumers in different countries. The marketing literature covers this lack of legitimacy of foreign products under the heading of "country-of-origin effects", which affect customers' beliefs about products and services and have been identified as permanent aspects of LOF. Through the process of stigmatization, certain products are systematically excluded, because they are foreign-produced goods.

The purpose of this dissertation is three-fold. The first objective is to carry out a thorough review of extant literature by linking well-established streams of literature concerning COO, stigmatization as a result of underlying levels of consumer ethnocentrism, and the frequently discussed debate of adaptation versus standardization in the international marketing literature in an effort to provide a basis for explanation of individual cultural differences of LOF. The second goal is to develop the conceptual framework of the impact of COO on individual LOF by extending previous work on COO effects under stigmatization theory and depicting the hypothesized interrelationships between each construct. Testing the entire conceptual framework would be beyond the scope of this thesis, thus, the focus of the empirical study is the marketing of foreign services. Therefore, the third objective is to explore the relationship between stigmatization, global awareness, and consumers' preference for eight service categories, as stigmatization is the main focus of the model. In particular, the empirical employs ordered logit regression (OLR) to examine

the preference patterns of American, European, Australian, and Asian consumers for services originating from six different foreign countries for seven service categories (education, medical, law, advertising, entertainment, IT, and travel services). Results indicate that the observed variability in preference (variations in R^2 value up to 33.5 percent) is linked to stigma. However, the latter's capability in explaining consumer's preference patterns is dependent on the specific country of origin, the particular service category, and participants' characteristics such as culture and gender. Implications of the findings are considered and future research directions identified.

This dissertation contributes by extending stigmatization in the marketing and international business domain, addressing the ramifications of LOF for six different COOs on the individual level of analysis.

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