UNIVERSITY OF TWENTE.

MASTER THESIS

Country-of-origin effects in entrepreneurial context: a quantitative study in Serbia and the Netherlands

An empirical evaluation of the effect of communicating a company's liabilities of newness on the consumers' purchase intention, product quality perception, and design quality perception

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Abstract
The purpose of this paper is to examine what kind of effect open communication of a company's liabilities of newness has with prospective customers on country-of-origin effects. The concept of country-of-origin (COO) effects is adjusted to an entrepreneurial context with a focus on four aspects of the COO construct, as well as on the product quality perception, design quality perception, and consequently the purchase intention. A sample size of 424 is used as the basis for the analysis and the approached respondents were randomly assigned to one of the sixteen surveys. Seven surveys contained communication manipulation in the product advertisements for the smart television and Segway. The communication manipulation in the surveys expressed the liabilities of newness of a company. The results show that the perception of product quality, perception of design quality, and purchase intention is influenced by the COO aspects and country images. However, the impact and power differ per aspect. Prospective customers consider both country image and COO aspects when judging the product quality, design quality, and determining the purchase intention for products. Including product familiarity on the COO effects, two relationships emerged concerning the product quality perception, design quality perception, and purchase intention. The positive relationship confirms the 'halo effect' where prospective customers with low product familiarity are influenced by COO effects and the negative relationship showed that prospective customers with high product familiarity are also influenced by COO effects. The results suggest that communicating liabilities of newness of a company to prospective customers is counterproductive since this type of communication does not yield positive effects on any of the individual country of origin aspects.

Key words
Country-of-origin, Country-of-ownership, Country-of-design, Country-of-assembly, Country-of-parts, Country image, Communication, Liability of newness, Quality perception, Product familiarity, Purchase intention.

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LIST OF ABBREVIATIONS

ANOVA	Analysis of Variance
B	Unstandardized Coefficients
CA	Country-of-assembly
CD	Country-of-design
CO	Country-of-ownership
COO effects	Country-of-origin effects
CP	Country-of-parts
e.g.	exempli gratia (for example)
Et al.	et alia (and others)
F	F value
i.e.	id est (that is)
M	Mean
N	Total number of respondents
NL	the Netherlands
R^2	R-squared
Sig.	Significance
SRB	Serbia
SPSS	Statistical Package for Social Sciences
t	Size of the difference relative to the variation in the sample data
VC	Venture Capital

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1. INTRODUCTION

1.1 Background information

The process of globalization, persuasion of global market expansion strategies, and outsourcing of supply chain core activities have been intensified by businesses for decades. Opportunities were unlocked for companies where advantages could be taken to have product parts manufactured in countries with lower labor wage rates, as well as having diverse design and engineering tasks outsourced, for example through the establishment of overseas design centers (Chao, 1998). The search for opportunities in the global market has caused and also increased international competition between businesses. Hybrid products appeared in markets where a local manufacturer is involved, but the product carries a foreign brand. Another option for businesses is to have a product with a local brand but created in a different country (Czepiec & Cosmos, 1983; Johanson and Nebenzahl, 1986; Yamen, 2008). However, numerous products face a mismatch between the brand origin and the country-of-origin (hereafter referred to as COO) marked on the product (Yamen, 2008). Several factors have been identified that influence the growing amount of competition and also the evaluation of (hybrid) products and services, for instance, country perception and brand name (Rezvani et al., 2012). The increasing amount of (new) operations in foreign countries has made the appearance possible of a phenomenon called COO effects.

Companies are aware of the effects of the COO phenomenon and what kind of influence it has on developing economies. These effects are recognized as important factors that also affect the competitive market, as well as the purchase intention of consumers (Rezvani et al., 2012). Hence, valuable implications concerning branding, relocation, and communication strategies can be offered for companies (Essoussi & Merunka, 2007). As a result of the worlds' broken-up value chain, the design of products is often done in one company, and manufacturing occurs in another company. For example, Apple Inc. designs its products mostly in California, parts are sourced from all over the world from suppliers in East Asia, North America, and Europe, and the final products are assembled in Foxconn factories in China. This process separation requires companies to have well-established cooperation's with its partners in the supply chain to improve end-product quality. Moreover, the management of design quality and product quality constantly needs to be considered by businesses, since the product quality depends on the design quality (Zhu, Alard & Schoensleben, 2007).

The diverse amount of studies regarding COO effects try to understand how individuals become aware of and judge products derived from a certain country (Roth & Romeo, 1992). Consumers face a constant stream of diverse product information which is brought to them through different channels, such as advertising, branding, and packaging. Eventually, consumers create emotions, feelings, preferences, and make purchase decisions through the received information (Verlegh & Steenkamp, 1999). Different cultural, political, historical, or economic factors that are unrelated to product performance let consumers form positive or negative feelings about a country. These feelings can also influence the evaluation and purchase intention of products. Consumers that are relying on general impressions of a country to create opinions about the attributes or performance of products can be seen as a type of 'halo effect' (Maheswaran & Chen, 2009). Additionally, the COO has an impact and major significance on consumers' behavioral intentions, quality perceptions, and evaluation of products, design, performance, price, and purchase decision (Agrawal & Kamakura, 1999; Lin & Chen, 2006; Maheswaran & Chen, 2009).

COO studies from 1965 until the early eighties are considered as simple single-cue studies that exaggerated the COO impact on the consumers' product evaluation (Dinnie, 2004). The first study conducted in COO literature was of Schooler (1965) where it was established that a COO effect occurs and that the judgment of consumers about a product can be influenced through the COO of that product. However, no observations were done in what direction the COO effect goes and what the strength is. At the end of the eighties, the findings of earlier studies were doubted (Dinnie, 2004). According to Ettenson, Wagner, and Gaeth (1988), as well as Johansson, Douglas, and Nonaka (1985), the COO effects in previous studies were not examined through a multi-cue approach and therefore the effect of COO as a single cue was inflated. Hence, multi-cue studies state that not only COO information can influence the evaluation of a product by consumers, but that other product cues might influence it even

more, for instance, price and quality. After this period, studies assessed the COO effects with a multi-attribute approach to observe how a country's image is linked to the image of products created in that country (Dinnie, 2004).

Next to the COO effect influencing the purchase intention of consumers, it shows also that the purchase intention by potential consumers is less likely when the company is new. Consumers have to become familiar with the company and they need to receive information about the company through, for instance, marketing and additional expenditures (Shepherd, Douglas & Shanley, 2000). However, new companies need human and financial capital to provide potential consumers with the needed organizational information, as well as to become a successful organization (Shepherd et al., 2000). On the contrary, older organizations have more chance to survive, because of the placed trust by consumers and stable structures (Brüderl & Schüssler, 1990). This situation is explained by a concept that is commonly observed among new companies, namely liability of newness. The term is used to explain the comparatively higher amount of death rates of new organizations in comparison to older ones and four reasons were included that clarify how this can happen (Stinchcombe & March, 1965). First, new organizations do not have established links with their stakeholders, and they depend on new roles and takes which still might have to be learned. Additionally, there is a lack of standard routines and an informal information structure (Brüderl & Schüssler, 1990).

When evaluating and judging products, household and organizational consumers rely on their assessment of product attributes (Ahmed & d' Astous, 2004). The attributes of a product are considered by consumers as signals for product quality (Dawar & Parker, 1994; Verlegh & Steenkamp, 1999) and can be systematically divided into extrinsic cues and intrinsic cues. Intrinsic cues signify the attributes of the physical product which are, for instance, taste, design, and performance. Extrinsic cues are unrelated to the physical product properties and indicate brand name, COO, and retailer reputation (Ahmed & d' Astous, 2004). The reason why the COO is considered as an extrinsic cue is that it can be manipulated without making changes in the physical product (Olson, 1972). Consumers are often not able to judge the intrinsic value of a product and it drives them to evaluate the quality and value of a product based on extrinsic cues. Therefore, consumers use the COO to assess non-native products (Ahmed & d' Astous, 2004).

Heinze and Heitmüller (2018) were the first to place the liability of newness concept into the COO effect framework. They initially conducted three semi-structured interviews with different Swedish organizations that were forced to make offshoring decisions since they encountered liabilities of newness and liability of smallness. These organizations stressed their Scandinavian origin to their consumers through open communication, but they did not mention that most of the components are from foreign countries and that the products are assembled in countries in Eastern-European. The study findings indicated that the country images of Sweden and Slovakia influence the perception of product quality and purchase intention. Furthermore, country-of-parts (CP) and country-of-assembly (CA) influence the perception of product quality and purchase intention for the familiar and unfamiliar product. The country-of-ownership (CO) affects the perception of product quality and purchase intention, but only for the familiar product. Lastly, the results indicate that mitigating COO effects cannot be done by communicating the liabilities of newness of organizations (Heinze & Heitmüller, 2018).

1.2 Research gap

As can be read in the literature, the focus of previous studies was on what type of influence COO effects have on consumer's product evaluation, purchase intention, quality perception, and design perception. A consumers' opinion, judgment, and evaluation regarding the value and quality of products are influenced by COO effects and disclosure of the COO on products. During this process, consumers can trigger accompanying stereotypic beliefs which influence the evaluation and judgment (Lampert & Jaffe, 1998; Insch & McBride, 2004; Hamzaoui & Merunka, 2006; Moeller, Harvey, Griffith & Richey, 2013). Therefore, each aspect of the COO construct needs to be considered separately, instead of together, since it provides the opportunity for organizations to control their marketing, branding, offshoring, and communication strategies to consumers (Essoussi & Merunka, 2007).

The effects of open communicating liabilities of newness through aspects of the COO construct on the COO effects have not been thoroughly investigated by previously conducted studies. Open and transparent communication of liabilities of newness is necessary for new organizations since their market success depends on whether they are able to build a strong brand (Bresciani & Eppler, 2010), and if the lack of key resources can be overcome (Guercini & Milanesi, 2016). Transparency about production processes and labor conditions of an organization influences the consumers' attitude and trust towards an organization and eventually influences the purchase intention of consumers (Kang & Hustvedt, 2013). Information sharing and communicating are key in developing relationships with consumers (Schindehutte et al., 2009). A positive attitude and trust by consumers in an organization affects the purchase decision and increase their perception of the quality of a product (Elliot & Cameron, 1994). It has been found that consumers show a higher preference for a new product if the products' brand has more market power and a better reputation (Gielens & Steenkamp, 2007). A framework is built in the next chapter that suggests the importance of and the effect of communicating liabilities of newness on COO effects.

Heinze and Heitmüller (2018) adjusted the construct of Chao (1998) by changing the CD into the CO and focusing on the product quality perception and purchase intention. No tests were performed in their study to examine the effect of the demographic independent variables on the dependent variables. Moreover, a bicycle and solar panels were used as the products in their study. This paper extends the work of Heinze and Heitmüller (2018) by testing the premise of their framework by focusing also on the relationship between COO effects and examining what the impact is of openly communicating a firms' liabilities on these COO effects, but with modifications and additional concepts. The made alterations in this study allows to create more generalizable conclusions and to exceed the scope of the study of Heinze and Heitmüller (2018). Moreover, considering and focusing on an additional quality perception and COO aspect provides the opportunity to further specify the COO effects construct and to explain the importance and significance of each COO aspect.

Taking into account previous literature, no studies were conducted that combined all aspects of the COO construct whereby focus lies on both design quality and product quality. Where other studies use two or three aspects of the COO construct, this study decomposes the COO construct into four aspects, uses multiple cues (both intrinsic and extrinsic), focuses on product quality perception, design quality perception, and purchase intention, and gathers information through a diversified sample. This will provide an increased and deeper understanding of how broad the COO construct is and what kind of influences it has. Thus, the following changes were made in this paper in comparison to the study of Heinze and Heitmüller (2018). All four aspects of the COO construct were used, namely country-of-ownership (CO), country-of-assembly (CA), country-of-design (CD), and country-of-parts (CP). The effect of the four aspects of the COO construct was examined to define their role on the dependent variables which are the consumers' perception of design quality, perception of product quality, and purchase intention. Finally, two other products from other product categories were used in the surveys since previous literature showed that COO effects can vary between product categories (Costa, Carneiro, & Goldszmidt, 2016).

1.3 Research purpose

The purpose of this research is to examine what the effect of open communication of a new company's offshoring decisions and liabilities of newness is toward (prospective) consumers and what the influence is on COO effects. Another aim is to contribute to the existing body of knowledge on COO effects, liability of newness, and consumers' quality perceptions. The outcomes of the study are several outlined possibilities that can be used to improve Serbian and Dutch business activities since more information is provided of the effect of communicating liabilities of newness and offshoring choices on consumers. More insight can be gained concerning the potential advantages and disadvantages of using COO strategies in particular countries. The companies that could benefit most from the study results are (small/new) companies that are obligated to offshore some value creation steps since they did not receive additional funding to maintain the steps inhouse. Hence, this study tries to complement both theory and practice about several concepts, such as COO effects, communication of a companies' liability of newness, and consumers' quality perceptions.

1.4 Research question

The aforementioned core concepts, research purpose, and research gap indicate what the central aspect of this study is. Hence, the following research question will be examined:

"What kind of effect has open communication of a company's liabilities of newness with prospective customers on country-of-origin effects?".

1.5 Relevance

The relevance of this research is twofold. Primary, it contributes to the ongoing discussion by connecting COO effects and the theoretical framework of a new companies' liability of newness in the global market. An attempt is made to contribute in several ways to the emerging stream of global sourcing research, entrepreneurship research, and COO research. First, next to the CO, the CP, and the CA, also the CD of a product is included. The CD provides important information about a product's design and cultural heritage and consumers perceive it as an indicator for performance and sophistication (Hamzaoui & Merunka, 2006). Second, instead of focusing solely on the consumers' perception of product quality, the consumers' perception of design quality is added. Adding and emphasizing the CD and the design quality perception is important because the design quality determines the product quality (Zhu et al., 2007). Furthermore, products with a good design meet or even exceed the needs or expectations of consumers which results in satisfied consumers. Good design of products helps in communicating the purpose of the product to its market and considering design throughout the entire production process creates better products that compete on value instead of on price (Slack, Chambers & Johnston, 2007). Organizations with a powerful design process for products directly affect the quality performance effect through the influence on product reliability, product features, and serviceability (Flynn, Schroeder & Sakakibara, 1995). Third, two different countries and two other products are used in this study. Experiments have taken place in different countries in the world regarding the COO effects, but no experiments were conducted with a country combination of Serbia and the Netherlands.

Secondary, this research provides organizations with a better understanding of how consumers use information related to an organizations' liabilities of newness and offshoring decisions to evaluate product quality, design quality, and determine purchase intention. Recognizing this is evident for entrepreneurs since new firms need to constantly adapt and apply different management techniques to increase chances and to strengthen their competitive capability on the (international) market.

2. THEORETICAL FRAMEWORK

Appendix 1 provides a table with a summary of the main findings from the theoretical framework.

2.1 Country-of-origin (COO) effect

For the past decades, the COO effect is an extensively investigated concept in international business literature. It was first recognized that the acceptance and success of products depend on the COO of products (Dichter, 1962). This resulted in the first empirical test by Schooler (1965) where the idea of Dichter (1962) was investigated (Peterson & Jolibert, 1995). Eventually, a large number of theoretical and empirical studies investigating the COO effect followed that were divided into three types. First, some studies discuss the perception of consumers regarding several countries. Second, studies were conducted that observe the influence of country image on the evaluation of consumers on products and the purchase intention. Finally, studies tested what effect separation of the COO concept has on the product evaluation of consumers (Chowdhury & Ahmed, 2009).

Several definitions and descriptions regarding the COO effect are available which provide a better understanding of the concept. The differences between definitions and descriptions result from the view of authors, reference points, and level of analysis. The COO is used by consumers as a category label to judge a product from a country whereby accompanying country stereotypic beliefs can be triggered (Hamzaoui & Merunka, 2006). Furthermore, the COO effect refers to "how individuals perceive value/utility of products/brands/organizations emanating from a particular country" (Moeller et al., 2013, p. 92). The term 'Made in__' is used to describe the COO of a product (Chasin & Jaffe, 1979). Another explanation of the COO effect is that it considers the evaluation of a consumer regarding a country's products and/or brands and how a country's generalizations and perceptions have an impact on this (Samiee, 1987). The consumers' opinion about a country and its product offerings influence the eventual buying intention (Lampert & Jaffe, 1998). Previously conducted studies show that COO effects tend to be product dimension specific (Han & Terpstra, 1988) which indicates that different aspects of the COO construct are connected to or affect a diverse set of product quality attributes (Tse & Lee, 1993). Thus, each aspect of the COO construct has a different weight and effect on the consumers' evaluation of product quality (Li, Murray & Scott, 2000).

The rise of multinational organizations in the current marketplace made determining the COO of a hybrid product and product evaluation complicated for customers. Strategies of international corporations are continuously changing which increases the total of hybrid products (Chao, 1993; Ahmed & d'Astous, 1995). A hybrid product is a product that has parts manufactured, is designed, and assembled in different areas of the world (Phau & Prendergast, 2000). A consequence of hybrid products and their components from several countries is that the validity and truthfulness of the 'Made in__' labels have become unclear (Chao, 1993; Al-Sulaiti & Baker, 1998). Therefore, the role of the COO and brand name needs to be considered in the decision-making behavior of consumers regarding products (Phau & Prendergast, 2000), as well as when determining the marketing strategy and production sourcing of organizations (Lampert & Jaffe, 1998). Additionally, the COO has to be viewed from a multidimensional construct perspective where a distinction is made between the several aspects (Chao, 1993; Ahmed & d'Astous, 1995).

Studies have shown that consumers are influenced by information cues when deciding on the selection, acquisition and eventually the usage of products (Bettman, Johnson & Wayne, 1991; Samiee, 1987). Moreover, consumers use available informational cues to judge the quality of a product (Essoussi & Merunka, 2007). Information cues can be intrinsic (e.g. taste, design, and performance) and/or extrinsic (e.g. brand name, COO, price, and retailer reputation) (Olsen, 1972; Ahmed & d'Astous, 1995). A COO image is associated with a product and represents the reputation or stereotype of a particular country. This image influences the perception and (buying) behavior of consumers (Nagashima, 1970, 1977). The COO-information has a bigger effect on the consumers' assessment of product quality than brand information and price (Wall, Liefeld & Heslop, 1991). Consumers consider intrinsic cues as a reliable way to evaluate a product and its quality, but these types of cues are not always available or easy to obtain (Li et al., 2000). Therefore, consumers rely more on extrinsic cues in certain circumstances to create opinions since these are considered to be more credible and reliable than their judgment

(Srinivasan, Jain & Sikand, 2004). To sum up, COO has a significant influence on consumers' product evaluations, and COO is used by consumers as an extrinsic cue to assess the quality of products (Agrawal & Kamakura, 1999).

When examining COO effects, single-cue models or multiple-cue models were used by researchers. A single-cue model contains one cue about a product (i.e. COO) and a multi-cue model incorporates several intrinsic and extrinsic cues (e.g. price, brand, and features) (Chao, 1998). However, it became clear that single-cue models contain limitations and that it is necessary to use a multiple-cue model for researching COO effects. This is because a single-cue model can lead to biases in consumer product evaluations (Chao, 1998).

2.2 The four aspects of the COO construct

The COO is by previous studies recognized as a multidimensional construct consisting of several aspects, for instance, country-of-ownership (CO), country-of-design (CD), country-of-assembly (CA) and country-of-parts (CP) (e.g. Chao, 1993; Tse & Lee, 1993; Ahmed & d'Astous, 1995; Li et al., 2000). It has become clear that it is not possible anymore to use a country variable as a single-dimensional concept since it also contains for instance 'Designed in__' or 'Engineered in__' concepts instead of only 'Made in__' (Chao, 1993). Customers are not able to have complete information about a product which makes them rely on previous experiences and other information cues to judge the quality of a product (Chao, 1993). By understanding the aspects of the COO construct, the opportunity is provided to use the gained information for marketing and strategic planning (Insch & McBride, 2004). It is of importance to have a closer look at the individual aspects and to examine how previous studies used and combined the aspects of the COO construct. A small overview of previously conducted studies regarding aspects of the COO construct can be found in appendix 2.

2.2.1 Country-of-ownership (CO)

The first aspect of the COO construct is the CO and represents the country in which the organization/company is located, as well as where it controls and manages its business (Thakor & Lavack, 2003). In other words, it "refers to the country with which a firm is associated, and typically, it is an MNC's home country" (Li et al., 2000, p. 122). The CO appears to be an influential and wide-ranging cue that connects consumers to a product through the feeling of cultural tradition (Li et al., 2000). An organization from a high-status country is considered to be in a more favorable position than an organization that is located in an unfavorable country (Khanna, 1986). However, the CO of an unknown organization does not influence the consumers' product assessment and product quality judgment when it is disclosed with other relevant COO aspects (Li et al., 2000). This is because the CO loses plenty of information content due to the presence of the design and assembly locations on the product. Communicating the CO does not say enough about a product if the CA and the CD are also present (Li et al., 2000). An organization from a positive country cannot depend on its positive CO to compensate for the negative effects of, for example, an unfortunate CD decision. Nevertheless, the CO can influence and have an impact on the product evaluation and judgment by consumers, but only when no other COO information revealed (Li et al., 2000).

2.2.2 Country-of-design (CD)

The second aspect of the COO construct is the CD (Chao, 1993; Hamzaoui & Merunka, 2006) and this is communicated on a product through the sentence "Design by__" (Chen & Su, 2012). The CD represents the country in which the product was visualized and engineered (Insch & McBride, 1999) and considers the appearance, style, colors, and variety of a product (Roth & Romeo, 1992). The CD can indicate the level of technological sophistication for the entire production process which involves also the used parts and the assembly steps. It can offer consumers an impression of the products' innovativeness, features, and technical complexity (Li et al., 2000). Organizations need to carefully select the country designations for their products because the CD appears to be the most relevant aspect that influences consumers' judgment of products regarding functionality and quality (Li et al., 2000). A result of the CD is that it increases and optimizes positive evaluations of products among (international) consumers while at the same time it helps with the identification of products and differentiates them

from the competition (Chen & Su, 2012). The CD provides more certainty and is more valued by consumers since outsourcing has become more popular (Chao, 2001). Therefore, the CD is used more often by consumers for the formation of attitudes and judgments and this has decreased the information value of the CA and the CP (Li et al., 2000; Chao, 2001). Finally, the CD has the most influence on the consumers' quality assessment of an unfamiliar product (Li et al., 2000) and is used by consumers to evaluate products and their quality (Ahmed & d'Astous, 1995). Previous study findings regarding the effect of the CD can be found in appendix 2.

