

MARKETING MANAGEMENT

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Submission date: 13 May 2020

Executive Summary

IKEA is a well-recognized brand in the globe. They are known for their Swedish and innovative designs with low prices. By understanding Marketing Management, here to evaluate IKEA brand marketing strategy in Saudi Arabia.

PESTEL and SWOT analysis used in assessing the impact of external and internal market environment. IKEA response well to both internal and external issues. Market segments are identified to be targeted in the corporation's marketing plans through four main types: geographic, demographic, psycho-graphic and behavioral segmentation. IKEA has a very wide target market and they focus well on them. Marketing research was done to analyze the marketing mix including main elements which known as the 'four Ps': product, place, price and promotion. IKEA offer a huge variety of products with a great product life cycle and different and innovative designs. Its differentiation points include flat-pack, self-service, and low price which keeps IKEA as the leader of the market. The company open four IKEA stores in three big cities in Saudi Arabia to attract more people. IKEA use penetration pricing strategy and mainly use digital channels for promotion and advertising.

IKEA in Saudi Arabia is one of the recognized home furnishing retail due to its unique services and differentiation points. It has an excellent marketing strategy that links to the organizational goals. It is difficult for IKEA to sustain a competitive advantage in home furnishing retail due to aggressive competition. However, the company tries its best to maintain that by following a clear vision and business idea, knowing the company competitors, and able to differentiated itself from them successfully.

The recommendation for IKEA **is to improve their products quality which will impact the company reputation, increase the number of stores in Saudi Arabia and distributor to be across all the country, and to invest more in their products which have potential to grow. Finally, the company should monitor the economic condition which affect the costs of raw materials and may lead to change in the product price.**

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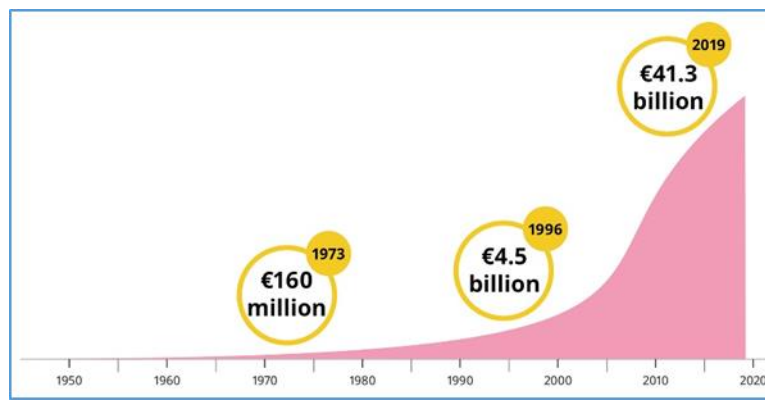
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Introduction

This report will evaluate IKEA in Saudi Arabia marketing strategy. It will describe the current status of IKEA brand with a brief historical background. It will define IKEA's current state on the Product Life Cycle and IKEA's competitors. It will assess external and internal influences using PESTLE and SWOT analyses. In addition, it will define the target market and market segmentation through Geographic, Demographic, Behavior, Psychographic levels. Finally, market Research will done with recommendations for change in the current marketing practice.

Brand Overview

IKEA is one of the most well-known home furnishing brands in the world. It has grown rapidly since it was founded by Ingvar Kamprad in 1943 as a tiny Swedish business, selling through a mail-order catalogue. Now, there are hundreds of IKEA stores around the globe. Ingvar decided IKEA should sell good furniture at low prices. The majority of IKEA's furniture are Self-assembly and flat packing, to allow reduction in costs and packaging. IKEA has a huge variety of products (Appendix 1). There are about 11,000 products in the total IKEA product range. The IKEA Group owns 276 stores in 25 countries, with a further 37 stores owned and run by franchisees in 17 countries. IKEA stores include restaurants serving Swedish specialty and small shops selling Swedish groceries. IKEA sales reached total retail sales of EUR 41.3 billion in 2019, showing grew of 6.5% (Ikea.com, 2020). Below, graph shows the growing IKEA retail sales for more than 75 years:



(Ikea.com, 2020)

There are four IKEA's stores in Saudi Arabia. IKEA Saudi Arabia quickly catapulted itself, after the first store opened in 1983, to leadership position (Arab News, 2017). Customers can shop from IKEA through IKEA's

website and IKEA's mobile app in addition to the store. In 2015 and 2016, IKEA ranked as the No.1 home furnishings retailer in Saudi Arabia according to the 2016 BestBrand Rankings launched by global market research company YouGov (Arab News, 2017). However, IKEA ranked as the No.2 of Saudi Arabia retailers according to 2019 Index Rankings, which measure the overall brand health by taking the average of Impression, Quality, Value, Satisfaction, Recommend, and Reputation (Brandindex.com,2020)

IKEA Vision & Business idea

Vision: to create a better everyday life for the many people – for customers, but also for our co-workers and the people who work at our suppliers.

Business idea: to offer a wide range of well-designed, functional home furnishing products at prices so low, that as many people as possible will be able to afford them. (Ikea.com, 2020)

IKEA aim

To use more renewable and recycled materials, eliminate the operations waste and change the way they design products and the services they offer to prolong the life of products and see them as future resources. (Ikea.com, 2020)

The brand equity components of IKEA: (Mujikea, 2020)

➤ Loyalty:

- IKEA implements a low price strategy that attracts price oriented consumers. The consumers are conscious of the quality of the products and they are satisfied with it.
- IKEA has strong community and strong trademark engagement.
- Consumers may choose other brand when there is other lower price product or having more budgets.

