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The Impact of Country-of-Origin on the Liability-of-Foreignness in the Acceptance of Products in the Global Marketplace

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ABSTRACT

Upon entering a foreign market, multinational corporations (MNCs) encounter business environments that are far more diverse and complex than what they are attuned to experiencing in their home market. MNCs face inherent encumbrances due to spatial distance, unfamiliarity with the local environment, differential treatment by the host country, and costs imposed by the home-country environment, pertaining to the construct liability of foreignness (LOF). While prior research empirically demonstrated LOF's existence at firm level of analysis with respect to various costs (e.g. survival, revenue, labor lawsuits, profitability), surprisingly little empirical work has been conducted on marketing derived costs, particularly at the individual level of analysis. This article elucidates LOF as marketing derived costs due to divides in understanding consumers' perception of respective market offerings that impact both the firm's external and internal environments as a measure of negative stigmatization.

Drawing upon well-established streams of research from the international management and marketing literature, a conceptual framework of the impact of COO on individual LOF by extending previous work on COO effects under stigmatization theory was introduced. Propositions and recommendations to stimulate future research are offered. The authors discuss future research directions and managerial implications.

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