2.2.3 Country-of-parts (CP)

The third aspect of the COO construct is the CP and stands for the country where most of the used materials come from or are made (Insch & McBride, 2004). Accurate information about hybrid products needs to be provided to consumers which can be achieved by adding the CP of a product on the product label (Ha-Brookshire, 2012). Consumers want to make informed purchase decisions which can be achieved by revealing where the product parts are from (Ha-Brookshire, 2012). The CP is significant for a product due to the perceived importance of the parts (Insch & McBride, 2004). Moreover, the CP allows consumers to correctly understand a product since products made in the same country can have a different CP (Ha-Brookshire, 2012).

2.2.4 Country-of-assembly (CA)

The last aspect of the COO construct is the CA, and this is the country where the "majority of the product's final assembly occurred" (Insch & McBride, 2004, p. 257). The CA is an important factor in influencing the consumers' quality evaluation (Acharya and Elliot, 2001). Moreover, consumers are provided with information regarding the country where the final step of a product's production process takes place through the CA (Li et al., 2000). Consumers use a product's CA to evaluate the functional quality dimensions of a product, such as manufacturing quality, performance, reliability, identification of possible defects, and to see whether certain standards were met (Li et al., 2000). A negative effect of COO on consumers can be compensated by an impressive and high-status CA, but a less prestigious CA can also have an impact on a positive COO (Ahmed & d'Astous, 1995). When a purchase decision is involved in high involvement products, the CA appears to be the most important factor, followed by the CD (Acharya & Elliot, 2001). However, the CA does not reveal anything about the style or visual aspects of the product, since this is determined by the design process and thus the CD. This makes the CA sometimes an unusable criterion for consumers to judge and distinguish the quality of products between companies (Li et al., 2000). Previous study findings regarding the effect of the CA can be found in appendix 2.

2.3 Country image

As mentioned previously, the country image influences the consumers' perception and buying behavior, since it is associated with a product and indicates the reputation or stereotype of a country (Nagashima, 1970, 1977). Various studies have been conducted on country images, as well as how consumers have different country images, what perceptions consumers have about products that are made in different countries, and how country image influences the consumers' assessment of a product and its attributes. Therefore, country image is recognized as a multi-dimensional concept (e.g., Johansson & Moinpour, 1977; Jaffe & Nebenzahl, 1984; Han, 1989; Martin & Eroglu, 1993).

A consumers' attitude towards the COO of a product is derived from experiences with products from that country and this is summed into the concept country image (Abraham & Patro, 2013). Consumers create a country image from their knowledge, impressions, experience, contact, beliefs, and feelings about a specific country (Abraham & Patro, 2013). One of the first studies investigated country image perceptions by the means of a survey with U.S. and Japanese businesspeople (Nagashima, 1970). In this study, a country image is defined as "the picture, the reputation, the stereotype that businessmen and consumers attach to products of a specific country. This image is created by such variables as representative products, national characteristics, economic and political background, history, and traditions" (Nagashima, 1970, p. 68). Other studies define a country image as the "sum of people's beliefs, ideas and impressions about a certain country" (Kotler et al., 1993, p.141) and "as the total of

all descriptive, inferential and informational beliefs one has about a particular country" (Martin & Eroglu, 1993, p. 193). It is noticeable that in these definitions the created image by individuals is based on a personal frame of reference (Iversen, Kleppe & Stensaker, 1998; Abraham & Patro, 2013). However, a review of the literature was done regarding the COO effect on consumers' product evaluations and included the perception of product quality in their country image explanation. This resulted in a definition for a country image as the "consumers' perceptions of quality for products made in a given country" (Bilkey and Nes, 1982, p. 89). In addition to this, the concept of 'halo construct' or 'halo effect' for the country image was introduced where the findings state that country image serves as a halo for judging a product when consumers are unfamiliar with the products of that particular country (Han, 1989).

Country image is considered as a crucial element that influences the consumers' perceptions of a product, the purchase decision, and eventually the usage of a product/service (Vrontis, Thrassou & Vignali, 2006). Consumers will perceive products from a country with a positive image as higher quality products in comparison to countries with a negative image where products will be evaluated as lower quality products (Vrontis et al., 2006). It is of great importance for managers to determine which country images are favorable and which are not. Managers can use this information to analyze how product quality perceptions and purchase decisions are affected, as well as how to develop successful marketing strategies (Martin & Eroglu, 1993). A theoretical framework was formulated in a previous study to describe the correlation between consumers' preferences for a country's product and the consumers' perception of the culture, economy, and politics of a country (Roth & Romeo, 1992). It is stated that the match between product and country affects the consumers' assessments of a particular product from a country. Thus, consumers will prefer a country and its products if they consider and think that a match exists amongst the perceived strength of a country and the needed skills to make the product (Roth & Romeo, 1992; Verlegh & Steenkamp, 1999).

2.4 Perception of quality

As noted earlier, it would be in the organizations best interest to define which country images are favorable and unfavorable. This information can be used to analyze how product quality perceptions, design quality perceptions, and purchase decisions are affected (Martin & Eroglu, 1993). Hence, it is also important to understand the broad concept of quality.

Quality is a multi-faced concept with no unique definition that is best suitable for management and the relationship with consumers (Garvin, 1984; Noorikandeh & Sadeghi, 2014). However, characteristics are defined to provide a better understanding of the concept of quality. Quality is considered to be an objective and subjective concept with features that are measurable or only estimable and appraisable. Moreover, quality indicates technical performance and has effects that consumers cannot feel (Becser, 2007; Noorikandeh & Sadeghi, 2014). Several quality signals, such as brand name, price, or warranty, are sent to consumers to convince them to purchase a product (Kirmani & Roa, 2000). Perceived quality is defined as "the consumer's judgment about a product's overall excellence or superiority" (Zeithaml, 1988, p. 3). It is recognized that perceived quality is needed for organizations to achieve good brand equity (Aaker, 1996). Hence, quality can be seen as the main factor that affects the perceptions of consumers and also influences the long-term success of organizations and their products (Mitra & Golder, 2006). Previous findings show that the COO influences the perceived quality of products and a strong relationship exists between extrinsic quality cues and perceived quality (Teas & Agarwal, 2000).

A distinction of perceived quality is made between design quality and product quality since these are two different concepts of the quality dimensions (Insch & McBride, 2004). It can be of great value for firms that plan to select an overseas strategic partner or that plan an international global strategy to find the right combination of the COO aspects to maximize design quality and product quality perceptions (Insch & McBride, 2004). However, each country differs in its abilities regarding design quality and product quality.

2.4.1 Product quality

Product quality is defined as "the composite of product characteristics of engineering and manufacture that determine the degree to which the product in use will meet the expectations of the customer" (Feigenbaum, 1961; cited in Reeves & Bednar, 1994). Moreover, product quality indicates a fit of a product between the needs of a consumer and the satisfaction of a consumer (Lotfi, Sahran, Mukhtar & Zadeh, 2013). Consumers use signals to assess product quality across competitive products since the product performance and quality are often unclear for customers. These signals are especially used when consumers are unable and do not have the time to judge the quality, they want to decrease the purchase risk and there is a need for information (Dawar & Parker, 1994). The most important signals are product features or appearance (Olsen, 1977; Dawar & Parker, 1994), brand advertising, price (Milgrom & Roberts, 1986; Dawar & Parker, 1994) and product/retail reputation, warranties or guarantees (Olsen, 1977; Cooper & Ross, 1985; Dawar & Parker, 1994).

2.4.2 Design quality

The design quality is defined as the inherent value of a product and is used to measure whether the consumer expectations and requirements are included in the concept of a product and eventually into the detailed product design (Lotfi et al., 2013). Moreover, the design quality can be influenced by the country's image and whether a country can design or manufacture the product (Hamzaoui & Merunka, 2006). The consumers' assessment of the quality and superiority of a product design engineering and concept idea is called the perceived product design quality (Insch & McBride, 2004). For well-designed products to become appealing for consumers, they need to have enhanced features, last longer and should be easier in use.

2.5 Consumer behavior: purchase intention and product knowledge

Strong evidence was created through several COO studies where it was stated that consumer attitude and behavioral attention towards products can be influenced through COO information (e.g. Erickson, Johansson & Chao, 1984; Lim, Darley & Summers, 1994; Chao, 2001). Consumers face a lot of decisions when they want to purchase products regarding the product itself, the purchase and planned usage. A purchase intention is defined as the likelihood of an individual to purchase a particular product or brand after consideration and evaluation (Laroche, Kim & Zhou, 1996).

Different studies have been conducted to figure out which factors influence the consumers' purchase and consumption of products. One of the factors that directly influence the purchase intention of consumers is the perceived product quality and including design quality. There exists a direct relationship between the purchase intention and the quality of products. Higher quality of products will result in a higher purchase intention by consumers (Saleem et al., 2015). Another factor that influences the purchase intention is the COO of products (Piron, 2000). The COO affects the consumers' judgment and evaluation of products, especially at the judgment phase of the decision process (Hui & Zhou, 2000). If consumers perceive a country as negative, the purchase intention will lean towards competing products with a positive COO (Piron, 2000). The purchase intention of consumers is increased when there is no COO information about a product. Moreover, product warranty can moderate the COO effects since consumers use it during the product evaluation to compensate for a poorly perceived country stereotype (Thorelli, Lim & Ye, 1989; Chao, 1998).

Another way used to better understand consumer behavior is through the product knowledge of consumers. Before the product is bought, a consumer experiences two phases, namely 'information search' and 'information processing' (Lin & Chen, 2006). The intention to search for information by a consumer is positively influenced by the consumers' product knowledge (Lin & Chen, 2006). A consumer should first gain an amount of product knowledge and then search for more relevant information. Thus, the company needs to be the one that provides an appropriate amount of product information for consumers which eventually increases the consumers' purchase intention (Lin & Chen, 2006).

2.6 Product familiarity

As mentioned above, the consumers' product knowledge affects purchase intention, quality assessment, and product evaluation (Lin & Chen, 2006). Another factor that influences the consumer's product evaluation and the assessment of the quality of products is the degree of a consumer's familiarity with a product. The concept product familiarity refers to "how familiar a consumer is with a given product category" (Josiassen, Lukas & Whitwell, 2008, p. 424) and it explains the degree of experience a customer has of a product (Rezvani et al., 2012).

The relationship between product familiarity and COO is used to explain how consumers use the COO to evaluate a product for a purchase decision. The country of a product is considered to be memorable for consumers, since they are familiar and have experience with the product, meaning that they use the COO as information for their purchase intention (Rezvani et al., 2012). The COO image operates as an indirect indication of the performance of products and is considered more by consumers when evaluating less familiar product categories (Josiassen et al., 2008). Product familiarity can help to build customer trust which can be used to reach customer tendency to purchase (Rezvani et al., 2012). Additionally, product familiarity is connected to the strength of COO cues in consumer product evaluation, including the aspects of design quality, manufacturing quality, other quality, and overall quality (Insch & McBride, 2004). Consumers with greater product knowledge are less affected by COO cues in comparison to consumers with a low level of product knowledge which will be affected by COO effects. Hence, having product knowledge increases the consumers' motivation and ability to analyze information, as well as to process information in a controlled way (Lee & Lee, 2009).

Consumers that are relying on general impressions of a country to create opinions about the attributes or performance of products is seen as a type of 'halo effect' (Maheswaran & Chen, 2009). Country image is considered to be a 'halo' which determines for consumers the quality of an unknown brand and it affects the beliefs of consumers about product attributes which eventually influences the overall product evaluation (Han, 1989; Maheswaran, 1994). Thus, in the event of a 'halo effect', consumers that are not so familiar with a product will rely more on the COO image of a product, since they are unable to determine the real quality. This influences directly the trust of the consumer in the product and therefore indirectly affects the consumer's overall product evaluation (Lin & Chen, 2006). As stated, the COO effects are strong when products are less familiar to consumers (Josiassen et al., 2008) which makes product familiarity a concept that consumers use to judge the delivered product quality of a country (Chen et al., 2011).

An opposite effect of the 'halo effect' was found which is a negative relationship between product familiarity and perceptions of quality and purchase intention. This relationship indicates that consumers with information about products or brands will search for less external information since almost no new information exists for the consumers (Fiske et al., 1994; cited in Phau & Suntornnond, 2006). The COO effects only affect the product quality, design quality, and purchase intention when consumers have high product familiarity (Johansson, 1989; Phau & Suntornnond, 2006; Chen et al., 2011).

2.7 Liability of newness

Findings from previous studies regarding organizational survival make it evident for researchers and companies to have a multi-cue perspective on COO effects since new firms are increasingly offshoring to a low-cost country where they can gain competitive advantage and identify suitable resources. Moreover, a need exists for a new company to find efficiency improvements, as well as to increase quality and market share (Tate, Ellram, Bals & Hartmann, 2009). Whether a new organization can get these benefits depends on the survival of the start-up in the current complex environment of multinational corporations and if the lack of key resources can be overcome such as knowledge, finances, and consumers (Guercini & Milanesi, 2016). This is important for new companies since their success on the market depends on how well they build a strong brand (Bresciani & Eppler, 2010). Young organizations face different problems than large, aging organizations. In the industry of new organizations, established organizations exist which force the new organizations to compete with them (Aldrich & Auster, 1986). Therefore, the concept of liability of newness was introduced that explains this situation (Stinchcombe & March, 1965).

The term liability of newness is used as a reason to explain the comparatively higher amount of death rates of new organizations in comparison to older ones (Stinchcombe & March, 1965). The idea behind the concept is that new organizations have a higher rate to die as a result of their incompetence to compete successfully and lack of legitimacy (Stinchcome & March, 1965). Moreover, liability of newness describes the intangible features related to a new company (Guercini & Milanesi, 2016), and several reasons were included to explain the liability of newness (Stinchcombe & March, 1965). First, a new organization lacks established structures, roles, and tasks that have to be learned at some costs. Organizational members have to learn unfamiliar roles that are time-consuming and require other resources. Second, standard routines are absent which strengthens these inefficiencies and often new roles have to be created that limit capital or creativity. Moreover, the lack of operational routines can lead to significant disadvantages. Third, an issue in new organizations is the lack of stable and relevant relationships with other stakeholders and an informal information structure can be missing (Stinchcombe & March, 1965). It is observed that new organizations lack a track record which makes it complicated to persuade other stakeholders to collaborate with the company (Romanelli, 1989; Guercini & Milanesi, 2016). Finally, new organizations do not have established stable relationships with customers, clients, and supporters. Established relationships ensure recurring customers with knowledge about the products and services of the organization and the quality of the products (Stinchcombe & March, 1965).

New organizations and already established organizations have to deal with external and internal liabilities (Aldrich & Auster, 1986). The internal liabilities that new organizations face are the creation and clarification of roles and communication and control structures, as well as whether the organization can attract qualified personnel. Moreover, new organizations have to find ways to operate cost-effectively and efficiently. Furthermore, external liabilities for new organizations include, for instance, product differentiation or technological barriers. Another point discussed is that new organizations face liabilities of smallness as a result of their newness (Aldrich & Auster, 1986). Small size organizations have trouble with surviving since they are exposed to the liabilities of newness and have financial issues. A combination of both liabilities shows a high and early dissolution rate (Aldrich & Auster, 1986).

Counterarguments exist regarding the liability of newness. The presence of liability of newness is acknowledged, nonetheless, it offers possible advantages of newness and being a new organization (Oviatt & McDougall, 2005). New organizations are considered to be more flexible which allows them to learn the necessary competencies to grow in a market. This makes new organizations able to adapt better to new situations (Oviatt & McDougall, 2005). Furthermore, the high death rate of new organizations does not necessarily mean that liability of newness exist. Organizations need to be tracked for a longer time to notice whether age-dependence is present (Aldrich & Auster, 1986).

2.8 Role of communication in COO effects context

Linking to the aforementioned, organizations and potential customers face asymmetric information between each other, and a need exists to close this gap. A method to close this and countermeasure information asymmetry is signaling (Riley, 2001) which is defined as direct communication between the two involved parties (Bulbulia & Sosis, 2011). Signaling is needed to convince a consumer that a product is of high quality (e.g. Spence, 1973; Nelson, 1974; Gergaud & Livat, 2007). However, a disadvantage for new organizations is the absence of an established brand that is linked to high uncertainty and several forms of market resistance by consumers. Organizations with low name recognition do not have a lot of reputation and are associated with a certain status of quality (Helm & Mark, 2007). This will intensify the uncertainties and hesitations of consumers regarding features of a product if these are not directly recognizable. Moreover, the confidence by consumers in the performance of a product affects the product quality perception, especially for a product with a difficult evaluation (Backhaus & Voeth, 1995; Plöttner, 1995; Helm & Mark, 2007). Consumer uncertainty and information asymmetries regarding the features of a product can be reduced through information offers, guarantees, and reputation (Spremann, 1988; Kaas, 1990; Helm & Mark, 2007). This makes it important for organizations to undertake an effort to express and communicate their credibility, truthfulness, and reputation concerning a product's features since this can reduce consumer risk and motivate consumers

to purchase a product (Helm & Mark, 2007). Organizations can see this as a significant step to overcome the liability of newness.

The role and importance of communication need to be explained, so a framework is suggested for the effect of a new organization's open communication of liability of newness on COO effects. This framework was first introduced in another paper (Heinze & Heitmüller, 2018). Entrepreneurial marketing literature transformed the concept of the four P's into the four C's to see the variables from a consumer's perspective and customer-oriented instead of production-oriented (Lauterborn, 1990; Popovic, 2006; Scott-Philips, Blythe, Gardner & West, 2012). Hence, the product needs to be converted into consumer solution, price into the cost to consumers, place into convenience, and promotion into communication (Lauterborn, 1990). The communication aspect of the four C's is especially evident in this study. Emphasis needs to be placed on creating a community that interacts with the brand, rather than only focusing on the promotion of a product, since consumers are involved in a product and considered to be a co-creator of a product (Schindehutte, Morris & Pitt, 2009). Communicating and exchanging information creates relationships with satisfied consumers that have trust, respect, and loyalty to the brand, and eventually, the brand can gain a consumer's trust (Schindehutte et al., 2009). This is consistent with the findings of another study, where it was found that consumers' trust and attitude towards an organization is affected by transparency about production processes and labor conditions (Kang & Hustvedt, 2013). Moreover, it indirectly affects consumers' purchase intention. The study stresses that it is important to develop trust in the organization to build the relationship between consumer and organization (Kang & Hustvedt, 2013).

To complete the framework, the effect of trust on the consumers' eventual purchase intention is considered. Trust is "based on the expectation that the supplying firm does not behave in an opportunistic manner even though the consumer cannot control it" (Anderson & Weitz, 1992; cited in Sichtmann, 2007, p. 1001). In addition to this, trust is considered as an important factor in the consumers' behavioral intentions and is an antecedent of consumer loyalty (Sichtmann, 2007). Moreover, trust affects the consumers' purchase intention and shows that trust influences retaining consumers (Sichtmann, 2007). A consequence of purchase loyalty can be a greater market share for organizations (Chaudhuri & Holbrook, 2001).

2.9 Hypotheses

In view of the foregoing, a relationship was found between the consumers' perception of product quality and design quality and the consumers' purchase intention. This relationship is based on satisfaction and describes that consumers with a positive feeling of perceived product quality or brand quality are more motivated to purchase that product or brand (Moslehpour & Huyen, 2014; Cronin & Taylor, 1992; Sweeny et al., 1999). The consumers' purchase intention and eventual brand loyalty are directly influenced by the perceived quality (Aaker, 1991; Armstrong & Kotler, 2003). Studies were conducted that confirm the relationship where perceived product quality positively influences the consumers' purchase likelihood (Steenkamp et al., 2003; Moslehpour & Huyen, 2014). Therefore, hypotheses 1a, 1b, and 1c explain this relationship in relation to the COO effect. Next to this, the perception of design quality was treated separately from the perception of product quality, because design quality and product quality are two individual concepts of the quality dimensions (Insch & McBride, 2004).

Consumers' perceptions of products, purchase decisions, and product/service usage are influenced by the COO image (Vrontis et al., 2006). Individuals assign a level of expectation to a country through gained and observed information (Vrontis et al., 2006). Several variables exist that influence the formation of a country's image, namely stereotypes, ethnocentrism, as well as other demographic, social, and economic factors (Bannister and Saunders, 1978). Consumers try to associate a product category to a country where the outcome can be a positive image or negative image for the country and its products. For example, products from a country with a positive image country are perceived by consumers with a higher quality in comparison to countries with a negative image where products are evaluated as lower quality products (Vrontis et al., 2006). Furthermore, products from countries that are less advanced can be liable to an undesirable and negative COO image, especially when the financial risk is higher. This is in contrast with products from developed countries since these are associated with a desirable positive

COO image and eventually a better-quality image (Bannister & Saunders, 1978; Cordell, 1991). It was found that the evaluation of products from a developing country is influenced through previous beliefs of people which makes the evaluation prejudiced (Rezvani et al., 2012). Therefore, the conclusion can be made that the COO image is a key determinant in the eventual product quality assessment.

The state of the COO image is used to analyze how the consumers' perceptions of product quality and purchase decisions are influenced (Martin & Eroglu, 1993). Evidence exists that the COO influences the eventual purchase intention and product evaluation since the COO is used as an indicator for the assessment of attributes of a product (Rezvani et al., 2012). A positive COO and its four aspects have a strong influence on the perceived design quality and product quality (Chao, 1993; Teas & Agarwal; Chen & Su, 2012). However, the CD is found to only affect the perception of design quality (Chao, 1998).

H1a (1): Consumers will perceive a product with higher product quality if the new company, its manufactured parts, the assembly, and design are from a country with a positive image.

H1a (2): Consumers that believe that in general products from a country with a positive image have higher product quality and if the investigated product is owned by/designed in/assembled in/parts are from a country with a positive image, the investigated product will be perceived with higher product quality.

H1b (1): A product will be perceived by consumers with higher design quality if the design is done in a country with a positive image.

H1b (2): Consumers that believe that in general products from a country with a positive image have a higher design quality and if the investigated product is designed in a country with a positive image, the investigated product will be perceived with higher design quality.

In addition to the quality perception framework, the COO image affects the consumers' final purchase intention (Chen et al., 2011) and the consumers' evaluation of products (Laroche, Papadopoulos, Heslop & Mourali, 2005). Country characteristics and the amount of product information gained by consumers influence the purchase intention (Laroche et al., 2005; Heinze & Heitmüller, 2018). Organizations can benefit from emphasizing and promoting the country's image information of a product when the country is considered to be favorable (Laroche et al., 2005). As a result, products from developed countries are chosen over products from less industrialized countries (Cordell, 1993). Another factor that directly influences the consumers' purchase intention is the perceived product quality and design quality. The result is that products with higher quality will have a higher purchase intention (Saleem et al., 2015).

H1c (1): Consumers are more likely to purchase a product if the new company, its manufactured parts, the assembly, and design are from a country with a positive image.

H1c (2): Consumers that believe that in general products from a country with a positive image have higher product quality and design quality, and if the investigated product is owned by/designed in/assembled in/parts are from a country with a positive image, the purchase intention of the investigated product will be higher.

The next hypotheses explain the level of a consumers' product familiarity and its close relation to the theories of COO effects. Product familiarity is defined as the degree of experience a consumer has regarding a product (Rezvani et al., 2012) whereby the term familiarity is explained through objective product knowledge and subjective product knowledge (Park, Mothersbaugh & Feick, 1994). The first refers to specific knowledge in the consumers' long-term memory regarding a product class and the second explains the consumers' perception about a product (Park et al., 1994). Consumers with a higher degree of product knowledge are less influenced by COO effects and consumers with a lower degree of product knowledge are affected by the COO effects (Lee & Lee, 2009).

Several studies have acknowledged that a relationship exists between the consumers' product familiarity and product quality perception (e.g. Li et al., 2000; Insch & McBride, 2004; Josiassen et al., 2008). This is because a consumers' familiarity with a product is connected to the strength of the COO cues and is eventually used to evaluate a product regarding design quality, manufacturing quality, other quality, and overall quality (Insch & McBride, 2004). Consumers that are less familiar with a product become subject to the effect of COO image (Josiassen et al., 2008) which shows that consumers use the amount of product familiarity to judge the quality of a product from a country (Chen et al., 2011).

Additionally, a positive and negative relationship was found in past studies regarding the effect of product familiarity on product quality perception. The positive relationship is explained by the 'halo effect' which argues that the COO effect is high when the consumers' product familiarity is low. It shows that consumers rely on the general impressions of a country to judge product features and performance (Maheswaran & Chen, 2009). The country image is used by consumers to determine the quality of an unknown product and brand, as well as to assess the overall product evaluation (Han, 1989).

To sum up, the following hypotheses have been derived concerning the 'halo effect', including the concepts of product familiarity, product knowledge, and perceptions of product quality and design quality. Thus, based on these hypotheses it is expected from respondents with a low product familiarity to rely more on the COO of a product when determining and evaluating the product quality and design quality.

H2a: The strength of country-of-origin effects on the product quality perception is inversely related to product familiarity.

H2b: The strength of country-of-origin effects on the design quality perception is inversely related to product familiarity.

As stated above, a negative relationship was found that demotivates the previously mentioned positive relationship between product familiarity on the consumers' perception of product and design quality. The negative relationship shows that when consumers have information about a product or brand, less external information will be searched since fewer new information is available which is unknown for the consumers (Fiske et al., 1994; cited in Phau & Suntornnond, 2006). The COO effects can only influence the evaluation of product quality and eventual purchase decisions when the product familiarity is high, i.e. consumers expect a product to be of high quality when the COO is a high performing country. The purchase intention is positively influenced and determined by the perceived product quality and design quality (Steenkamp et al., 2003; Moslehpour & Huyen, 2014). Thus, here the consumers' ability to judge a product depends on whether the country can produce a product with high quality (Johansson, 1989; Phau & Suntonnond, 2006; Chen et al., 2011; Heinze & Heitmüller, 2018).

The following hypothesis has been derived which indicates the moderating influence of product familiarity on the COO effects strength considering the purchase intention. Based on this hypothesis it is expected that the COO effects only influence the respondents' purchase intention when the product familiarity is high. The consumers' quality assessment and purchase intention are determined whether the country can produce a high-quality product.

H2c: The strength of country-of-origin effects on the purchase intention is directly related to product familiarity.

The final hypotheses observe the relationship between an organizations' transparency to customers and the communication of an organizations' liabilities of newness. It has become of great importance for new companies to find efficiency improvements and ways to increase quality and market share (Tate, Ellram, Bals & Hartmann, 2009). This scenario can only happen when the new company can survive in the current complex environment of multinational corporations and if the lack of key resources, such as knowledge, financial and consumers, can be overcome (Guercini & Milanesi, 2016), as well as if the organizations can deal with the external and internal liabilities (Aldrich & Auster, 1986). To explain this

situation, the concept of liability of newness was introduced which explains the comparatively higher amount of death rates of new organizations in comparison to older ones and included four reasons for how this can happen (Stinchcombe & March, 1965, p. 148).

A significant step for organizations to overcome the liability of newness is communication and transparency (Kang & Hustvedt, 2013). Communication is considered as a valuable method that can be used by organizations to convince consumers that their product is of high quality (e.g. Spence, 1973; Nelson, 1974; Gergaud & Livat, 2007). Organizations need to express and communicate their credibility, truthfulness, and reputation concerning a product's features since this can reduce consumer risk and motivate consumers to purchase products (Helm & Mark, 2007). Communicating, exchanging information, and showing transparency play a significant role in consumer behavior since it can lead to trust, a positive attitude, and eventually to purchase intentions and brand loyalty (Kang & Hustvedt, 2013).

The following hypotheses combine the above-mentioned methods and concepts and analyze what kind of effect the communication of an organization's liabilities of newness and offshoring choices has on consumers.

H3a: The strength of country of origin effects on the product quality perception is decreased by communicating new companies' liabilities of newness and thereby justifying their offshoring decisions.

H3b: The strength of country of origin effects on the design quality perception is decreased by communicating new companies' liabilities of newness and thereby justifying their offshoring decisions.

H3c: The strength of country of origin effects on the purchase intention is decreased by communicating new companies' liabilities of newness and thereby justifying their offshoring decisions.

3. METHODOLOGY

Several decisions were made regarding the type of approach and methods for this research. The methodology section explains what has been done for the research and how it was done.

3.1 Research design

Considering the research problem and question, the choice was made to use an experimental research design with quantitative data, instead of qualitative data. This is because the aim is to produce generalizable information about the causes of the concepts and constructs, as well as identifying patterns and relationships. A representative sample and controlled variables are required which can be used by other researchers to replicate (Polit & Beck, 2010). Furthermore, quantitative research was used, since it focuses on confirming and testing the previously stated hypotheses that were made by looking at numerous variables and their relationship (Creswell, 2013). Various variables and many respondents are involved in this research to determine the combined strength of multiple variables. The strategy of inquiry is through experimental design with surveys. Surveys provide the opportunity to generalize a sample to a population (Babbie, 1990), as well as to figure out the opinion of a group of people. The results of the surveys are expressed through numbers in tables. Finally, to increase the quality of the research, the measurement of validity and reliability was taken into account through different types of validity and attributes of reliability (Heale & Twycross, 2015).

3.2 Country selection

The overall ranking of 'Best Countries' of 2019[1] was considered for the selection of countries. This is a global survey that measures global performance through a variety of metrics. A total amount of 20,301 individuals were surveyed from 36 countries in four regions, namely America, Asia, Europe, the Middle East, and Africa. Based on the ranking, the decision was made to select Serbia and the Netherlands as suitable countries for this study. The Netherlands is ranked as #11/80 and Serbia as #77/80.

Considering the statistics of the ranking, 'Entrepreneurship' within the Netherlands has been given a 7,5/10, and Serbia received only 0,5/10. There is a difference of 7 points between the countries and shows that Serbia scores were lower in comparison to the Netherlands on the following points: "providing easy access to capital, well-developed infrastructure, transparent business practices, educated population, skilled labor force, connection to the rest of the world, innovation, entrepreneurship, technological expertise and well-develop legal framework"[1].

According to the 'Made-In-Country-Index' from 2017 (Statista, 2017), the Netherlands scores a 76 out of 100 on their country image and on how positively products are perceived worldwide, as well as how the quality is perceived by individuals. The number 76 in the index shows the Dutch average weighted share of positive perception. Contrariwise, the situation in Serbia is different. Serbia is currently in a transition economy where high costs and low manager participation make it difficult to realize a quality management system. The consequence is that lower-quality products and services exist that negatively affect consumer satisfaction (Bakator, Đalić, Petrović, Paunović & Terek, 2019).

Offshoring is most common for European young companies and countries to Western and Eastern European countries. It shows that it is more appealing for companies to offshore within (Western and Eastern) Europe, instead of farshoring to other regions (Roza, Van den Bosch & Volberda, 2011). Another reason why the decision was made to have Serbia and the Netherlands as the selected countries is because the relationship between both countries is good. The Netherlands is actively supporting the Serbian efforts for an EU membership through bilateral projects, as well as through a lot of investments from the Netherlands in Serbia, for example in agriculture, the food industry, shipbuilding, IT, and renewable energy.

[1] https://www.usnews.com/news/best-countries/overall-rankings

3.3 Product selection

Concerning the theoretical framework of product familiarity, the decision was made to use in the surveys a product that individuals are familiar with and an unfamiliar product. Unfamiliar products are considered to be more complex and familiar products are usually simpler products (Conover, 1982). It was not relevant whether the respondents belonged to the target group of the products since questions were asked about the perceived product quality, perceived design quality, and purchase intention. The focus lied on a hypothetical purchase intention which means that it does not matter whether respondents can afford the chosen products. The respondents got the opportunity to express their opinion about the products and how they perceived product quality and design quality.

First, the familiar and simpler product for this study is a 'smart television'. A previous study used a television set (Chao, 1993) and in a subsequent study, a stereo television was used (Chao, 1998). However, the used televisions are outdated and therefore the choice was made to use a smart television which is considered to be a more modern version of the television. A smart television as a familiar product can reduce the possible effects of ethnocentrism since evidence exists that ethnocentrism or patriotism has almost no influence on the consumers' quality perception of televisions (Han & Terpstra, 1988). Second, the unfamiliar and more complex product is the 'Segway' which is suited for the transportation of one person and uses two transverse wheels. This product is considered to be unfamiliar because the technology of a Segway is new. For example, "it is driven by the center of gravity of the user and the steering angle of the steering wheel. The body uses a sensor to measure the degree of tilt and balance itself" (Bang et al., 2019, p. 375). The design quality and product quality are very important for a Segway which makes it a suitable product for analysis.

As mentioned before, the focus lies on the product's design quality and product quality. Therefore, a design quality perception dimension and a product quality perception dimension were used to provide relevant evaluation criteria for consumers which can be used to express opinions and to evaluate the quality of products (Chao, 1998). The design quality dimension includes innovativeness, exclusiveness, and stylishness (Chao, 1993). Furthermore, the product quality dimension includes workmanship, reliability, durability, and quality (Chao, 1993). These dimensions were used in the product attribute information text in the surveys and also to visualize the products. Both products were provided with positive differentiators in their advertisement texts since otherwise, consumers will not consider buying the product when it is produced in a low-quality country.

3.4 Data collection: the surveys

The experimental research design of this paper is inspired by previously conducted studies, such as Chao (1998), Insch and McBride (2004), and Heinze and Heitmüller (2018). These studies used an experimental research design where respondents were (digitally) shown an advertisement of products, including aspects of the COO construct. This experiment is a multiple-cue experiment since it includes other aspects of a product such as company properties and features.

In this research, surveys provided the opportunity to statistically analyze the responses and to eventually draw conclusions about the sample. The surveys were distributed digitally since the needed number of respondents is relatively high. Digital distribution of surveys made it easier to send out more surveys to respondents and to save time, because of the time limitation. The surveys contained closed-ended questions where respondents had to make a choice based on a 10-point Likert scale. The reason to use a 10-point Likert scale instead of for example a 7-point or 5-point Likert scale is that more variance and a greater level of measurement accuracy are offered, and it gives the chance to detect changes better (Wittink & Bayer, 2003). The time of data collection lasted from the beginning of January 2020 until the end of January 2020.

An essential part of the data collection is the country combinations per survey. Having two countries with four COO-related independent variables (CO, CD, CA, and CP) resulted in a total amount of 16 country-combinations (see table II and table III). The 16 different surveys were needed to study all the possible combinations, the relationship between the variables, and the strength. However, seven country-combinations were deleted (see table I) since they did not reflect a realistic situation and were

illogical. This is because it is contradictory for a new Serbian venture to offshore production to the Netherlands due to liabilities of newness or to cut costs.

Table I – Illogical country-combinations

	Combination 1	Combination 2	Combination 3	Combination 4	Combination 5	Combination 6	Combination 7
CO	SRB	SRB	SRB	SRB	SRB	SRB	SRB
CD	NL	SRB	NL	SRB	SRB	NL	NL
CP	NL	NL	NL	NL	SRB	SRB	SRB
CA	NL	NL	SRB	SRB	NL	NL	SRB
NL (the Netherlands) - SRB (Serbia)							

Table II – Overview country-combinations per survey (without communication manipulation)

Smart Television	Survey 1	Survey 2	Survey 3	Survey 4	Survey 5	Survey 6	Survey 7	Survey 8	Survey 9
CO	SRB	NL	NL	NL	NL	NL	NL	NL	NL
CD	SRB	NL	SRB	NL	NL	SRB	SRB	NL	SRB
CP	SRB	NL	SRB	SRB	NL	NL	NL	SRB	SRB
CA	SRB	NL	SRB	SRB	SRB	SRB	NL	NL	NL
Segway									
CO	NL	NL	NL	NL	NL	NL	NL	SRB	NL
CD	NL	SRB	NL	SRB	SRB	NL	SRB	SRB	NL
CP	SRB	SRB	NL	NL	NL	NL	SRB	SRB	SRB
CA	NL	NL	SRB	SRB	NL	NL	SRB	SRB	SRB
NL (the Netherlands) - SRB (Serbia)									

This study includes a valuable fifth independent variable which is 'the communication of an organization's liability of newness'. To test the effect of this variable, seven different country-combination surveys were included with communication manipulation and presented to respondents (see table III). The manipulation was placed in the advertisements of the products whereby the liabilities of newness of an organization were communicated to respondents. In the surveys, communicating liabilities of newness needs to justify the offshoring decisions of an organization. As can be seen in table III, two country-combinations are deleted from table II (four times SRB and four times NL). Every other country-combination is the same but placed in a different order.

*Table III – Overview country-combinations per survey (*with communication manipulation)*

Smart Television	Survey 10*	Survey 11*	Survey 12*	Survey 13*	Survey 14*	Survey 15*	Survey 16*
CO	NL	NL	NL	NL	NL	NL	NL
CD	SRB	NL	NL	SRB	SRB	NL	SRB
CP	SRB	SRB	NL	NL	NL	SRB	SRB
CA	SRB	SRB	SRB	SRB	NL	NL	NL
Segway							
CO	NL	NL	NL	NL	NL	NL	NL
CD	SRB	NL	SRB	NL	SRB	SRB	NL
CP	NL	SRB	SRB	NL	NL	SRB	SRB
CA	NL	NL	NL	SRB	SRB	SRB	SRB
NL (the Netherlands) - SRB (Serbia)							

The presented surveys to the respondents showed the advertisements for both products uninterruptedly (case 1/2: Smart Television; case 2/2: Segway). It was important for the respondents to only receive a survey with communication manipulation or a survey without. Respondents could not be exposed to a survey with and without communication manipulation since this can lead to biased results. Furthermore, respondents were randomly assigned to one of the surveys which prevented them from figuring out the true purpose of the study. This was done to minimize the response bias because respondents might

change their behavior and opinions as a result of being included in the study. As stated by Warner (1965), such bias can be removed by randomizing the response of the participants. An established network was used to approach respondents with the request whether they want to participate in a study. The respondents provided their email address to which one of the 16 surveys were sent. None of the respondents knew which survey they received.

3.5 Sampling

Because of the time limitation, a non-probability sampling approach for the survey completion was used. The minimum sample size for this study was determined by a table from Israel (1992). The considered factors are a population size of >100.000, confidence level of 95%, and margin of error of 5%. As a result, the minimum sample size for this study is 400 and this large amount of responses should provide more accurate mean values and a smaller margin of error. After the data collection period of a month, the total amount of collected respondents is 470. However, a sample size of 424 used for the analysis because of three preliminary tests that were conducted to detect potential outliers.

Individuals were approached through an established (business) network with help from the Dutch Serbian Business Association, as well as through social media connections and a personal network in Serbia and the Netherlands. This approach resulted in a convenience sample where data was collected from individuals that are acquainted with and have knowledge about the country image of the Netherlands and country image of Serbia. Next to this, they have a European nationality, including Eastern Europe and the minimum age of the individuals is 18 years. Finally, a goal was to have an equal amount of the target group of Serbian and Dutch nationality respondents.

Considering the current circumstances, the sample for this study mostly consists of students. Several researchers stated that issues might arise concerning the generalizability of the findings based on student samples in comparison to nonstudent samples. This is because of the concern about students' purchase intentions and restricted buying power (Özsomer & Cavusgil, 1991). However, evidence showed that the variance between student samples and nonstudent samples does not affect the results regarding COO effects on product evaluations and perceptions of quality. Still, it is found that some effect exists when examining COO effects on purchase intentions (Liefeld, 1993; Peterson & Jolibert, 1995). To diminish this effect in this study, the second biggest group consists of respondents that are employed.

3.6 Variables

For this study, different variables were analyzed, and table IV provides an overview of all the investigated variables. However, several variables were subdivided into smaller variables in SPSS, because otherwise, it would not be possible to examine the individual effect on the smart television and Segway separately, as well as the perception of product quality and the perception of design quality. This is also done because the questions in the surveys were subdivided per product and quality perception and it makes it easier to analyze the variables. First, the variable product familiarity is subdivided into product familiarity (smart television) and product familiarity (Segway). Second, the COO aspects are divided into country-of-ownership (smart television), country-of-design (smart television), country-of-parts (smart television), country-of-assembly (smart television), country-of-ownership (Segway), country-of-design (Segway), country-of-parts (Segway) and country-of-assembly (Segway). Third, the perception of product quality is subdivided into the perception of product quality (smart television) and perception of product quality (Segway). Fourth, the perception of design quality is subdivided into the perception of design quality (smart television) and perception of design quality (Segway). Fifth, purchase intention is subdivided into purchase intention (smart television) and purchase intention (Segway). Finally, the country image is divided into the country image of Serbia (product quality), the country image of Serbia (design quality), the country image of the Netherlands (product quality), and country image of the Netherlands (design quality).

Table IV – All investigated variables (subdivided)

Variables	
Independent variables	
Country-of-ownership o Country-of-ownership of the smart television o Country-of-ownership of the Segway	Communication of liabilities of newness
Country-of-design o Country-of-design of the smart television o Country-of-design of the Segway	Nationality
Country-of-parts o Country-of-parts of the smart television o Country-of-parts of the Segway	Country of residence
Country-of-assembly o Country-of-assembly of the smart television o Country-of-assembly of the Segway	Sex
Country image of Serbia o Country image of Serbia regarding product quality o Country image of Serbia regarding design quality	Age
Country image of the Netherlands o Country image of the Netherlands regarding product quality o Country image of the Netherlands regarding design quality	Occupation
Product familiarity o Product familiarity of the smart television o Product familiarity of the Segway	Education (highest degree finished)
Dependent variables	
Perception of product quality o Perception of product quality of the smart television o Perception of product quality of the Segway	
Perception of design quality o Perception of design quality of the smart television o Perception of design quality of the Segway	
Purchase intention o Purchase intention of the smart television o Purchase intention of the Segway	

3.6.1 Independent variables

The most important independent variables are the four aspects of the COO construct which are country-of-ownership (CO), country-of-design (CD), country-of-assembly (CA), and country-of-parts (CP). These variables are subdivided per product in the dataset in SPSS. Moreover, they represent either the country Serbia or the Netherlands and are therefore coded in SPSS as a dummy variable. A dummy variable takes the value of 0 and 1 where the values reveal the presence or absence of some categorical effect (Draper & Smith, 1998) and it enables to test the effect of each variable separately. Serbia received the value of '0' and the Netherlands the value of '1'.

The independent variables regarding the country image of Serbia and the country image of the Netherlands were measured via a 10 Likert rating scale. The country image variables were used to confirm that the country image of the Netherlands is positive, and the country image of Serbia is negative. For each country, two scales exist where the main difference between the two scales is the focus on design quality and product quality. Thus, a 1 on the scale indicates a very low general

perception of the product quality and design quality from that country and a 10 refers to a very high general perception of product quality and design quality from the country.

The moderating variables that affect the correlation of two variables, each separately, are product familiarity and communication of liabilities of newness. First, product familiarity was measured for each product separately through a 10 Likert rating scale. Here, a 1 on the scale indicates a very low product familiarity and a 10 indicates a very high product familiarity. This variable explains how the respondents use the COO as an evaluation of the product for their purchase decision. It is used to see what kind of effect it has on the individual country of origin effects. Second, communication of the liabilities of newness of companies is a dummy variable to show if a respondent has filled in a survey with or without communication manipulation. A 0 indicates that respondents were not exposed to communication manipulation and a 1 indicates that they were exposed.

Finally, other independent variables are the nationality, country of residence, sex, age, occupation, and education which are recorded as ordinal variables. These variables are included to test for the effect of these factors and to see how the different types of respondents react, as well as to differentiate between the respondents.

3.6.2 Dependent variables

The three dependent variables in this study are the perception of product quality, perception of design quality, and purchase intention. All three variables were subdivided per product and measured through a 10 Likert rating scale. First, a 1 equals a very low product quality rating, and 10 stands for a high product quality rating. Second, a 1 equals a very low design quality rating, and 10 stands for a high design quality rating. For purchase intention, it was important to let the respondents focus only on the information provided in the survey for that particular product. Otherwise, the intention of buying will depend on the individual (financial) situation of the respondent. This is diminished through the provided text in the survey where respondents need to indicate their purchase intention if that product was equivalent to the competitors' products when considering the price and warranty terms. Finally, a 1 equals a very low purchase intention and a 10 equals a very high purchase intention.

3.7 Data analyses

Detailed hypotheses were specified in chapter two that need to be confirmed or rejected through careful data collection and suitable tests. The data was collected with an instrument that measures attitudes and gathers opinions. This process is followed by an analysis of the collected information through statistical procedures and hypothesis testing which will provide, for instance, averages, frequencies, patterns, and correlations between variables.

First, several preliminary tests were conducted to figure out the usability of the data, including scatterplots, boxplots, and the Mahalanobis distance. The variables were examined to avoid overfitting and multicollinearity. Second, for each hypothesis, an SPSS technique was found that provided valuable numbers to confirm or reject the hypotheses.

Hypotheses 1a (1), 1a (2), 1b (1), 1b (2), 1c (1), 1c (2) were tested through a linear multiple regression analysis. This is an SPSS technique that predicts the value of a dependent variable based on the value of multiple independent variables. It provided the opportunity to test the individual effects of the four aspects of the COO construct as dummy variables (CO, CD, CP, and CA) on the dependent variables, as well as the country image perceptions. A moderated dummy regression was performed which showed whether the relationship between variables depends on (is moderated by) the value of a third variable. Furthermore, the effects of the other related respondent characteristics variables were also analyzed through this technique. Additionally, for each hypothesis 1 two control variables were used (i.e. age and sex) to see if they affect the dependent variables.

Hypotheses 2a, 2b, 2c, 3a, 3b, and 3c were tested in SPSS through independent-sample t-tests. This technique compared the means of two independent groups within the same sample and analyzes whether

the associated population means are significantly different. The hypotheses are needed to test the moderating effect of the product familiarity variable and communication of liabilities of newness variable on the COO effects. For the assessment, the respondents of the surveys were divided into four different groups through two different variables. A distinction was made between groups that received communication manipulation and groups that did not, as well as groups with low product familiarity and groups with high product familiarity. Each group provided a mean regarding the perception of product quality and design quality and purchase intention that was compared to the means of the other groups. This allows to conclude what the moderating effect of the variables product familiarity and communication manipulation was on the COO effects.

For hypotheses 2 and 3, moderating effects are usually tested through Analysis of Variance (ANOVA) which is a technique that requires data to be available of all possible combinations of the four aspects of the COO construct. However, this is not the case in this study. Some country combinations were deleted since these were illogical and did not suggest a realistic situation.

3.8 Advertisements for products

Each survey contained two product advertisements where one was about a smart television and the other one about a Segway. The purpose of each advertisement was to explore how respondents rate the product quality, design quality, and purchase intention based on a picture of a product, an introduction story of the recently started entrepreneurs/founders, and additional product attribute information. The advertisements were made as simple and clear as possible which emphasized the product and stimulated respondents to focus entirely on their perception of product quality, design quality, and purchase intention. Furthermore, the respondents had to be attracted to the product and needed to have the intention to buy that particular product. Therefore, the product attribute information in the advertisements was made positively distinctive and different in comparison to the competitors, otherwise, respondents would not be attracted to and/or consider buying the product. Finally, the significant cues in the advertisements with and without communication manipulation are the four aspects of the COO construct, product name, company features, and founder's characteristics. However, price and brand names were not included since the focus is on a hypothetical purchase intention. Surveys with communication manipulation have an added cue, namely communication of liability of newness. An example of the advertisement's texts can be found in appendix 3.

3.9 Communication manipulation

Respondents were exposed to communication manipulation in seven surveys (see table III). Communication manipulation was done in the advertisements by explaining the liability of newness of a recently established company, for instance by mentioning in the advertisements the lack of experience, non-established relationships with various stakeholders, and the several challenges the organization is facing. Each advertisement in the seven surveys has a different country-combination and contained the communication of the liabilities of newness of the new company as the motive to offshore parts of the processes. Therefore, the country-of-ownership was for each survey the Netherlands and at least one other aspect is from Serbia which reflected the occurrence of Dutch recent established organizations offshoring parts of their processes. Appendix 3 shows examples of the advertisement texts with and without communication manipulation.

The amount of surveys with and without communication manipulation is not symmetrical since country-combinations that do exist for the surveys without communication manipulation are illogical and not existing for the surveys with communication manipulation. Illogical country-combinations are for instance when a Serbian-based organization would offshore to the Netherlands. Redundant surveys without communication manipulation include advertisements in which the country-combinations are entirely from Serbia or entirely from the Netherlands.

3.10 Methodological limitations

Planning and execution are two extensive phases that are included in the research methodology (Younus, 2014). Both phases contain limitations that cannot be controlled (Simon, 2011). This part addresses the limitations that have occurred in the research.

Limitations might exist regarding the surveys and respondents. It might have been the case that respondents were not honest and trustful with their answers which can be caused by a social desirability response bias. This happens when a respondent chooses answers they believe are more socially desirable, as well as to avoid criticism (van de Mortel, 2008; Johnson & Fendrich, 2005; Huang et al., 1998). Furthermore, it might have been that respondents had a different interpretation of the survey questions which can lead to subjective results. Another potential limitation refers to demand bias where answers from respondents might be changed to a certain degree because they try to understand the purpose of the study. The respondents might assume that confirmation of COO effects is investigated. However, a respondent cannot figure out that 16 different surveys and surveys with communication manipulation exist. A limitation that has occurred was extreme responses where respondents provided extreme answers to the questions in the surveys. The preliminary tests indicated which respondents provided extreme responses and these were eventually excluded from the dataset. Some respondents might have experienced a carry-over effect because the respondents were showed two cases in each survey. The respondents could have affected their choice for the second case by their choice for the first case. Also, some respondents experience it as difficult to provide a valid judgment about a COO cue and they often emphasize the intrinsic product cues, instead of the extrinsic COO cue (d'Astous & Ahmed, 1999; Hui & Zhou, 2000).

There could also be limitations regarding the sample, sampling method, and used SPSS techniques. First, a convenience sampling method was used which is a type of non-probability sampling technique. This method makes it difficult to know how well the population is represented and can lead to under-representation or over-representation of groups within the sample. Moreover, it is difficult to determine whether the sample size is representative of the studied population and whether the findings can be generalized. However, an effort was put into to approach diverse people concerning nationality, country of residence, age, sex, occupation, and highest degree finished. Second, 424 respondents were analyzed for the final results which are just above the minimum sample size. Nonetheless, the difference of 24 respondents can indicate that the sample size of 424 can still be considered as a small sample size which can lead to validity concerns (Hsu, Simmons & Wieland, 2017). Finally, as mentioned in '3.7 Data analyses', the used technique for hypotheses 2 and 3 does not allow to test the effect of confounding variables. The other technique (ANOVA) required that each country-combination was possible which was not the case in this study.

The findings of this study are most relevant for organizations that do not receive venture capital funds (VC). Organizations that receive VC funds do not face the same liability of newness as organizations that did not receive any funds and have a lack of financial resources (Stinchcombe & March, 1965; Heinze & Heitmüller, 2019).

4. ANALYSIS AND FINDINGS

The answers given by the respondents at the surveys are considered as the basis for this analysis. It was necessary to first conduct several preliminary tests to figure out the usability of the data and to define the potential outliers, as well as to prevent overfitting and multicollinearity.

4.1 Preliminary tests

Three tests were conducted beforehand as preliminary tests. First, scatterplots were made that show the relationship of each independent variable with the dependent variables. Second, boxplots with fences were made of the independent and dependent variables. These boxplots provided a graphical display of the behavior of data and showed which points behind the fences are considered to be outliers. Finally, outliers were detected using the Mahalanobis distance. This was done by calculating the Mahalanobis distance for each respondent by a regression analysis through SPSS. The results are Mahalanobis distance values which were saved to the dataset. Additionally, a p-value was constructed to test the significance of the distance values. An outlier is considered to have a very low p-value of 0.001.

The results of all three tests were used and the overlapping outliers in all three tests were deleted from the dataset. Only the values of 0.00 and 0.001 from the Mahalanobis distance tests are excluded. Examples of the test outcomes can be found in appendix 4. For instance, respondent 462 gave each question on the survey the lowest number '1' and respondent 14 gave each question on the survey the highest number '10'. To conclude, a total of 46 respondents have been excluded due to the preliminary tests, and this results in a total number of 424 respondents that are used for the hypotheses tests.

4.2 Overview sample size

Before a start was made with the SPSS techniques to test the hypotheses, it was important to see how the sample size is divided. Table V provides an overview of the sample size which was used for the upcoming tests. The table shows how many respondents are located in each category. The used sample size provides valuable insights into the research topic, but it might not be fully representative of the population.

Table V – Overview sample size

		Respondents (total N=424)
Age	**18-25**	**267**
	26-35	73
	36-45	47
	46-55	25
	56-65	9
	65+	3
Nationality	Dutch	207
	Serbian	212
	Other	5
Country of residence	The Netherlands	208
	Serbia	210
	Other	6
Sex	**Female**	**277**
	Male	146
	Prefer not to say	1
Occupation	**Student**	**217**
	Employed	**151**
	Self-employed	36
	Unemployed	8
	Retired	5
	Other	7
Education (highest degree completed)	**High school diploma**	**208**
	Bachelor's degree	129
	Master's degree	69
	Doctorate degree	5
	Other	13

As can be seen in table V, some numbers are marked bold. Out of the remaining 424 respondents, 267 are within the age range of 18-25 and 73 respondents are within the age range 26-35. This indicates an overrepresentation in the sample of young adults because of the non-probability sampling approach. The same reason applies to the number of 217 students. However, 151 respondents are employed and 36 are self-employed which shows that the sample not only exists of students. The number of Dutch and Serbian respondents, as well as the respondents living in the Netherlands and Serbia, are similar. This shows that Serbian and Dutch nationality respondents are equally divided. Furthermore, more than half of the respondents are female and have a high school diploma. There are 129 respondents with a bachelor's degree and 69 with a master's degree. An overview has been made in appendix 5 where the characteristics of the respondents (age, nationality, country of residence, sex, occupation, and education) are placed in a table with the subdivided dependent variables. The table presents the means per variable and category.

4.3 Effect of the individual COO variables and social-demographic characteristics variables on the dependent variables through linear multiple regression

A linear multiple regression analysis was performed to test hypotheses 1a (1), 1a (2), 1b (1), 1b (2), 1c (1), and 1c (2). This SPSS technique determined the value of the three subdivided dependent variables based on the value of the several independent variables. Moreover, a moderated dummy regression was performed with two control variables (i.e. age and sex). The tables for each hypothesis are divided per product, thus one table shows the results for the smart television and the other for the Segway. The R squared (R^2) is also provided that determines the amount of variance that is explained by the independent variables in the dependent variable. Additionally, the effect of all the social-demographic characteristics of respondents was tested on the three subdivided dependent variables.

As mentioned before, the independent variables CO, CD, CP, and CA are dummy variables (the Netherlands=1; Serbia=0). The constant is the intercept in the model and is the predicted value on the dependent variable when the independent variables are all zero. It shows the mean on the dependent variable for the group coded 0 which is Serbia in this case. Serbia as the 0 is used as the reference category, also known as the control group. When an unstandardized coefficient of an independent variable is added to the conditional mean (constant), the result is the conditional mean for 1 which is the Netherlands.

4.3.1 Perception of product quality for the smart television

Table VI presents the findings for hypothesis 1a (1). Considering this table, the R^2 shows that the smart television model accounts for 34 percent of the data's total variability. This percentage indicates how well the data matches the model of regression and a higher R^2, usually above 0.7 or 70 percent, means a better and stronger fit for the model. Further findings show that the CD, the CP, the CA, the country image of Serbia, and the country image of the Netherlands are statistically significant. However, no statistically significant effects were discovered for the CO which means that no evidence is found that the CO as the Netherlands increases the perception of product quality for the smart television. First, the CP as the Netherlands will result in a higher perception of product quality (an increase of 0.994) for the smart television than when the CP is Serbia. The total perception of product quality is calculated by adding the unstandardized coefficient of the CP to the constant (1.116+0.994=2.110). Second, the CD as the Netherlands for the smart television results in an increase in the product quality perception of 0.372 in comparison to when the CD is Serbia. The total product quality perception for the smart television when the CD is the Netherlands is 1.488 (1.116+0.372). Third, the CA as the Netherlands for the smart television increases the product quality perception with 0.316 and results in a total product quality perception of 1.432 (1.116+0.316). Thus, when the parts of the smart television are from the Netherlands, and/or when the design of the smart television is done in the Netherlands, and/or when the smart television is assembled in the Netherlands, the respondents perceive the product quality of the smart television as higher.

Furthermore, table VI shows how the country image of Serbia and the country image of the Netherlands are used to explain/predict the dependent variable. The country images indicate the general perception

of the product quality of a product from that country. These variables are used as a confirmation to show that the Netherlands is indeed seen by respondents as a country with a positive image and vice versa for Serbia. It can be seen in the table that both coefficients are highly statistically significant. First, an increase of 1 on the Likert scale considering the general product quality perception of products from the Netherlands will result in an increase in the perception of product quality for the smart television with 0.317. The unstandardized coefficient is added on the constant resulting in 1.433 (1.116+0.317). Second, an increase of 1 on the Likert scale on the general product quality perception of products from Serbia will result also in a higher perception of the product quality for the smart television with 0.405. This will result in a perception of product quality of 1.521 (1.116+0.405) for the smart television taking into account the country image of Serbia. These results show that both country images influence the product quality perception of the smart television and that the product quality of products for both countries is perceived as higher, even though Serbia is considered to be a low-quality country.

Table VI – Unstandardized coefficients of variables in relation to the perception of product quality for the smart television

Smart television 1a	**B**	**N**
Constant	1.116**	-
Country-of-ownership	0.325	424
Country-of-design	0.372**	424
Country-of-parts	0.994***	424
Country-of-assembly	0.316*	424
Country image Serbia (product quality)	0.405***	424
Country image the Netherlands (product quality)	0.317***	424
R^2	0.340	-
F	35.861	-
*p<0.1; **p<0.05; ***p<0.01 B = Unstandardized Coefficients N = No. of respondents F = F value Dependent variable: Perception of product quality (smart television)		

Table VII shows a moderated dummy regression for hypothesis 1a (2) where is tested whether the consumers believe that in general, the product quality of products from the Netherlands is high, and if the smart television is owned by/designed in/assembled in/parts are from the Netherlands, then the smart television will perceived with good product quality. This thought means that consumers are prejudiced about a country's image and quality perceptions through, for instance, general beliefs, previous experiences, etc. The first column is an integrated column and the other columns in the table present separation of the interaction variables in order to decrease multicollinearity. Additionally, two control variables (i.e. age and sex) were added to show how the data model reacts to the addition of a particular set of controls and these controls are not the main focus of the study.

As can be seen in the table, no significant effects were found for the CA as the Netherlands. However, three highly significant effects were found for the CO, the CD, and the CP which shows that when the CO, the CD, or the CP is the Netherlands for the smart television and respondents have taken into account the general assumption that Dutch products are of higher quality, the smart television will be perceived as a higher quality product. Only the findings for the CO and the CP as the Netherlands are in line with the first integrated column.

Table VII – Moderated dummy regression regarding the perception of product quality for the smart television

Smart television 1a	**B**	**B**	**B**	**B**	**B**	**N**
		CO	**CD**	**CP**	**CA**	
Model 1						
Constant	7.154***	6.114***	6.888***	6.666***	7.065***	-
Control variable 1 (Age)	-0.087	-0.087	-0.071	-0.049	-0.097	424
Control variable 2 (Sex)	-0.040	-0.005	-0.028	-0.105	-0.042	424
Country image the Netherlands (product quality) centered	0.387***	0.389***	0.389***	0.403***	0.383***	424
Aspect COO construct as dummy (CO/CD/CP/CA)	-	1.047**	0.486**	1.139***	0.299	424
F	14.944	12.721	12.854	20.939	11.765	-
Model 2						
Constant	7.094***	6.212***	6.881***	6.625***	7.038***	-
Interaction; general country image the Netherlands * country-of-ownership	0.878***	1.050***	-	-	-	424
Interaction; general country image the Netherlands * country-of-design	0.131	-	0.246**	-	-	424
Interaction; general country image the Netherlands * country-of-parts	0.245**	-	-	0.350***	-	424
Interaction; general country image the Netherlands * country-of-assembly	0.066	-	-	-	0.132	424
F	9.537	12.776	11.303	19.151	9.649	-

*p<0.1; **p<0.05; ***p<0.01
B = Unstandardized coefficients
N = N. of respondents
F = F value
Dependent variable: Perception of product quality (smart television)

4.3.2 Perception of product quality for the Segway

As can be seen in table VIII for hypothesis 1a (1), the Segway describes 27.7 percent of the total variability for that model. Furthermore, the findings show that the CD, the CP, the country image of Serbia, and the country image of the Netherlands are statistically significant. No significant findings were found for the CO and the CA. First, the CP has the highest coefficient of 0.710 which indicates that the CP as the Netherlands results in a higher perception of product quality for the Segway than when the CP is Serbia. The respondents perceived the product quality of the Segway with 0.710 higher resulting in a total of 2.130 (1.420+0.710). Second, the CD as the Netherlands for the Segway results also in an increased product quality perception of 0.470 than when the CD is Serbia. The respondents perceived the product quality with a total of 1.890 (1.420+0.470). Thus, having the Segway designed in the Netherlands or having the parts made in the Netherlands will increase the product quality perception.

Next to this, the table shows that the country image of Serbia and the country image of the Netherlands are highly statistically significant. These results show that an increase of 1 on the Likert scale on the general perception of product quality of products from Serbia or the Netherlands will increase the perception of the product quality of the Segway. For Serbia, the increase is 0.305 and for the Netherlands, it is 0.333. These numbers are separately added on the constant and indicate that both country images have a positive impact that increases the product quality perception of the Segway.

Table VIII – Unstandardized coefficients of variables in relation to the perception of product quality for the Segway

Segway 1a	**B**	**N**
Constant	1.420**	-
Country-of-ownership	0.593	424
Country-of-design	0.470**	424
Country-of-parts	0.710***	424
Country-of-assembly	0.063	424
Country image Serbia (product quality)	0.305***	424
Country image the Netherlands (product quality)	0.333***	424
R^2	0.277	-
F	26.660	-
*p<0.1; **p<0.05; ***p<0.01 B = Unstandardized Coefficients N = No. of respondents F = F-value Dependent variable: Perception of product quality (Segway)		

Table IX shows a moderated dummy regression for hypothesis 1a (2) in which also the general thought of the interaction between country image and COO aspects is tested as was done in table VII for the smart television. The first column is an integrated column and the other columns in the table show the separation of variables in order to decrease multicollinearity. As can be seen in the table, no significant effects were found for the CD and the CA as the Netherlands. The CP as the Netherlands is highly statistically significant which indicates that consumers have taken into account the general assumption of the Netherlands as a high-quality country and the CP being the Netherlands will result in a higher quality perception of the Segway. The finding of the CP is in line with the first column. However, the CO as the Netherlands was statistically significant when the variables are taken together, but not when the variables were separated. The coefficient of the CO is negative which shows that when the CO is the Netherlands for the Segway and consumers have taken into account the general assumption that Dutch products are of higher quality, then the Segway will be perceived as a lower quality product.

Table IX – Moderated dummy regression regarding the perception of product quality for the Segway

Segway 1a	**B**	**B**	**B**	**B**	**B**	**N**
		CO	**CD**	**CP**	**CA**	
Model 1						
Constant	6.794***	5.766***	6.686***	6.397***	6.738***	-
Control variable 1 (Age)	0.043	0.048	0.017	0.014	0.051	424
Control variable 2 (Sex)	-0.009	-0.052	-0.035	0.074	-0.025	424
Country image the Netherlands (product quality) centered	0.398***	0.398***	0.393***	0.392***	0.402***	424
Aspect COO construct as dummy (CO/CD/CP/CA)	-	1.126**	0.478**	0.757***	0.122	424
F	19.116	16.175	16.135	19.200	14.424	-
Model 2						
Constant	6.892***	5.778***	6.687***	6.435***	6.747***	-
Interaction; general country image the Netherlands * country-of-ownership	-0.533*	-0.262	-	-	-	424
Interaction; general country image the Netherlands * country-of-design	0.026	-	0.009	-	-	424
Interaction; general country image the Netherlands * country-of-parts	0.403***	-	-	0.358***	-	424
Interaction; general country image the Netherlands * country-of-assembly	0.107	-	-	-	0.026	424
F	10.583	13.083	12.878	18.163	11.524	-
*p<0.1; **p<0.05; ***p<0.01 B = Unstandardized coefficients N = No. of respondents F = F value Dependent variable: Perception of product quality (Segway)						

To conclude, the above-mentioned tables showed that for the smart television when the CD, the CP, and the CA are the Netherlands a higher perception of product quality is noticed than when the CD, the CP, and the CA are Serbia. For the Segway, it was found that the CD and CP as the Netherlands result in a higher perception of product quality. Additionally, for both products was found that the country image of Serbia and the Netherlands influences the perception of product quality. The general assumption that Dutch products have a higher product quality resulted in a higher perception of product quality for the Segway and smart television. However, Serbian products are generally perceived with lower product quality, but the findings were positive which means that Serbia's country image also increases the product quality perception of both products. Finally, the moderated dummy regression showed for the smart television that when the CO, the CD, and the CP are the Netherlands and respondents have taken into account the assumption that Dutch products are of higher quality, the smart television is perceived with higher quality. Furthermore, the CP as the Netherlands results in higher product quality for the Segway when the respondents are aware of the higher product quality of Dutch products. It can be stated that the respondents' evaluation of product quality is done by considering both the COO aspects mentioned on a product and the country image. However, hypothesis 1a (1) & 1a (2) can only partly be confirmed, since not every COO aspect is proven to have an effect.

4.3.3 Perception of design quality for the smart television

Considering table X for hypothesis 1b (1), the R^2 shows that the model for the smart television describes 29.1 percent of the total variability. Moreover, the CD, the country image of Serbia, and the country image of the Netherlands are highly statistically significant. First, the CD has an unstandardized coefficient of 0.967 which indicates that the CD as the Netherlands results in a higher perception of design quality for the smart television than when the CD is Serbia. The total design quality perception for the smart television when the CD is the Netherlands is 3.527 (2.560+0.967). Second, both country image variables indicate the general perception of the design quality of a product from that country. Thus, an increase of 1 in the Likert scale of the general design quality perception of Dutch products will increase the respondents' design quality perception of the smart television with 0.201. The total design

quality perception is 2.761 (2.560+0.201). Furthermore, an increase of 1 at the Likert scale of the general design quality perception of Serbian products will also increase the design quality perception of the smart television. This is even higher than for Dutch products and the total design quality perception is 2.986 (2.560+0.426).

Table X – Standardized coefficients of variables in relation to the perception of design quality for the smart television

Smart television 1b	**B**	**N**
Constant	2.560***	-
Country-of-design	0.967***	424
Country image Serbia (design quality)	0.426***	424
Country image the Netherlands (design quality)	0.201***	424
R^2	0.291	-
F	57.367	-
*p<0.1; **p<0.05; ***p<0.01 B = Unstandardized Coefficients N = No. of respondents F = F value Dependent variable: Perception of design quality (smart television)		

Table XI presents a moderated dummy regression for hypothesis 1b (2) where the test is done whether consumers believe that if in general, the design quality of Dutch products is high, and if the smart television is designed in the Netherlands, then the smart television will be perceived with higher design quality. A highly statistically significant effect was found for the CD as the Netherlands. This result shows that when the CD is the Netherlands for the smart television and consumers have taken into account the assumption that Dutch products are of high quality, the smart television will be perceived with a higher design quality of 0.345.

Table XI – Moderated dummy regression regarding the perception of design quality for the smart television

Smart television 1b	**B**	**N**
	CD	
Model 1		
Constant	7.042***	-
Control variable 1 (Age)	-0.024	424
Control variable 2 (Sex)	-0.312	424
Country image the Netherlands (design quality) centered	0.310***	424
Country-of-design	0.877**	424
F	13.659	-
Model 2		
Constant	7.072***	-
Interaction; general country image the Netherlands * country-of-design	0.350***	424
F	13.297	-
*p<0.1; **p<0.05; ***p<0.01 B = Unstandardized coefficients N = No. of respondents F = F value Dependent variable: Perception of design quality (smart television)		

4.3.4 Perception of design quality for the Segway

Table XII for hypothesis 1b (1) shows that the model for the Segway explains 34 percent of the total variability. Furthermore, the CD, the country image of Serbia, and the country image of the Netherlands are highly statistically significant. The unstandardized coefficient of 0.893 indicates that the CD as the Netherlands results in a higher perception of design quality for the Segway than when the CD is Serbia. The total perception of design quality for the Segway when the CD is the Netherlands is 2.614

(1.721+0.893). Furthermore, the country images signify the general perception of the design quality of a product from that country. As can be seen in the table, an increase of 1 in the Likert scale of the general perception of design quality of products from the Netherlands increases the respondents' design quality perception of the Segway with 0.301. Next to this, an increase of 1 in the Likert scale of the general design quality perception of a product from Serbia will increase the respondents' perception of the design quality of the Segway with 0.417.

Table XII – Unstandardized coefficients of variables in relation to the perception of design quality for the Segway

Segway 1b	**B**	**N**
Constant	1.721***	-
Country-of-design	0.893***	424
Country image Serbia (design quality)	0.417***	424
Country image the Netherlands (design quality)	0.301***	424
R^2	0.340	-
F	72.261	-
*p<0.1; **p<0.05; ***p<0.01 B = Unstandardized Coefficients N = No. of respondents F = F value Dependent variable: Perception of design quality (Segway)		

The moderated dummy regression in table XIII for hypothesis 1b (2) shows no statistically significant effect for the CD as the Netherlands for the Segway in relation to the general assumption of the country image of the Netherlands.

Table XIII – Moderated dummy regression regarding the perception of design quality for the Segway

Segway 1b	**B**	**N**
	CD	
Model 1		
Constant	6.418***	-
Control variable 1 (Age)	0.026	424
Control variable 2 (Sex)	-0.039	424
Country image the Netherlands (design quality) centered	0.403***	424
Country-of-design	0.907***	424
F	20.874	-
Model 2		
Constant	6.419***	-
Interaction; general country image the Netherlands * country-of-design	0.095	424
F	16.822	-
*p<0.1; **p<0.05; ***p<0.01 B = Unstandardized coefficients N = No. of respondents F = F value Dependent variable: Perception of design quality (Segway)		

To conclude, the above tables show that the CD as the Netherlands results in a higher design quality perception for both products. The general assumptions regarding the country image of Serbia and the country image of the Netherlands also influence the perception of design quality. Both products are rated with a higher design quality considering the country images. However, in general, Serbian products are perceived with lower design quality, but the tables show that the country image of Serbia also increases the design quality of both products. Finally, no significant effects were found at the moderated dummy regression for the Segway. The moderated dummy regression for the smart television indicated that when the CD is the Netherlands for the smart television and when the consumers consider the general assumption that Dutch products are related to a higher quality, the smart television is perceived as a

higher design quality product. Hypothesis 1b (1) can fully be confirmed for both products, but hypothesis 1b (2) can only fully be confirmed for the smart television.

4.3.5 Purchase intention for the smart television

As can be seen in table XIV for hypothesis 1c (1), the R2 shows that the model for the smart television describes 28.9 percent of the total variability of the data. Furthermore, the table shows that the CD, the CP, the CA, the country image of Serbia regarding the design quality and product quality, and the country image of the Netherlands regarding the design quality are statistically significant. No significant results were found for the CO and the country image of the Netherlands regarding the product quality. First, when the CD is the Netherlands for the smart television, the purchase intention will increase by 0.335 than when the CD is Serbia. The total purchase intention when the CD is the Netherlands for the smart television is 2.075 (1.740+0.335). Second, having the CP as the Netherlands will increase the purchase intention of consumers with 0.619, resulting in a total purchase intention of 2.359 (1.740+0.619). Third, the CA as the Netherlands instead of Serbia increases the purchase intention of the smart television with 0.412. The total purchase intention is 2.152 (1.740+0.412). Thus, when the design of the smart television is done in the Netherlands, and/or the parts are from the Netherlands, and/or when the smart television is assembled in the Netherlands, the purchase intention of potential consumers will increase.

Considering the country images, each variable related to the country image considers the general purchase intention of a product from that country where consumers have taken into account the product quality and design quality of products from that country. Looking at the country image of Serbia, an increase of 1 on the Likert scale considering the general product quality and design quality of products from Serbia increases the purchase intention of the smart television. Moreover, the general country image of the Netherlands regarding the design quality of products increases the purchase intention of the smart television with 0.215.

Table XIV – Unstandardized coefficients of variables in relation to purchase intention for the smart television

Smart television 1c	**B**	**N**
Constant	1.740***	-
Country-of-ownership	0.027	424
Country-of-design	0.335*	424
Country-of-parts	0.619***	424
Country-of-assembly	0.412**	424
Country image Serbia (product quality)	0.158*	424
Country image Serbia (design quality)	0.293***	424
Country image the Netherlands (product quality)	0.004	424
Country image the Netherlands (design quality)	0.215**	424
R^2	0.289	-
F	21.047	-
*p<0.1; **p<0.05; ***p<0.01 B = Unstandardized Coefficients N = No. of respondents F = F value Dependent variable: Purchase intention (smart television)		

Table XV presents a moderated dummy regression for hypothesis 1c (2) where it was tested whether the purchase intention of respondents is higher for Dutch products when respondents take into account the higher design quality and product quality of Dutch products, and if the smart television is owned by/designed in/assembled in/parts are from the Netherlands, then the purchase intention will also increase. The first column is integrated and the other columns in the table show a separation of the interaction variables in order to decrease multicollinearity. No significant results were found for the CA regarding the product quality. Moreover, statistically significant results were found for the CO, the CD, and the CP as the Netherlands regarding the product quality and the CD as the Netherlands regarding

the design quality. This shows that when the CO, the CD, and/or the CP is the Netherlands of the smart television regarding product quality and respondents have taken into account the higher product quality of Dutch products, the purchase intention will increase for the smart television. Furthermore, when the CD is the Netherlands for the smart television regarding design quality and respondents are aware of the higher design quality of Dutch products, the purchase intention increases for the smart television. However, only the result of the CO as the Netherlands regarding product quality is in line with the integrated first column.

Table XV – Moderated dummy regression regarding the purchase intention for the smart television

Smart television 1c	**B**	**B**	**B**	**B**	**B**	**B**	**N**
		CO – product quality	**CD – product quality**	**CP – product quality**	**CA – product quality**	**CD – design quality**	
Model 1							
Constant	6.636***	6.113***	6.512***	6.403***	6.567***	6.469***	-
Control variable 1 (Age)	-0.064	-0.095	-0.084	-0.072	-0.109	-0.058	424
Control variable 2 (Sex)	0.060	0.073	0.061	0.014	0.050	-0.066	424
Country image the Netherlands (product quality) centered	-0.042	0.297***	0.297***	0.305***	0.290***	-	424
Country image the Netherlands (design quality) centered	0.362***	-	-	-	-	0.327***	424
Aspect COO construct as dummy (CO/CD/CP/CA)	-	0.589	0.338	0.687***	0.439**	0.324	424
F	8.359	6.359	6.633	8.823	7.025	8.991	-
Model 2							-
Constant	6.604	6.198***	6.503***	6.363***	6.550***	6.498***	
Interaction; general country image the Netherlands regarding product quality * country-of-ownership	0.807**	0.927***	-	-	-	-	424
Interaction; general country image the Netherlands regarding product quality * country-of-design	0.013	-	0.329***	-	-	-	424
Interaction; general country image the Netherlands regarding product quality * country-of-parts	0.202	-	-	0.340***	-	-	424
Interaction; general country image the Netherlands regarding product quality * country-of-assembly	0.040	-	-	-	0.083	-	424
Interaction; general country image the Netherlands regarding design quality * country-of-design	0.226	-	-	-	-	0.340***	424
F	6.041	6.781	6.886	8.795	5.694	9.145	-

*p<0.1; **p<0.05; ***p<0.01
B = Unstandardized coefficients
N = No. of respondents
F = F value
Dependent variable: Purchase intention (smart television)

4.3.6 Purchase intention for the Segway

Table XVI for hypothesis 1c (1) shows the R^2 which indicates that the model for the Segway describes 26.2 percent of the total variability of the data. Furthermore, no significant results were found for the CO, the CA, the country image of Serbia regarding the design quality, and the country image of the Netherlands regarding the product quality. Statistically significant results were found for the CD, the CP, the country image of Serbia regarding the product quality, and the country image of the Netherlands regarding the design quality. First, the CD as the Netherlands increases the purchase intention of the Segway with 0.517 than when the CD is Serbia. Second, the CP as the Netherlands leads to a higher purchase intention of the Segway of 0.441 in comparison to when the CP is Serbia. Third, an increase of 1 in the Likert scale of the country image of Serbia considering the product quality results in an increase of 0.245 for the purchase intention of the Segway. Fourth, an increase of 1 in the Likert scale of the Dutch country image regarding design quality of products will increase the purchase intention of the Segway with 0.288.

Table XVI – Unstandardized coefficients of variables in relation to purchase intention for the Segway

Segway 1c	**B**	**N**
Constant	1.275*	-
Country-of-ownership	0.095	424
Country-of-design	0.517**	424
Country-of-parts	0.441**	424
Country-of-assembly	-0.086	424
Country image Serbia (product quality)	0.245**	424
Country image Serbia (design quality)	0.134	424
Country image the Netherlands (product quality)	0.044	424
Country image the Netherlands (design quality)	0.288***	424
R^2	0.262	-
F	13.388	-
*p<0.1; **p<0.05; ***p<0.01 B = Unstandardized Coefficients N = No. of respondents F = F value Dependent variable: Purchase intention (Segway)		

Table XVII shows the moderated dummy regression for hypothesis 1c (2) of the purchase intention for the Segway. The first column is an integrated column and the other columns show a separation of the interaction variables in order to decrease multicollinearity. These results imply that when the CP is the Netherlands for the Segway and the respondents have taking into account the higher product quality of Dutch products, the purchase intention for the Segway will increase. This finding is in line with the first integrated column. However, the CO was statistically significant in the integrated column, but not when the variables were treated separately.

Table XVII – Moderated dummy regression regarding the purchase intention for the Segway

Segway 1c	**B**	**B**	**B**	**B**	**B**	**B**	**N**
		CO – product quality	**CD – product quality**	**CP – product quality**	**CA – product quality**	**CD – design quality**	
Model 1							
Constant	6.039***	5.768***	5.993***	5.860***	6.155***	5.916***	-
Control variable 1 (Age)	0.066	0.035	0.007	0.016	0.026	0.042	424
Control variable 2 (Sex)	0.216	0.194	0.182	0.259	0.222	0.190	424
Country image the Netherlands (product quality) centered	0.032	0.394***	0.389***	0.390***	0.390***	-	424
Country image the Netherlands (design quality) centered	0.388***	-	-	-	-	0.412***	424
Aspect COO construct as dummy (CO/CD/CP/CA)	-	0.368	0.489**	0.466**	-0.110	0.509**	424
F	14.256	11.450	12.751	12.671	11.375	15.896	-
Model 2							
Constant	6.155***	5.768***	6.997***	5.906***	6.159***	5.916***	-
Interaction; general country image the Netherlands regarding product quality * country-of-ownership	-0.743**	-0.392	-	-	-	-	424
Interaction; general country image the Netherlands regarding product quality * country-of-design	0.134	-	0.029	-	-	-	424
Interaction; general country image the Netherlands regarding product quality * country-of-parts	0.521***	-	-	0.442***	-	-	424
Interaction; general country image the Netherlands regarding product quality * country-of-assembly	0.095	-	-	-	0.013	-	424
Interaction; general country image the Netherlands regarding design quality * country-of-design	-0.066	-	-	-	-	0.021	424
F		9.450	10.188	13.221	9.081	12.694	-

*p<0.1; **p<0.05; ***p<0.01
B = Unstandardized coefficients
N = No. of respondents
F = F value
Dependent variable: Purchase intention (Segway)

To conclude, the tables regarding the purchase intention for the smart television show that when the CD, the CP, and the CA are the Netherlands, the purchase intention is higher. For the Segway, the CD and the CP as the Netherlands result in a higher purchase intention. Furthermore, the country image of Serbia considering the product quality and the design quality increases the purchase intention of the smart television. The general country image of the Netherlands regarding the higher design quality influences and increases the purchase intention of the smart television. Next to this, the country image of the

Netherlands regarding the higher design quality of products influences and increases the purchase intention of the Segway, and the country image of Serbia considering the lower product quality of products influences and increases also the purchase intention of the Segway. However, Serbian products are generally perceived with a lower product quality and design quality, but the findings were positive which means that Serbia's country image also increases the eventual purchase intention of products. Finally, the moderated dummy regression revealed that the CO as the Netherlands for the smart television, and when respondents are aware of the general assumption that Dutch products are of higher product quality, the purchase intention will increase for the smart television. Additionally, the CO and the CP as the Netherlands and respondents with knowledge about the higher product quality of Dutch products increase the purchase intention of the Segway. However, hypotheses 1c (1) and 1c (2) can only partly be confirmed since not all variables show to affect the eventual purchase intention.

4.3.7 Social-demographic characteristics

Table XVIII shows the effect of the social-demographic characteristics of the respondents tested on the three subdivided dependent variables. Nationality, country of residence, sex, age, occupation, and education show no significant effect on the perception of product quality (smart television), perception of design quality (smart television), purchase intention (smart television), perception of product quality (Segway) and perception of design quality (Segway). Only an effect was found of the age and education on the purchase intention for the Segway.

Table XVIII – Unstandardized coefficients of the independent social-demographic variables in relation to the three subdivided dependent variables

	Perception of product quality Smart TV	**Perception of design quality Smart TV**	**Purchase intention Smart TV**	**Perception of product quality Segway**	**Perception of design quality Segway**	**Purchase intention Segway**
	B	**B**	**B**	**B**	**B**	**B**
Nationality	0.485	0.612	-0.190	0.121	0.110	0.305
Country of residence	-1.076	-1.143	-0.143	-0.373	-0.123	-0.313
Sex	0.079	-0.230	0.136	0.083	0.070	0.277
Age	-0.032	0.039	0.020	0.153	0.145	0.207*
Occupation	0.000	-0.145	-0.109	-0.056	-0.033	-0.120
Education (highest degree completed)	-0.099	-0.140	-0.113	-0.109	-0.079	-0.204*
R^2	0.023	0.031	0.011	0.012	0.005	0.018
*p<0.1; **p<0.05; ***p<0.01 B = Unstandardized Coefficients						

4.4 Differences in the mean perceptions of product quality, design quality and purchase intention per COO effect based on product familiarity

An independent-sample t-test was performed to test hypotheses 2a, 2b, and 2c. This technique provides the opportunity to compare the means of independent groups within the sample and shows if the means are significantly different. To be able to use this technique for each hypothesis, two additional variables were made in SPSS regarding the product familiarity of the smart television and the product familiarity of the Segway. A product familiarity of 1-5 for both the smart television and the Segway was marked as 'low product familiarity' and a product familiarity of 6-10 was marked as 'high product familiarity'. The produced table in SPSS called 'Independent Samples Test' shows two different variances and the significance of Levene's test indicates whether to use the first or second row. If the significance is 0.05 or below, the bottom row was used called 'Equal variances not assumed'. However, if the significance is above 0.05, the top row was used called 'Equal variances assumed'. Assuming equal variances means that the variance of one sample is no larger than twice the size of the other sample. In each table, if the equal variances are not assumed, the numbers are italicized.

4.4.1 Mean perceptions of product quality for the smart television and Segway

Table XIX and table XX show the first independent sample t-test concerning the differences in mean perception of product quality for the smart television and Segway per COO effect based on product familiarity. Considering hypothesis 2a, respondents will take more into account the COO of a product when their product familiarity is low because the country image is used by consumers to determine the quality of an unfamiliar product. Therefore, it is expected that respondents that received advertisements with the CO, the CD, the CP, or the CA as Serbia and respondents indicating a low product familiarity to perceive the quality of the product with a lower number in comparison to respondents that indicated having a high product familiarity.

Looking at the statistics from the CO as Serbia in table XIX, the number of respondents was too low to do the analysis. For the CD as Serbia, there is a statistically marginally significant difference (Sig.=0.063) in the means between low product familiarity (M=6.11) and high product familiarity (M=6.85). Furthermore, the CP as Serbia shows a statistically significant difference (Sig.=0.019) in the means between low product familiarity (M=5.88) and high product familiarity (M=6.61). Finally, the CA as Serbia has a statistically highly significant difference (Sig.=0.008) in the means between low product familiarity (M=6.04) and high product familiarity (M=6.98). Taking into account the differences, it shows the means from the respondents that indicated low product familiarity and received advertisements with the CD, the CP or the CA as Serbia perceive the product quality of the smart television with a lower number in comparison to the respondents that had the CD, the CP or the CA as Serbia and high product familiarity. This indicates that respondents with a low product familiarity rely more on the COO of the product, which is Serbia, to determine the product quality of the smart television. However, the CO has no significant effect due to the size of the respondents. Finally, it has to be noted that the size of the effect depends on each COO aspect.

A result in the other direction in table XIX is that for each COO aspect when the country was the Netherlands, a statistically highly significant difference was found in the means between low product familiarity and high product familiarity on the perception of the product quality for the smart television. Thus, respondents with a high product familiarity gave the smart television a significantly higher product quality rating based on the fact that the COO aspect is the Netherlands. This shows that the answers of the respondents were influenced by their degree of product familiarity.

Table XIX – Differences in the mean perceptions of product quality of the smart television per COO effect based on product familiarity

Smart television 2a	**Familiarity**	**Perception of product quality**	**t**	**Sig.**	**N**
Country-of-ownership					
Serbia	High	6.00	0.000	1.000	19
	Low	6.00			3
The Netherlands	High	7.20	4.025	0.000 (***)	331
	Low	6.11			71
Country-of-design					
Serbia	High	6.85	1.867	0.063 (*)	193
	Low	6.11			36
The Netherlands	High	7.47	3.889	0.000 (***)	157
	Low	6.11			38
Country-of-parts					
Serbia	High	6.61	*2.388*	*0.019 (**)*	191
	Low	5.88			43
The Netherlands	High	7.76	*2.847*	*0.007 (***)*	159
	Low	6.42			31
Country-of-assembly					
Serbia	High	6.98	2.694	0.008 (***)	225
	Low	6.04			46
The Netherlands	High	7.40	2.862	0.005 (***)	125
	Low	6.21			28

*p<0.1; **p<0.05; ***p<0.01
t = Size of the difference relative to the variation in the sample data
Sig. = Significance
N = No. of respondents

Table XX shows the results for the Segway. The CO as Serbia has no significant differential effect on the means. Furthermore, the CD as Serbia has a statistically significant difference (Sig.=0.026) in the means between the low product familiarity (M=6.44) and high product familiarity (M=7.03). The CA and the CP as Serbia both have a statistically highly significant difference (Sig.=0.001 and 0.007) in the means between low product familiarity and high product familiarity. The differences in the means show that respondents which indicated a low product familiarity and received advertisements with the CD, the CP or the CA as Serbia perceive the product quality of the Segway as lower compared to respondents that had the CD, the CP, or the CA as Serbia and high product familiarity. This reveals also for the Segway that respondents with a low product familiarity rely more on the products' COO, which is Serbia, to evaluate the product quality of the Segway.

As mentioned at table XIX, for each COO aspect when the country was the Netherlands, a statistically significant difference was found in the means between low and high product familiarity on the perception of quality for the Segway. The significance is higher for the CO and the CD as the Netherlands, followed by the CA and the CP. Also, the results in table XX show that respondents with a higher product familiarity provide the Segway with a significantly higher product quality rating based on the COO aspects that was the Netherlands.

Table XX – Differences in the mean perceptions of product quality of the Segway per COO effect based on product familiarity

Segway 2a	Familiarity	Perception of product quality	t	Sig.	N
Country-of-ownership					
Serbia	High	5.63	-0.284	0.780	8
	Low	5.91			11
The Netherlands	High	7.42	3.775	0.000 (***)	137
	Low	6.64			268
Country-of-design					
Serbia	High	7.03	2.239	0.026 (**)	87
	Low	6.44			172
The Netherlands	High	7.74	2.811	0.006 (***)	58
	Low	6.90			107
Country-of-parts					
Serbia	High	7.06	3.281	0.001 (***)	83
	Low	6.21			155
The Netherlands	High	7.66	1.767	0.079 (*)	62
	Low	7.12			124
Country-of-assembly					
Serbia	High	7.46	2.718	0.007 (***)	65
	Low	6.62			140
The Netherlands	High	7.20	2.236	0.026 (**)	80
	Low	6.60			139

*p<0.1; **p<0.05; ***p<0.01
t = Size of the difference relative to the variation in the sample data
Sig. = Significance
N = No. of respondents

It can be concluded that respondents with a low product familiarity are affected by the CD, the CP, and the CA aspects as Serbia when judging the product quality of a product. This means that the respondents relied more on the COO of a product to determine the product quality when they are not familiar with the product. However, hypothesis 2a can only partly be confirmed, because no effect was found from the CO as Serbia.

4.4.2 Mean perceptions of design quality for the smart television and Segway

Table XXI and table XXII show the second independent sample t-test concerning the differences in mean perception of the design quality for the smart television and Segway by the CD effect based on product familiarity. Considering hypothesis 2b, respondents will rely more on the COO of a product to determine the design quality when the product familiarity is low. As mentioned in the theoretical framework, the CD only affects the design quality perception, and this is the reason why only this COO aspect is taken into account. Furthermore, respondents with a low product familiarity and respondents that had Serbia as the CD, are expected to perceive the design quality as lower.

As can be seen in tables XXI and XXII, statistically significant differences exist in the means. The mean perception of design quality of the smart television for low familiarity is lower (M=5.89) than the mean perception of design quality for high product familiarity (M=6.70) and the result is significant (Sig.=0.019). Additionally, the mean perception of design quality of the Segway for low familiarity is also lower (M=6.05) than the mean perception of design quality for high product familiarity (M=7.07) and the result is highly significant (Sig. = 0.000). For both products, it shows that respondents that indicated a low product familiarity and received the advertisement with the CD as Serbia perceive the design quality as lower in comparison to respondents that had the CD as the Netherlands and high product familiarity. Respondents with a low product familiarity for both the smart television and Segway rely more on the COO of the product, which is Serbia, to judge and determine the design quality.

However, it is noticeable that respondents who had the Netherlands as CD and that had a high product familiarity, perceived both products with higher design quality. These results are both highly significant and show that product familiarity did influence their answers.

To conclude, hypothesis 2b can be confirmed, since respondents relied more on the CD of a product to determine the design quality when they are not familiar with a product. Thus, respondents with lower product familiarity are influenced by the CD as Serbia when judging the design quality of both the smart television and Segway.

Table XXI – Differences in the mean perceptions of design quality of the smart television by the CD based on product familiarity

Smart television 2b	**Familiarity**	**Perception of design quality**	**t**	**Sig.**	**N**
Country-of-design					
Serbia	High	6.70	*2.418*	*0.019 (**)*	193
	Low	5.89			36
The Netherlands	High	7.69	*2.843*	*0.007 (***)*	157
	Low	6.53			38
*p<0.1; **p<0.05; ***p<0.01 t = Size of the difference relative to the variation in the sample data Sig. = Significance N = No. of respondents					

Table XXII – Differences in the mean perceptions of design quality of the Segway by the CD based on product familiarity

Segway 2b	**Familiarity**	**Perception of design quality**	**t**	**Sig.**	**N**
Country-of-design					
Serbia	High	7.07	*3.838*	*0.000 (***)*	87
	Low	6.05			172
The Netherlands	High	7.91	2.930	0.004 (***)	58
	Low	7.04			107
*p<0.1; **p<0.05; ***p<0.01 t = Size of the difference relative to the variation in the sample data Sig. = Significance N = No. of respondents					

4.4.3 Mean purchase intentions for the smart television and Segway

Table XXIII and table XXIV show the third independent sample t-test concerning the differences in mean purchase intentions of the smart television and Segway per COO effect based on product familiarity. Considering hypothesis 2c, when the COO is a high performing country, the respondents will have a higher purchase intention which means that they expect the product to have high quality. As mentioned before, the hypothesis examines the moderating influence of product familiarity on the COO effect strength. This means that the COO effects only influence the respondents when product familiarity is high, and the quality judgment and eventual purchase intention is based on whether a country can produce a high-quality product. Therefore, respondents that indicated a high product familiarity and had the Netherlands as CO, CD, CP, or CA are observed.

As can be seen in table XXIII and XXIV, the CO, the CD, the CP, and the CA as the Netherlands all have a statistically (highly) significant difference in the means. This shows that respondents with a high product familiarity have a significantly higher mean for the purchase intention for both the smart television and Segway. It can be concluded that the respondents made a judgment and purchase decision depending on whether the country can create a product with high quality. To conclude, hypothesis 2c can be confirmed.

However, it is interesting to mention that when the CD, the CP, and the CA were Serbia, also a statistically (highly) significant difference in the means exists between low product familiarity and high product familiarity. No significant effect was found from the CO as Serbia for both products. These results show that high product familiarity increases the purchase intention, even if the country is not considered as a high-quality country.

Table XXIII – Differences in the mean purchase intentions of the smart television per COO effect based on product familiarity

Smart television 2c	**Familiarity**	**Purchase intention**	**t**	**Sig.**	**N**
Country-of-ownership					
Serbia	High	6.11	0.079	0.938	19
	Low	6.00			3
The Netherlands	High	6.89	5.096	0.000 (***)	331
	Low	5.46			71
Country-of-design					
Serbia	High	6.59	*2.352*	*0.022 (**)*	193
	Low	5.78			36
The Netherlands	High	7.17	5.234	0.000 (***)	157
	Low	5.21			38
Country-of-parts					
Serbia	High	6.48	2.298	0.022 (**)	191
	Low	5.60			43
The Netherlands	High	7.28	5.231	0.000 (***)	159
	Low	5.32			31
Country-of-assembly					
Serbia	High	6.69	4.411	0.000 (***)	225
	Low	5.20			46
The Netherlands	High	7.13	2.540	0.012 (**)	125
	Low	5.96			28

*p<0.1; **p<0.05; ***p<0.01
t = Size of the difference relative to the variation in the sample data
Sig. = Significance
N = No. of respondents

Table XXIV – Differences in the mean purchase intentions of the Segway per COO effect based on product familiarity

Segway 2c	Familiarity	Purchase intention	t	Sig.	N
Country-of-ownership					
Serbia	High	6.63	0.858	0.403	8
	Low	5.64			11
The Netherlands	High	7.28	5.468	0.000 (***)	137
	Low	6.04			268
Country-of-design					
Serbia	High	7.18	5.153	0.000 (***)	87
	Low	5.73			172
The Netherlands	High	7.33	2.354	0.020 (**)	58
	Low	6.50			107
Country-of-parts					
Serbia	High	6.96	3.801	0.000 (***)	83
	Low	5.83			155
The Netherlands	High	7.61	4.104	0.000 (***)	62
	Low	6.27			124
Country-of-assembly					
Serbia	High	7.72	5.344	0.000 (***)	65
	Low	6.04			140
The Netherlands	High	6.85	2.718	0.007 (***)	80
	Low	6.01			139

*p<0.1; **p<0.05; ***p<0.01
t = Size of the difference relative to the variation in the sample data
Sig. = Significance
N = No. of respondents

4.5 Differences in the mean perceptions of product quality, design quality and purchase intention per COO effect based on the communication of liabilities of newness

An independent sample t-test was also used to test hypotheses 3a, 3b, and 3c where the means of independent groups within the sample were compared. The hypotheses are tested to see what the effect is of communicating liabilities of newness of a company that is offshoring to Serbia on COO effects. To be able to use this technique for each hypothesis, only the effects of the CD, the CP, and the CA as Serbia were examined, as well as only surveys were used where the CO was the Netherlands. This is done because the hypotheses are based on the assumption that the processes of new companies are offshored to a supposedly low-quality country.

4.5.1 Mean perceptions of product quality based on communication of liabilities of newness

Table XXV and table XXVI show the first independent sample t-test concerning the differences in mean perceptions of product quality of the smart television and Segway per COO effect based on whether liabilities of newness were communicated or not. Table XXV shows that no significant effect was found in the mean perceptions of product quality for the smart television per COO effect based on the communication of liabilities of newness. This means that the strength of COO effects on the respondents' perception of product quality for the smart television is not mitigated by communicating the organizations' liabilities of newness.

Table XXV – Differences in the mean perceptions of product quality of the smart television per COO effect based on the communication of liabilities of newness

Smart television 3a	**Communication of liabilities of newness**	**Perception of product quality**	**t**	**Sig.**	**N**
Country-of-design					
Serbia	Yes	6.83	0.129	0.897	109
	No	6.80			98
Country-of-parts					
Serbia	Yes	6.47	*-0.372*	*0.711*	114
	No	6.58			98
Country-of-assembly					
Serbia	Yes	6.91	0.094	0.925	149
	No	6.88			100
*p<0.1; **p<0.05; ***p<0.01 t = Size of the difference relative to the variation in the sample data Sig. = Significance N = No. of respondents					

Looking at table XXVI, communicating liabilities of newness has a statistically marginally significance (Sig.=0.066) on the product quality perception of the Segway when the CD is Serbia. However, the mean of respondents that experienced communication of liabilities of newness of an organization (M=6.51) is lower than the mean of respondents that did not experience the communication of liabilities of newness (M=7.00). This is contrary to hypothesis 3a which states that the strength of the COO effects on the perception of product quality is decreased by communication of liabilities of newness. Thus, the result is the opposite and shows that the impact of COO effects on the respondents' perception of product quality for both the smart television and Segway is not mitigated by communication of a companies' liabilities of newness.

Table XXVI – Differences in the mean perceptions of product quality of the Segway per COO effect based on the communication of liabilities of newness

Segway 3a	**Communication of liabilities of newness**	**Perception of product quality**	**t**	**Sig.**	**N**
Country-of-design					
Serbia	Yes	6.51	-1.850	0.066 (*)	144
	No	7.00			96
Country-of-parts					
Serbia	Yes	6.47	-0.873	0.384	126
	No	6.70			93
Country-of-assembly					
Serbia	Yes	7.12	*0.729*	*0.467*	84
	No	6.90			102
*p<0.1; **p<0.05; ***p<0.01 t = Size of the difference relative to the variation in the sample data Sig. = Significance N = No. of respondents					

To conclude, hypothesis 3a is rejected, because not enough significant results were found that show the effect of communicating liabilities of newness by a recently established organization.

4.5.2 Mean perceptions of design quality based on communication of liabilities of newness

Table XXVII and table XXVIII show the second independent sample t-test concerning the differences in mean perceptions of design quality of the smart television and Segway by the CD based on whether the liabilities of newness of a recently established company were communicated or not. It can be seen in both tables that no significant effects were found in the mean perceptions of design quality for the smart television and Segway by the CD based on the communication of liabilities of newness. This means that no evidence was found that the strength of the COO effects on the design quality perception can be mitigated by communicating an organizations' liabilities of newness. Therefore, hypothesis 3b is rejected.

Table XXVII – Differences in the mean perceptions of design quality of the smart television by the CD based on the communication of liabilities of newness

Smart television 3b	**Communication of liabilities of newness**	**Perception of design quality**	**t**	**Sig.**	**N**
Country-of-design					
Serbia	Yes	6.71	-0.573	0.567	109
	No	6.53			98
*p<0.1; **p<0.05; ***p<0.01 t = Size of the difference relative to the variation in the sample data Sig. = Significance N = No. of respondents					

Table XXVIII – Differences in the mean perceptions of design quality of the Segway by the CD based on the communication of liabilities of newness

Segway 3b	**Communication of liabilities of newness**	**Perception of design quality**	**t**	**Sig.**	**N**
Country-of-design					
Serbia	Yes	6.25	-1.395	0.164	144
	No	6.66			96
*p<0.1; **p<0.05; ***p<0.01 t = Size of the difference relative to the variation in the sample data Sig. = Significance N = No. of respondents					

4.5.3 Mean purchase intentions based on communication of liabilities of newness

Table XXIX and table XXX show the third independent sample t-test concerning the differences in mean purchase intentions of the smart television and Segway per COO effect based on whether the liabilities of newness of a recently established company were communicated or not. Table XXIX shows that no significant effect was found in the mean purchase intentions for the smart television per COO effect based on the communication of liabilities of newness. This means that the strength of COO effects on the respondents' purchase intention for the smart television is not mitigated by communicating the organizations' liabilities of newness.

Table XXIX – Differences in the mean purchase intentions of the smart television per COO effect based on the communication of liabilities of newness

Smart television 3c	Communication of liabilities of newness	Purchase intention	t	Sig.	N
Country-of-design					
Serbia	Yes	6.51	0.111	0.911	109
	No	6.48			98
Country-of-parts					
Serbia	Yes	6.27	-0.493	0.623	114
	No	6.43			98
Country-of-assembly					
Serbia	Yes	6.40	-0.560	0.576	149
	No	6.56			100
*p<0.1; **p<0.05; ***p<0.01 t = Size of the difference relative to the variation in the sample data Sig. = Significance N = No. of respondents					

Looking at table XXX, communicating liabilities of newness has a statistically marginally significance (Sig.=0.093) on the purchase intention for the Segway when the CA is Serbia. The purchase intention means for respondents that were exposed to liabilities of newness is higher (M=6.93) than when respondents were not exposed (M=6.38). This shows that communicating liabilities of newness of an organization influences the respondents' purchase intention for the Segway when the CA is Serbia.

To sum up, not enough evidence was found for hypothesis 3c to be able to conclude that the strength of COO effects on the purchase intention is decreased by communicating liabilities of newness of a recently established company. Therefore, hypothesis 3c is rejected.

Table XXX – Differences in the mean purchase intentions of the Segway per COO effect based on the communication of liabilities of newness

Segway 3c	Communication of liabilities of newness	Purchase intention	t	Sig.	N
Country-of-design					
Serbia	Yes	6.10	-1.059	0.291	144
	No	6.42			96
Country-of-parts					
Serbia	Yes	6.18	-0.457	0.648	126
	No	6.32			93
Country-of-assembly					
Serbia	Yes	6.93	1.688	0.093 (*)	84
	No	6.38			102
*p<0.1; **p<0.05; ***p<0.01 t = Size of the difference relative to the variation in the sample data Sig. = Significance N = No. of respondents					

Finally, tables XXV until XXX show that it can be concluded that no significant effects were found that make a statement about the effect of communicating liabilities of newness with prospective customers. The findings indicate that this type of communication is more unfavorable for newly established companies.

5. DISCUSSION

This chapter focuses on providing an explanation and evaluation of the found results and showing how the findings relate to the literature, hypotheses, and research question. First, an overview of the main findings is presented, and afterward, the results are per concept in detail more elaborated on what the results mean, why they matter, and whether resemblance and/or confirmation can be found with the theoretical framework. Next to this, arguments are provided that show how the overall conclusion is supported, as well as recommendations and suggestions for future research, are presented. An overview can be found in appendix 6 with the hypotheses, theoretical expectations, and findings.

5.1 Country-of-origin effects on the product quality perception, design quality perception, and purchase intention

5.1.1 The relation of COO effects and including aspects on the perception of product quality

All four COO aspects showed relevant findings regarding the perception of product quality for the smart television and Segway. The findings showed that the CA as the Netherlands only influenced and increased the consumers' product quality perception of the smart television and not the Segway. Higher assembly quality is important for a smart television because it is a high usage item and consumers consider the durability of a smart television. This is in line with a previous study where the used product was an athletic shoe and it showed that the CA is mostly considered since it is a high-wear item (Insch & McBride, 2004). In this study, the CP and the CD as the Netherlands increased the consumers' product quality perception for both products. These results were not consistent with previous study findings, because the CD did not only affect the design quality perception as mentioned by Chao (1998). The CD as the Netherlands increased the consumers' perception of product quality and perception of design quality which is consistent with a different previous study (Chao, 1993). When comparing the relevance of the CD from a country with a positive image in comparison to the CP and the CA, it must be pointed out that the CD is not more valued by consumers than the CA or the CP. Previous study findings showed that the CD is more used by consumers for product assessment instead of the CA and the CP (Li et al., 2000; Chao, 2001). However, this is not in line with the findings from this research, because the CP as the Netherlands had a stronger influence on respondents which increased the product quality of both products. The CO as the Netherlands showed no significant influence and increase in the consumers' product quality perception for both products. The CO is the only COO aspect that did not fully show the expected results in the analysis. This result ties well with a previous study wherein it was found that the CO does not influence the consumers' product assessment and perception of product quality when other relevant COO aspects are also disclosed (Li et al., 2000). The CO loses information content because of the presence of the design and assembly locations on the products. Moreover, the CO does not communicate enough information about the products if the CA and the CD are also present (Li et al., 2000). Heinze and Heitmüller (2018) replaced the CD with the CO in their study because it was a more accurate term for what it was supposed to signify. The findings from this research showed that the CD has more effect on the perception of product quality which makes replacing COO aspects not logical.

Other results from this analysis showed that the country image of Serbia and the country image of the Netherlands have a significant influence which increases the respondents' perception of product quality. The finding regarding the country image of the Netherlands is in line with previous studies where the significance of the country image of the Netherlands on the respondents' higher perception of product quality is explained by the desirable positive COO image of the Netherlands (Bannister & Saunders, 1978; Cordell, 1991). However, a contradictory effect was found for the country image of Serbia. The general assumption that Serbian products are of lower quality resulted in a higher product quality perception for both products. This finding can indicate that the country selection of Serbia for this study might not illustrate and represent a low-quality country. Next to this, the respondents' overall opinions, ideas, and beliefs regarding the higher product quality of products from the Netherlands is because of their positive country image (Bannister & Saunders, 1978; Cordell, 1991). This general assumption showed to influence the perception of product quality for the smart television and Segway, since the CO, the CD, and the CP as the Netherlands and respondents are aware of the general assumption, the smart television is perceived with higher product quality. For the Segway, only the CP as the Netherlands showed to have an impact on the product quality perception.

5.1.2 The relation of the CD on the perception of design quality

The findings from this analysis demonstrated that the respondents' perception of design quality for both the smart television and Segway is increased by the CD as the Netherlands. In line with previous studies, the CD affects the design quality and as already mentioned, also the product quality is influenced by the CD (Chao, 1993). From the results, it became clear that the CD from a positive country provides more certainty and value and is used more by the respondents to judge the design quality of products which was found in previous studies (Li et al., 2000; Chao, 2001). The numbers in the analysis confirm this statement since the impact of the CD on the design quality perception is larger compared to the impact of the CD on the product quality perception. It is worth discussing that previous studies indicated that the influence of the CD increases with the complexity of a product. This means that if a product is complex to design, the significance of the CD from a positive country increases (Ahmed & d'Astous, 1995; Hamzaoui & Merunka, 2006; Essoussi & Merunka, 2007) which means that it could lead to a higher perception of design quality. Considering the numbers from the regression analysis in this study, the CD as the Netherlands increases the design quality perception more of the familiar/less complex product (B=0.976) than of the unfamiliar/complex product (B=0.893). Therefore, the previous finding is not in line with the analysis of this research.

Additionally, the results show that the country image of the Netherlands and the country image of Serbia are increasing the respondents' perceptions of design quality. The findings regarding the Netherlands are observed in a previous study (Hamzaoui & Merunka, 2006). As mentioned before, the increase in the design quality perception in relation to Serbia can indicate that the country selection of Serbia for this study might not illustrate and represent a low-quality country. Next to this, the Dutch' country image is associated by consumers with a higher design quality of products because of the favorable higher-quality country image (Bannister & Saunders; Cordell, 1991). This assumption is confirmed, because the CD as the Netherlands and having respondents that are aware of the general assumption, the smart television was perceived with higher design quality. However, no results were found for the Segway.

5.1.3 The relation of COO effects and including aspects on the purchase intention

The COO aspects showed a significant effect on the purchase intention. The purchase intention for the smart television is increased when the CD, the CP, or the CA is the Netherlands and the purchase intention for the Segway is increased when the CD and the CP are the Netherlands. These results are in line with previous studies where it was concluded that the COO affects the purchase intention since the COO serves as an indicator for the assessment of product attributes (Lin & Chen, 2006; Rezvani et al., 2012). The CA as the Netherlands did not affect the purchase intention for the Segway because the CA influences high usage items such as smart televisions (Insch & McBride, 2004). Moreover, the CP associated with a favorable country image increases the purchase intention for both products and suggests that respondents consider where the product parts are from when making a purchase decision. This is also suggested by a previous study where it was stated that the CP allows consumers to better understand a product since products from the same country can be labeled with another CP (Ha-Brookshire, 2012). However, the CO showed again no significant effect on the purchase intention for both the smart television and Segway.

Next to this, the analysis showed that the general country image of Serbia regarding the product quality increases the purchase intention for the smart television and Segway, and the general country image of Serbia regarding the design quality only increases the purchase intention of the smart television. Furthermore, the generally favorable country image of the Netherlands regarding the design quality increases the purchase intention for both products. Previous studies showed that the country image affects the final purchase intention of consumers (Chen et al., 2011), as well as the characteristics of a country (Laroche et al., 2005; Heinze & Heitmüller, 2018). Thus, a country's image is a crucial element in the consumers' purchase intention, since products from countries with a positive image will be purchased sooner in comparison to products from countries with a negative image (Vrontis et al., 2006). This is true for the purchase intention regarding the country image of the Netherlands which is associated with higher product and design quality. The purchase intention for the Segway is increased when the CP and the CO are the Netherlands and respondents have taken into account the favorable country image regarding product quality. Furthermore, the purchase intention for the smart television is increased when

the CO is the Netherlands, and respondents are aware of the higher product quality of Dutch products. However, the country image of Serbia also increased the purchase intention of the smart television and Segway.

5.2 Country-of-origin effects on the product quality perception, design quality perception and purchase intention related to product familiarity

The analysis provided tables where the differences in mean perception of product quality were shown for each product per COO aspect based on product familiarity. The findings show confirmation of the 'halo effect' assumption which indicates that consumers with a low product familiarity rely more on the country image to determine the quality of a product (Han, 1989; Lin & Chen, 2006; Josiassen et al., 2008; Maheswaran & Chen, 2009; Chen et al., 2011).

Regarding the perception of product quality, it was found that when the CD, the CP, and the CA were Serbia and the product familiarity of the respondents was low, the respondents judged the product quality of both products as lower. However, no effect was found from the CO as Serbia. This finding is in contrast with a previous study where only a significant effect was found of the CO as Slovakia (low-quality country) on the product quality perception of solar panels (Heinze & Heitmüller, 2018). The reason that CO showed no significant effect can be due to the presence of the three other COO aspects because the CO might in this case not disclose enough information for consumers to make a judgment (Li et al., 2000). In line with a previous study, it showed that the CD and the CA are considered by consumers when the product familiarity is lower to judge the product quality of a product (Chen et al., 2011). This shows also why the CO is not significant when assessing the product quality for the smart television and Segway. Considering the perception of design quality, the findings show that the respondents with a low product familiarity relied on the CD to judge the design quality. The CD as Serbia and low product familiarity resulted in lower design quality ratings for both products. This finding is in line with a previous study where it was found that the CD is more considered when the product familiarity is low (Chen et al., 2011).

The negative relationship between product familiarity, purchase intention, and COO effects is confirmed. This finding is in accordance with previous studies (Johansson, 1989; Fiske et al., 1994; Phau & Suntonnond, 2006; Chen et al., 2011; Heinze & Heitmüller, 2018). It was found that the COO effects influence the respondents' purchase intention for both products when the product familiarity is high. This means that the purchase intention of the respondents depends on whether a country can produce a product with high quality and that COO is used as information for a purchase. The results show that the CO, the CD, the CP, and the CA as the Netherlands and a high product familiarity resulted in a higher purchase intention for the smart television and Segway.

Next to this, a contrary finding was discovered regarding the perception of product quality and perception of design quality which is in line with the negative relationship (Johansson, 1989; Phau & Suntonnond, 2006; Chen et al., 2011; Heinze & Heitmüller, 2018). When the COO aspects were listed as a high-quality country (i.e. the Netherlands) and the respondents had a high product familiarity, the product quality and design quality of both smart television and Segway was rated as significantly higher. This shows that the perception of product quality and design quality was influenced by the degree of product familiarity and means that the respondents expected each product to be of high quality because the COO is considered to be a high-quality country.

5.3 Country-of-origin effects and the communication of liabilities of newness

A framework was constructed for the final hypotheses where it was assumed that communication of liabilities of newness would diminish COO effects. The main concepts within the framework relate to the literature on the effect of communication, transparency, and trust on consumer behavior and purchase intention. A previous study emphasized the importance of communication and information exchange when building a relationship with consumers (Schindehutte et al., 2009) and another study found that transparency about a company affects the consumers' trust and attitude (Kang & Hustvedt, 2014). Consumers with a positive attitude towards and trust in a company showed an increase in purchase

intention and perception of product quality (Elliot & Cameron, 1994; Sichtmann, 2007). The previously mentioned results revealed how important it is for organizations to signal and communicate credibility, truthfulness, and reputation concerning a product's features and products (Helm & Mark, 2007). This can be seen as a strategy for organizations that can decrease consumer risk and motivate consumers to purchase a product instead of the products from competitors (Helm & Mark, 2007).

Based on the above-mentioned considerations, the decision was made to signal to respondents the COO properties of the products through product advertisements. The respondents experienced it as transparency of the company, products, and offshoring decisions. Only some respondents received the advertisements where the liabilities of newness were communicated. Furthermore, this research showed that each hypothesis was rejected where the positive effect of communication of liabilities of newness was tested. Only two significant effects were found. The first result is a marginally significant effect on the strength of the CA for the Segway's purchase intention. This indicates that the purchase intention for respondents that were exposed to liabilities of newness was higher compared to the respondents without communication of liabilities of newness. The second result is in the opposite direction. A significant effect was found when the CD is Serbia, but the respondents that were exposed to the liabilities of newness had rated the product quality of the Segway as lower in comparison to the respondents that were not exposed. This finding indicates that communication of liabilities of newness can have a negative effect on a company. Taken together, the results are not in line with the discussed framework and indicate that the effect of communication of liabilities of newness could not be confirmed.

As stated, the results showed slightly negative effects for companies considering the open communication and transparency of liabilities of newness. However, this research cannot identify the exact reasons for this effect. An explanation might be that respondents did not have sufficient knowledge about the products, services, and product quality of the company, as well as no established stable relationship between company and respondent existed. This resulted in a negative feeling at the respondents which made them rate the product quality, design quality, and purchase intention as lower. A previous study stated and explained this situation (Stinchcombe & March, 1965). Another explanation is the lack of legitimacy of new organizations. The organizations in this research openly communicated to the respondents that they faced newness issues and were not able to offshore their processes to high-quality countries which indicates that the companies are not able to compete with other already established companies. By comparing these results to the results of a previous study, it shows that three companies in Sweden experienced the same problem regarding legitimacy (Heinze & Heitmüller, 2018).

5.4 Research question

Considering the research question *"What kind of effect has open communication of a company's liabilities of newness with prospective customers on country-of-origin effects?"*, the above-discussed results are taken into account to answer it.

The research question is answered to a certain degree where it can be concluded that based on this research, communicating liabilities of newness of companies have more of a negative effect on prospective customers where COO effects were not mitigated. However, when the four aspects of the COO construct are associated with a country with a positive image an increase was found in the customers' perceptions of product quality, perceptions of design quality, and purchase intention. Next to this, it is confirmed that product familiarity is an interesting concept that can lead to a positive or negative relationship where the COO effects are related to a consumers' product familiarity.

5.5 Recommendations and suggestions for future research

A recommendation for companies and entrepreneurs is made based on the study findings. First, the importance of a favorable CD and its effect and increase on product quality perception, design quality perception, and purchase intention needs to be emphasized. Using the CD from a country with a positive image as a separate aspect of the COO construct will increase its true value and the impact it has. Changing the CD to the CO is not recommended since it is proven that a favorable CD has more

influence and increases the consumers' quality assessments and purchase intentions in comparison to the CO. Both CO and CD need to be treated as individual aspects. Second, it has shown that the aspects of the COO construct influence the perception of prospective customers regarding product quality, design quality, and purchase intention. However, if the COO aspects are linked to a supposedly bad/unfavorable country image, the company should avoid communicating this. It is recommended to do a careful analysis of whether the used country is considered as positive or negative. The familiarity of consumers with products also needs to be taken into account, since COO effects affect the product familiarity of consumers. Therefore, it is recommended for companies to disclose an appropriate amount of relevant COO information in their marketing strategy, but only if it is associated with a positive country. Also, effort needs to be put into building legitimacy by stressing the products' differentiators instead of COO aspects which are linked to a country with a bad image. Finally, openly communicating the liabilities of newness in the product advertisement should be avoided, since this negatively influenced companies.

Future studies could use this research as a basis for their investigation. This study used a smart television and a Segway in product advertisements, but a future study could use different products. The reason behind this is that previous literature has shown that the COO effects can vary between product categories (Costa et al., 2016). Furthermore, a test could be done to show whether these findings can be replicated using a probability sampling approach which will allow to make more generalizable findings and conclusions to the populations from which they are drawn. A probability sampling approach provides the opportunity to create a sample size that is representative of the population. Next to this, each COO aspect, depending on whether it is associated with a positive or negative country image, has proven to be a valuable aspect on its own, but the amount of the impact differs per aspect. This could be further investigated to figure out what makes each aspect special and on what circumstances the size of the effect depends. For instance, does the effect depend on the country or the amount of product familiarity? Furthermore, this study found no exact reasons why communication of liabilities of newness resulted in a negative effect, and for some variables, it showed no effect at all. This could be further studied to define what the exact reasons are behind the negative effect on consumers.

6. CONCLUSION

The objective of this paper was to answer the main research question: *"What kind of effect has open communication of a company's liabilities of newness with prospective customers on country-of-origin effects?".* This study adjusted the concept of country-of-origin (COO) effects to an entrepreneurial context with a focus on four aspects of the COO construct, as well as on the product quality perception, design quality perception, and consequently the purchase intention. Several hypotheses were made from previous relevant literature which helped to provide an answer for the research question, as well as surveys were developed where the provided answers served as the basis for the analysis. A total amount of 470 responses was collected, but 46 responses were excluded due to preliminary tests. Multiple SPSS techniques were used to test the hypotheses which provided valuable findings and insights.

Considering the results of the linear multiple regression, a favorable country-of-design (CD) and favorable country-of-parts (CP) influences and increases the perception of product quality and purchase intention for both the smart television and Segway. A favorable country-of-assembly (CA) increases the product quality perception and purchase intention for only the smart television and the country-of-ownership (CO) showed to not affect at all on the product quality perception and purchase intention for both products. Furthermore, a favorable CD increases the perception of product quality, perception of design quality, and purchase intention. The importance of a favorable CD and its influence on quality assessments and purchase intentions has emerged in this research.

Additionally, this research found significant effects of the country image of Serbia and the country image of the Netherlands on the product quality perception, design quality perception, and purchase intention. A positive country image increases the product quality perception, design quality perception, and purchase intention of a product, but the perceptions about country images can change over time. This means that unfavorable country images can eventually be associated with higher product quality, design quality, and purchase intention. Taking all together, it can be concluded that the buying decisions or product/design quality perceptions are assessed and determined by prospective consumers based on the COO aspects and country images together.

Reflecting on the independent sample t-tests, the concept of product familiarity was included for both products and showed that two types of relationships were confirmed. The positive relationship indicates a 'halo effect' where prospective consumers with low product familiarity are more affected by COO effects when assessing the quality of products. Only the CO showed no effect on the 'halo effect'. Furthermore, the negative relationship states that the COO effects influence the purchase intention of both products when prospective customers have a high product familiarity. Finally, the results showed that communicating liabilities of newness does not yield positive effects on any of the individual COO aspects. The results showed that this type of communication can even be counterproductive for new companies which have chosen to offshore to a country with an unfavorable image.

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APPENDICES

APPENDIX 1: Summary of the findings from the theoretical framework

Summary theoretical framework	
Country-of-origin (COO) effect	The COO effect is described as the effects on the product value, perception of quality and purchase intention based on the underlying country image of the country of product origin whereby accompanying stereotypic beliefs can be triggered (Insch & McBride, 2004; Hamzaoui & Merunka, 2006; Moeller et al., 2013). The COO has to be viewed from a multidimensional construct perspective where a distinction is made between several aspects (Chao, 1993; Ahmed & d'Astous, 1995), because components of hybrid products are made in several countries and they have made the validity of the 'Made in__' label unclear (Chao, 1993; Al-Sulaiti & Baker, 1998). Consumers are influenced by information cues when deciding on the selection, acquisition, and eventually the usage of products (Bettman, Johnson & Wayne, 1991; Samiee, 1987). Information cues can be intrinsic (e.g. taste, design, and performance) and/or extrinsic (e.g. brand name, COO, price, and retailer reputation) (Olsen, 1972; Ahmed & d'Astous). The COO has a significant influence on product evaluation by consumers and COO is used by consumers as an extrinsic cue to assess the quality of products (Agrawal & Kamakura, 1999).
The four aspects of the COO construct	The COO is by previous studies recognized as a multidimensional construct that consists of several aspects, for instance, country-of-ownership (CO), country-of-design (CD), country-of-assembly (CA) and country-of-parts (CP) (e.g. Chao, 1993; Tse & Lee, 1993; Ahmed & d'Astous, 1995; Li et al., 2000). It is not possible anymore to use a country variable as a single-dimensional concept, because it does not consist only of a 'Made in__' label (Chao, 1993). Understanding the several aspects of the COO construct enables organizations to use the gained information in marketing and strategic planning (Insch & McBride, 2004).
Country-of-ownership (CO)	The term CO refers to the home country of the organization and shows the country in which the organization is registered (Li et al., 2000; Thakor & Lavack, 2003). The CO influences and impacts the consumers' product evaluation and judgment, but only when no other COO aspect or information is revealed (Li et al., 2000). This is because CO loses plenty of information content due to the presence of the design and assembly locations on the product (Li et al., 2000).
Country-of-design (CD)	The term CD refers to the country in which the product was visualized and engineered (Insch & McBride, 1999). The CD increases and optimizes positive evaluations of products among international consumers while at the same time it helps with the identification of products and differentiates them from the competition (Chen & Su, 2012). Moreover, the CD offers consumers an impression of the products' innovativeness, features, and technical complexity. This shows that the CD provides more valuable information about technological, design and cultural origin and CD has the most influence on the consumers' quality assessment of an unfamiliar product (Li et al., 2000). Organizations that provide consumers with more detailed country information on product labels can get in an advantageous position, especially if the organization has a favorable CD (Li et al., 2000).
Country-of-parts (CP)	The term CP refers to the country where most of the used materials came from or were made (Insch & McBride, 2004). Adding the CP of a product on the product label can ensure the accurateness of information about a hybrid product (Ha-Brookshire, 2012). Consumers want to make informed purchase decisions which can be achieved by revealing where the product parts are from. The CP allows consumers to correctly understand a product since products made in the same country can have a different CP (Ha-Brookshire, 2012). Finally, the CP is significant for a product due to the perceived importance of the parts (Insch & McBride, 2004).
Country-of-assembly (CA)	The term CA refers to the country where most of the product's final assembly happened (Insch & McBride, 2004). Consumers use a product's CA to evaluate the functional quality dimensions of a product, such as manufacturing quality, performance, reliability, identification of possible defects, and to see whether certain standards were met (Li et al., 2000). However, CA does not reveal anything about the style or visual aspects of the product, since this is determined by the design process and thus CD. This makes CA sometimes an unusable criterion for consumers to judge and distinguish the quality of products between companies (Li et al., 2000).

Country image	A country image is described as the sum of all the descriptive, inferential and information beliefs a person has about a certain country (Martin & Eroglu, 1993) and is considered a crucial element that has an impact on the consumers' perceptions of a product, the purchase decision and eventually the usage of a product/service (Vrontis, Thrassou & Vignali, 2006). It is of great importance for managers to determine which country images are favorable and which are not. Managers can use this information to analyze how product quality perceptions and purchase decisions are affected, as well as how to develop successful marketing strategies (Martin & Eroglu, 1993).
Perception of quality	Perceived quality has been defined as "the consumer's judgement about a product's overall excellence or superiority" (Zeithaml, 1988, p. 3). A distinction is made between design quality and product quality since these are two different concepts of the quality dimensions (Insch & McBride, 2004).
Product quality	The product quality has been defined as "the composite of product characteristics of engineering and manufacture that determine the degree to which the product in use will meet the expectations of the customer" (Feigenbaum, 1961; cited in Reeves & Bednar, 1994). Consumers use signals to assess product quality across competitive products when the product performance and quality are unclear for consumers. These signals are used by consumers when they are unable and do not have the time to judge the quality, as well as they want to decrease the purchase risk and there is a need for information (Dawar & Parker, 1994). The most important signals are product features or appearance (Olsen, 1977; Dawar & Parker, 1994), brand advertising, price (Milgrom & Roberts, 1986; Dawar & Parker, 1994) and product/retail reputation, warranties or guarantees (Olsen, 1977; Cooper & Ross, 1985; Dawar & Parker, 1994).
Design quality	The design quality is defined as the inherent value of a product and is used to measure whether the consumer expectations and requirements are included in the concept of a product and eventually into the detailed product design (Lotfi et al., 2013). The design quality can be influenced by the country's image and whether a country can design or manufacture the product (Hamzaoui & Merunka, 2006). The consumers' assessment of the quality and superiority of a product design engineering and concept idea is called the perceived product design quality (Insch & McBride, 2004).
Consumer behavior: purchase intention and product knowledge	The COO is one of the factors that influence the purchase and consumption of products by consumers (Piron, 2000). The consumers' product judgment and evaluation are influenced by the COO of a product (Hui & Zhou, 2000). The COO of a product has a range of different levels of importance in the purchasing decision of a consumer. Consumers are influenced through COO at the judgment phase of the decision process (Hui & Zhou, 2000). The purchase intention of consumers is increased when there is no COO information about a product. If consumers perceive a country as negative, the purchase intention will lean towards competing products with a positive COO (Piron, 2000). Direct effects exist of COO on the overall product evaluation, but an indirect effect exists on the purchase intention and product value which is caused by factors with a more direct effect, namely brand name and price (Hui & Zhou, 2000). The intention to search for information by a consumer is positively influenced by the consumers' product knowledge (Lin & Chen, 2006). Organizations need to provide an appropriate amount of relevant product information in their marketing strategy since this will eventually increase the consumers' purchase intention (Lin & Chen, 2006).
Product familiarity	A factor that influences the consumer's product evaluation and the assessment of the quality of products is the degree of a consumer's familiarity with a product (Rezvani et al., 2012). The degree of experience a consumer has of a product (Rezvani et al., 2012) indicates how familiar a consumer is with a product (Josiassen, 2008). The relationship between product familiarity and COO is used to explain how consumers use the COO to evaluate a product for a purchase decision. This is because the country of a product is considered to be memorable for a consumer, since they are familiar and have experience with the product, meaning that they use the COO as information for their purchase intention (Rezvani et al., 2012). The COO image is considered more by consumers when evaluating less familiar product categories and also low involvement products (Josiassen et al., 2008). Therefore, these consumers use the "COO image as indirect evidence of the product's performance"

	(Josiassen et al., 2008, p. 434). The COO image effects are strong and used when products are less familiar to consumers (Josiassen et al., 2008) which makes product familiarity a concept that consumers use to judge the delivered product quality of a country (Chen et al., 2011). Finally, unfamiliar products are more complex and familiar products are usually simpler products (Conover, 1982).
Liability of newness	New organizations need to find efficiency improvements and ways to increase quality and market share (Tate, Ellram, Bals & Hartmann, 2009). This scenario can only happen when the new organization can survive in the current complex environment of multinational corporations and if the lack of key resources can be overcome such as knowledge, financial and consumers (Guercini & Milanesi, 2016), as well as if the organizations can deal with the external and internal liabilities (Aldrich & Auster, 1986). Therefore, the concept of liability of newness has been introduced which explains this situation (Stinchcombe & March, 1965). The concept 'liability of newness' explains the comparatively higher amount of death rates of new organizations in comparison to older ones, because of organizational lack of established structures, skills, routines, and/or cost inefficiencies (Stinchcombe & March, 1965).
Role of communication in COO effects context	A need exists to close the gap for the asymmetric product information and understanding amongst the organization and the potential consumer. A method to close this and to countermeasure information asymmetry is signaling (Riley, 2001) and this is needed to convince a consumer that a product is of high quality (e.g. Spence, 1973; Nelson, 1974; Gergaud & Livat, 2007). Consumer uncertainty and information asymmetries regarding the features of a product can be reduced through information offers, guarantees, and reputation (Spremann, 1988; Kaas, 1990; Helm & Mark, 2007). This makes it important for organizations to undertake an effort to express and communicate their credibility, truthfulness, and reputation concerning a product's features since this can reduce consumer risk and motivate consumers to purchase a product (Helm & Mark, 2007). Organizations can see this as a significant step to overcome the liability of newness. A framework is suggested for the effect of a new organization's open communication of liability of newness on COO effects. The communication aspect of the four C's (initially four P's) (Lauterborn, 1990; Popovic, 2006; Scott-Philips et al., 2012) is especially evident in this study. Emphasis needs to be placed on creating a community that interacts with the brand since consumers are involved in a product and considered to be a co-creator of a product (Schindehutte, Morris & Pitt, 2009). Communicating and exchanging information creates relationships with satisfied consumers that have trust, respect, and loyalty to the brand, and eventually, the brand can gain a consumer's trust (Schindehutte et al., 2009). The consumers' trust and attitude towards organizations and eventually indirect the purchase intention, is affected by transparency about the production processes and labor conditions (Kang & Hustvedt, 2013). Additionally, trust influences retaining consumers (Sichtmann, 2007).

APPENDIX 2: Overview of previous literature regarding the COO aspects

Previous conducted studies (in general)

Looking at previously conducted studies regarding the COO construct, Chao (1993) showed to respondents the CD and the CA of a television set produced by Tera Electronics, Inc. of Taiwan and included two levels of price. The results reveal that the evaluation of consumers regarding design and product quality is influenced by the CD, the CA, and price. Chao (1998) added the aspect of CP in his next study. The respondents were shown a black and white advertisement for a stereo television set. However, the product features, assembly, design, and part locations of the product were manipulated. The results show that the CA and the CP affect the consumers' perception of product quality and the CD only affects the perception of design quality. Insch & McBride (2004) performed a similar study using the CD, the CA, and the CP but the test integrated three products (television, athletic shoes, and mountain bike). They examined the effect of the aspects on Mexican and US consumers and how these aspects influence the product quality evaluation. The findings show that all three aspects have a different effect on the product evaluation and the COO effects are different between US and Mexican consumers.

Country-of-design

Previous literature has been analyzed regarding the CD and its influence on consumer quality perception and purchase intention, as well as what kind of effect it has. Yet, diverse results have been presented, since the size, focus, and process differ noticeably (Acharya & Elliot, 2001).

Author(s)	**Findings**
Ahmed and d'Astous (1995)	More impact is made through the CD on the perception of buyers and on organizational purchase decisions, instead of the CA. It is recommended for a manager to emphasize and promote the country if it has a high-status when selling a technologically complex product. This will provide the marketer with the power to influence the decision-making process and evaluation. The importance of the CD depends on the complexity level of a product, meaning that if a product is complex to design that the importance of the country of design will increase, as well as the country of design effect on the perceived product quality (Ahmed & d'Astous, 1995; Hamzaoui & Merunka, 2006; Essoussi & Merunka, 2007).
Chao (1993)	The CD affects both design quality and product quality, whereas the CA only has an impact on the general quality. However, an increased product price did result in a higher design quality perception which shows that price and the CD interact in influencing the product quality rankings. The design quality perception can be increased through a good design country location.
Essoussi and Merunka (2007)	Emphasizing the CD will have less influence on private goods and a lot of influence on public goods with a symbolic meaning. Furthermore, communication of the origin of a product can help build brand image and brand equity, since particular product characteristics and categories are already favorably associated with a country (Steenkamp, 1989; Hamzaoui & Merunka, 2006).
Insch and McBride (2004)	The CD has an impact on every quality dimension rating of athletic shoes, but not the television or mountain bike.

Country-of-assembly

Author(s)	**Findings**
Insch and McBride (2004)	It is discovered that the quality rating of athletic shoes is influenced by the CA. Consumers consider the durability of athletic shoes since they are a high-wear item. Therefore, the (assemble) quality of athletic shoes is very important, because an athletic shoe of lesser quality will fall apart due to poor glue and stitching procedures. This makes the CA significant in determining the quality of athletic shoes and similar high-wear items. Additionally, the study showed that consumers prefer shoes assembled in Japan and the United States over Mexico.

APPENDIX 3: Examples of advertisements texts with and without communication manipulation

Smart Television

Advertisement text without communication manipulation (survey 4: NL/NL/SRB/SRB)

Hello, we are Emma and David, and we recently established our Smart Television company in the Netherlands. We have launched an innovative smart TV which will provide you with the best TV experience. The television has loads of applications, including the ability to browse the web, to stream online, to connect your smartphone and other devices and to play games. It has also motion control, voice control, you can log into your social networks and the smart TV is compatible with other connected devices in your home, for instance with lights, door locks, camera's, etc. It is an exclusive product that keeps you connected and up to date with the entire world. The smart TV is more durable than other smart TV's since it is the first one that automatically updates itself and it has already all the needed features. Our smart TV's are made of the best material and include a powerful speaker system and remote control. The design of the smart TV is done in the Netherlands. The parts are manufactured in Serbia and the smart TV is assembled also in Serbia.

Advertisement text **with communication manipulation** (survey 16: NL/SRB/SRB/NL)

Hello, we are Emma and David, and we recently established our Smart Television company in the Netherlands. We have launched an innovative smart TV which will provide you with the best TV experience. The TV has loads of applications, including the ability to browse the web, to stream online, to connect your smartphone and other devices and to play games. It has also motion control, voice control, you can log into your social networks and the smart TV is compatible with other connected devices in your home, for instance with lights, door locks, camera's, etc. It is an exclusive product that keeps you connected and up to date with the entire world. The smart TV is more durable than other smart TV's since it is the first one that automatically updates itself and it has already all the needed features. Our smart TV's are made of the best material and include a powerful speaker system and remote control. **As a new company, we do not yet have established our production facilities and due to a currently small customer-base, we were forced to start with a relatively low production quantity. For the above reasons, it was impossible to keep all processes within the Netherlands while still offering our smart TV at a fair price. As a result, the design of the smart TV was done in Serbia and this is also where the parts are manufactured for the smart TV. However, the smart TV was assembled in the Netherlands.**

Segway

Advertisement text without communication manipulation (survey 4: NL/SRB/NL/SRB)

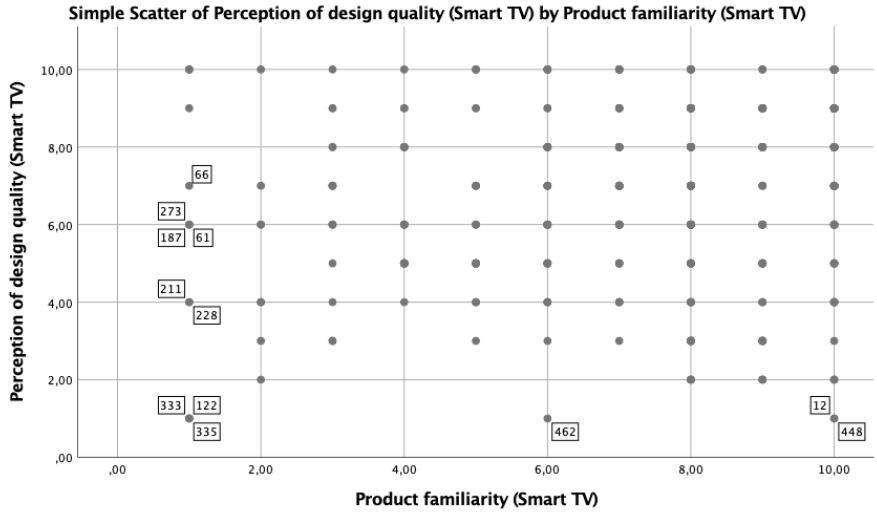
Hi, we are Julia and Noah, and we recently set up our new Segway company in the Netherlands. We just launched an exclusive two-wheeled and self-balancing personal transporter that can be used indoors and outdoors. It improves worker mobility, maximizes productivity and also reduces the impact of global warming by reducing greenhouse gas output. High tech technology was used to build the newest innovative version. The design of the Segway is done in Serbia and this is also where the Segway is assembled. The parts are manufactured in the Netherlands.

Advertisement text **with communication manipulation** (survey 16: NL/NL/SRB/SRB)

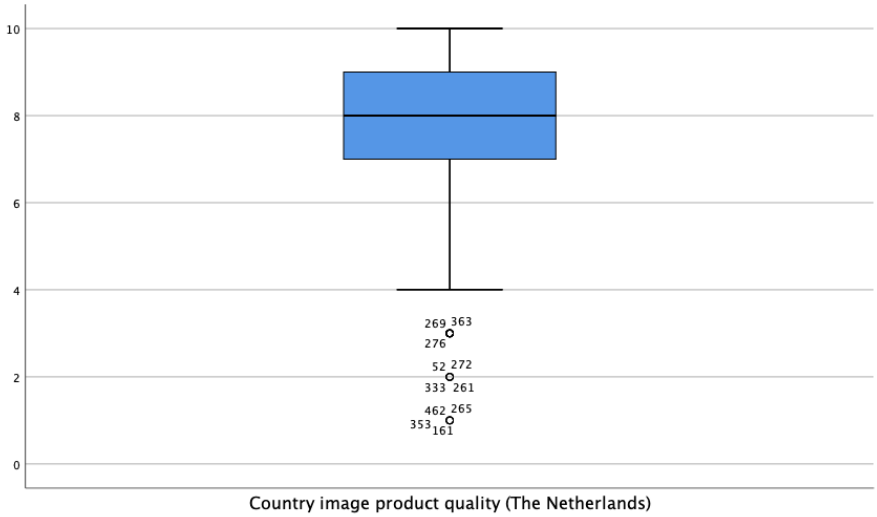
Hi, we are Julia and Noah, and we recently set up our new Segway company in the Netherlands. We just launched an exclusive two-wheeled and self-balancing personal transporter that can be used indoors and outdoors. It improves worker mobility, maximizes productivity and also reduces the impact of global warming by reducing greenhouse gas output. High tech technology was used to build the newest innovative version. **Just like our fellow entrepreneurs Emma and David, we also do not yet have established our production facilities and due to a currently small customer-base, we were forced to start with a relatively low production quantity. For the above reasons, it was impossible to keep all processes within the Netherlands while still offering our Segway at a fair price. As a result, the parts are manufactured in Serbia and this is also where the Segway is assembled. However, the design of the Segway was done in the Netherlands.**

APPENDIX 4: Results preliminary tests

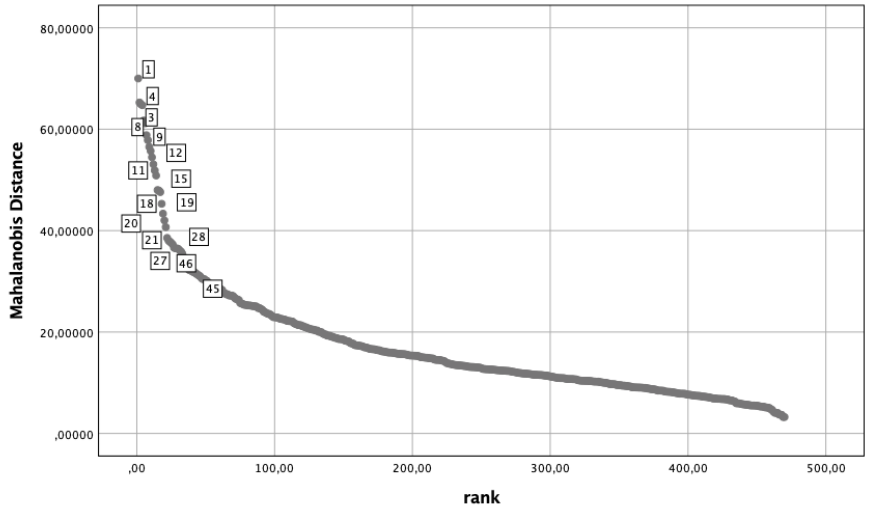
Scatterplot example



Boxplot example



Mahalanobis test



APPENDIX 5: Overview sample size

		Perception of product quality (Smart TV)	Perception of design quality (Smart TV)	Purchase intention (Smart TV)	Perception of product quality (Segway)	Perception of design quality (Segway)	Purchase intention (Segway)	Respondents
		Mean	Mean	Mean	Mean	Mean	Mean	N
Age	18-25	6,98	7,01	6,65	6,76	6,64	6,37	267
	26-35	6,86	6,99	6,60	6,96	7,05	6,47	73
	36-45	6,94	6,83	6,34	7,04	6,81	6,53	47
	46-55	6,88	7,04	6,56	7,00	7,08	6,64	25
	56-65	7,00	6,89	6,78	6,78	6,78	6,89	9
	65+	7,33	6,67	7,00	8,67	7,33	7,67	3
Nationality	Dutch	7,26	7,28	6,80	7,02	6,81	6,45	207
	Serbian	6,64	6,68	6,41	6,67	6,68	6,41	212
	Other	7,40	7,60	7,40	8,00	8,20	7,40	5
Country of residence	The Netherlands	7,26	7,29	6,79	7,01	6,80	6,45	208
	Serbia	6,65	6,69	6,41	6,68	6,70	6,42	210
	Other	6,67	6,83	7,17	7,33	7,50	6,83	6
Sex	Female	6,95	7,08	6,57	6,83	6,74	6,34	277
	Male	6,96	6,83	6,68	6,90	6,79	6,62	146
	Prefer not to say	8,00	4,00	6,00	8,00	9,00	8,00	1
Occupation	Student	7,00	7,09	6,71	6,89	6,72	6,50	217
	Employed	6,74	6,79	6,39	6,64	6,64	6,23	151
	Self-employed	8,08	7,86	7,47	7,69	7,75	7,28	36
	Unemployed	6,12	6,00	5,25	6,00	6,25	5,25	8
	Retired	6,60	6,00	5,80	7,40	6,40	7,00	5
	Other	5,71	5,14	5,71	6,43	6,29	5,86	7
Education (highest degree completed)	High school diploma	6,84	6,90	6,54	6,83	6,74	6,45	208
	Bachelor's degree	7,19	7,23	6,84	6,93	6,76	6,67	129
	Master's degree	7,16	7,14	6,64	7,01	7,06	6,23	69
	Doctorate degree	6,00	6,00	6,80	5,80	7,00	7,40	5
	Other	5,69	5,38	5,08	6,08	5,54	4,77	13

APPENDIX 6: Overview hypotheses, theoretical expectations, and findings

Hypotheses 1	**1a (1)**	Consumers will perceive a product with higher product quality if the new company, its manufactured parts, the assembly, and design are from a country with a positive image.
	Theoretical expectations	Consumers associate a product category to a country which can result in a positive image or negative image for the country and its products (Vrontis et al., 2006). Products from a developed country are associated with a desirable positive COO image and eventually a better-quality image (Bannister & Saunders, 1978; Cordell, 1991). A positive COO and its four aspects have a strong influence on the perceived design quality and product quality (Chao, 1993; Teas & Agarwal; Chen & Su, 2012). Thus, the COO image is a key determinant in eventual product quality assessment.
	Findings	The CD and the CP as the Netherlands resulted in a higher perception of product quality than when the CD and the CP are Serbia. The CA as the Netherlands also increases the perception of product quality but only for the smart television. The general country image of Serbia (lower product quality) and the general country image of the Netherlands (higher product quality) both increase the product quality perception of the smart television and Segway. Even though Serbian products are associated with lower product quality.
	1a (2)	Consumers that believe that in general products from a country with a positive image have higher product quality and if the investigated product is owned by/designed in/assembled in/parts are from a country with a positive image, the investigated product will be perceived with higher product quality.
	Theoretical expectations	See 'Expectations 1a (1)'
	Findings	When the CO, the CD, and the CP are the Netherlands and respondents are aware of the higher quality of Dutch products, the smart television with the CO or the CD or the CP as the Netherlands will be perceived with higher product quality. Moreover, when the respondents have taken into account the general assumption that Dutch products are of higher product quality and the CP of the Segway is the Netherlands, the result is a higher perception of product quality for the Segway. However, considering the same general assumption of Dutch products and when the CO is the Netherlands, the Segway is perceived as a lower quality product. But when a test was done for multicollinearity, the significance of the CO disappeared.
	1b (1)	A product will be perceived by consumers with higher design quality if the design is done in a country with a positive image.
	Theoretical expectations	See 'Expectations 1a (1)'
	Findings	It was found for both products that the CD as the Netherlands results in a higher perception of design quality. Next to this, both products are influenced by the general assumption of the country images of Serbia and the Netherlands. The results for both products were positive which shows that the products are perceived with higher design quality, even though Serbian products are associated with lower design quality.
	1b (2)	Consumers that believe that in general products from a country with a positive image have a higher design quality and if the investigated product is designed in a country with a positive image, the investigated product will be perceived with higher design quality.
	Theoretical expectations	See 'Expectations 1a (1)'
	Findings	The moderated dummy regression for the Segway showed no significant results, but the smart television is perceived with a higher design quality when the CD is the Netherlands and the respondents have considered the general assumption of Dutch products with higher design quality.
	1c (1)	Consumers are more likely to purchase a product if the new company, its manufactured parts, the assembly, and design are from a country with a positive image.

	Theoretical expectations	The COO image, country characteristics, and the amount of product information gained by consumers influence the consumers' final purchase intention (Laroche et al., 2005; Chen et al., 2011; Heinze & Heitmüller, 2018). Another factor that directly influences the consumers' purchase intention is the perceived product quality and design quality. The result is that products with higher quality will have a higher purchase intention (Saleem et al., 2015).
	Findings	The CD and the CP as the Netherlands result in a higher purchase intention for both products. The CA as the Netherlands also increases the purchase intention, but only for the smart television. The general country image of Serbia regarding the product quality increases the purchase intention for the smart television and Segway, and the general country image of Serbia regarding the design quality only influences the purchase intention of the smart television. Furthermore, the general positive country image of the Netherlands regarding the higher design quality increases the purchase intention for both products.
	1c (2)	Consumers that believe that in general products from a country with a positive image have higher product quality and design quality, and if the investigated product is owned by/designed in/assembled in/parts are from a country with a positive image, the purchase intention of the investigated product will be higher.
	Theoretical expectations	See 'Expectations 1c (1)'
	Findings	Results showed that when the CO is the Netherlands and respondents with knowledge about the higher product quality of Dutch products, the purchase intention for the smart television increases. Next to this, the purchase intention for the Segway increases when the CO and the CP are the Netherlands, and respondents are also aware of the higher product quality of Dutch products.
Hypotheses 2	**2a**	The strength of country-of-origin effects on the product quality perception is inversely related to product familiarity.
	Theoretical expectations	A relationship exists between the consumers' product familiarity and product quality perception (e.g. Li et al., 2000; Insch & McBride, 2004; Josiassen et al., 2008). This is because a consumers' familiarity with a product is connected to the strength of the COO cues and is eventually used to evaluate a product regarding design quality, manufacturing quality, other quality, and overall quality (Insch & McBride, 2004). Consumers that are less familiar with a product become subject to the effect of COO image (Josiassen et al., 2008) which shows that consumers use the amount of product familiarity to judge the quality of a product from a country (Chen et al., 2011). Thus, the country image is used by consumers to determine the quality of an unknown product and brand, as well as to assess the overall product evaluation (Han, 1989). Finally, a positive relationship was found which is explained by the 'halo effect'. This shows that the COO effect is high when the consumers' product familiarity is low. Therefore, consumers rely on the general impressions of a country to judge product features and performance (Maheswaran & Chen, 2009).
	Findings	The outcomes related to the product familiarity concept showed that there is a sign of the 'halo effect'. Respondents with a low product familiarity were influenced by the CD, the CP, and the CA as Serbia when assessing the product quality of both the smart television and Segway. Hence, the product quality was rated as lower. The CO as Serbia does not have a significant effect on both products regarding the respondents' product familiarity and product quality assessment. The results for the product quality perception revealed also contrary effects. The CO, the CD, the CP, and the CA as the Netherlands had an influence on the product quality assessment of respondents with a high product familiarity. They rated both the smart television and Segway with higher product quality.
	2b	The strength of country-of-origin effects on the design quality perception is inversely related to product familiarity.
	Theoretical expectations	See 'Expectations 2a'
	Findings	Respondents with a low product familiarity relied on the CD as Serbia when assessing the design quality of both products. Hence, the design quality was rated as lower.

		The results for the design quality perception revealed also contrary effects. The CD as the Netherlands influenced the design quality assessment of respondents with a high product familiarity which means that both products were rated with higher design quality.
	2c	The strength of country-of-origin effects on the purchase intention is directly related to product familiarity.
	Theoretical expectations	Also, a negative relationship was found which shows that when consumers have information about a product or brand, less external information will be searched since fewer new information is available which is unknown for the consumers (Fiske et al., 1994; cited in Phau & Suntornnond, 2006). The COO effects can only influence the evaluation of product quality and eventual purchase decisions when the product familiarity is high, i.e. consumers expect a product to be of high quality when the COO is a high performing country. Thus, here the consumers' ability to judge a product depends on whether the country can produce a product with high quality (Johansson, 1989; Phau & Suntonnond, 2006; Chen et al., 2011; Heinze & Heitmüller, 2018). The purchase intention is positively influenced and determined by the perceived product quality and design quality (Steenkamp et al., 2003; Moslehpour & Huyen, 2014).
	Findings	The results showed that the CO, the CD, the CP, and the CA as the Netherlands influenced the respondents with a high product familiarity which resulted in higher purchase intentions for both the smart television and Segway.
Hypotheses 3	**3a**	The strength of country of origin effects on the product quality perception is decreased by communicating new companies' liabilities of newness and thereby justifying their offshoring decisions.
	3b	The strength of country of origin effects on the design quality perception is decreased by communicating new companies' liabilities of newness and thereby justifying their offshoring decisions.
	3c	The strength of country of origin effects on the purchase intention is decreased by communicating new companies' liabilities of newness and thereby justifying their offshoring decisions.
	Theoretical expectations 3a, 3b, and 3c	It has become of great importance for new companies to find efficiency improvements and ways to increase quality and market share (Tate, Ellram, Bals & Hartmann, 2009). This scenario can only happen when the new company can survive in the current complex environment of multinational corporations and if the lack of key resources, such as knowledge, financial and consumers, can be overcome (Guercini & Milanesi, 2016), as well as if the organizations can deal with the external and internal liabilities (Aldrich & Auster, 1986). Organizations need to express and communicate their credibility, truthfulness, and reputation concerning a product's features since this can reduce consumer risk and motivate consumers to purchase products (Helm & Mark, 2007). Communicating, exchanging information, and showing transparency play a significant role in consumer behavior since it can lead to trust, a positive attitude, and eventually to purchase intentions and brand loyalty (Kang & Hustvedt, 2013).
	Findings 3a, 3b. and 3c	Not enough significant results were found to show what the exact impact is of communication of liabilities of newness, and that the impact of COO effects on the respondents' perception of product quality, perception of design quality, and purchase intention for both products is mitigated through the communication of liability of newness of a new company. The findings showed that communicating a companies' liabilities of newness is even disadvantageous for new companies.

GLOSSARY

Country-of-assembly (CA) –	The term CA refers to the country where most of the product's final assembly happened (Insch & McBride, 2004).
Country-of-design (CD) –	The term CD refers to the country in which the product was visualized and engineered (Insch & McBride, 1999).
Country image –	Sum of all the descriptive, inferential and information beliefs a person has about a certain country (Martin & Eroglu, 1993).
Country-of-origin effects (COO) –	The effects on the product value, perception of quality and purchase intention based on the underlying country image of the country of product origin whereby accompanying stereotypic beliefs can be triggered (Insch & McBride, 2004; Hamzaoui & Merunka, 2006; Moeller et al., 2013)
Country-of-ownership (CO) –	The term CO refers to the home country of the organization and shows the country in which the organization is registered (Li et al., 2000; Thakor & Lavack, 2003).
Country-of-parts (CP) –	The term CP refers to the country where most of the used materials came from or were made (Insch & McBride, 2004).
Halo assumption –	Consumers will rely more on the COO image of a product to determine the quality if they are not so familiar with a product (Lin & Chen, 2006).
Liability of newness –	Liability of newness explains the comparatively higher amount of death rates of new organizations in comparison to older ones, because of organizational lack of established structures, skills, routines and/or cost inefficiencies (Stinchcombe & March, 1965).
Offshoring –	Organizations locate centers for manufacturing outside of the organization’s headquarters region as a way to lower costs (Ellram et al., 2013)
Signaling theory –	Organizations undertake an effort to express and communicate their credibility, truthfulness, and reputation concerning a product’s features (Helm & Mark, 2007).
Product familiarity –	The degree of experience a consumer has of a product (Rezvani et al., 2012) and indicates how familiar a consumer is with a product (Josiassen, 2008).
Product involvement –	The amount a consumer is stimulated in a product by personal recognition and/or interest (Engel et al., 1995).