➤ Perceived quality and leadership measures

- IKEA products are cheap, so it is perceived by customers as not reliable.
- IKEA is one of the most popular furniture retailer in the world. However still, they are doing a lot of advertising campaigns to increase brand awareness.
- IKEA is well known by customers due to its characteristics such as flat pack products and its unique store experience

➤ **Associations , differentiations and organizational associations**

- IKEA owns the brand personality as Sincerity, excitement, and up-to-date Competence.
- IKEA owns the images of fun, functional, creative and Swedish style, and it adapts its products to respond to local culture.
- IKEA's differentiation points include flat-pack, self-service, and low price which keeps IKEA as the leader of the market.
- IKEA values their customer relationship.
- IKEA has high involvement on both environmental and social level. (Appendix 2)

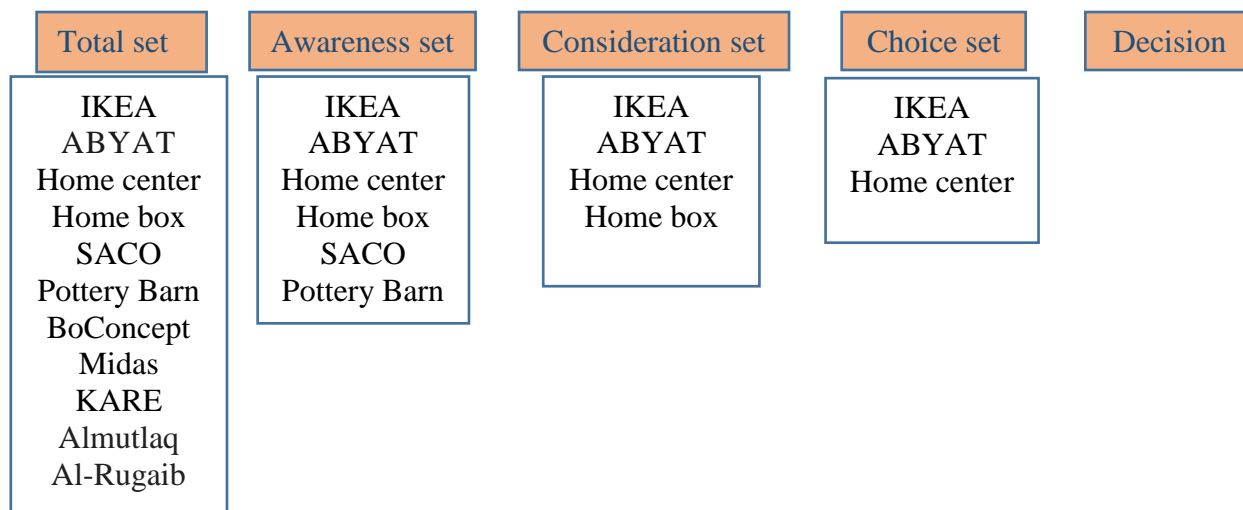
➤ **Brand awareness:** IKEA is a well-known brand. It has a strong brand recall, as 92 % of the respondent said IKEA as the brand which comes first to their mind.

➤ **Market behavior, price and distribution:** IKEA low price strategy make many people able to afford them. IKEA shows strong growth in Europe and Middle East, which increase its sale and gained market shares in all its markets. There are hundreds of IKEA stores and more are coming.

Competition Overview

IKEA is a unique store, so there are no exact home furnishings retailer stores like IKEA in Saudi Arabia. Other furniture retailers' stores could have more than one of the things which compose IKEA's culture, but not all. IKEA has an advantage over traditional home furniture stores that have a higher price furniture. Consumer can go to IKEA for products quality, low-price furniture, modern designs, and a range of services offered that make Consumer life easier such as self-service.

Utilizing Kotler model for home furnishings retailer stores in Saudi Arabia:



ABYAT Company

ABYAT is one of the home furniture retail stores in Gulf Cooperation Council (GCC) states. ABYAT grown rapidly since starting as a single store in Kuwait in 2008. ABYAT is actively pursuing operations in Saudi Arabia, the United Arab Emirates, Bahrain, Qatar, and Oman. There are three ABYAT stores in Saudi Arabia. ABYAT offers a wide selection of tiles, wallpaper, lighting, bathrooms and stylish kitchens, world-class plumbing and pipes, and building & finishing materials (LinkedIn, 2020). ABYAT goal is to offer integrated home furniture solutions and modern high-quality products at reasonable prices. ABYAT's expansion plan includes opening new showrooms while providing excellent services that meet the international standards (ABYAT, 2020)

Weakness:

- Prices slightly high compared to IKEA.
- Limited number of stores in Saudi Arabia.
- Available in Gulf Cooperation Council (GCC) states only.
- Not very popular brand in Saudi Arabia.
- Less number and designs of products than IKEA.
- No loyalty program to offer rewarding shopping experience for customers.

Home Center Company

Home Center is one of the well-known home furnishing brands in the Middle East, North Africa and the Indian subcontinent. It has grown rapidly since it was as a single store in UAE in 1995. It offers a wide variety of furniture, home furnishings, home accessories, bed & bath items and kitchenware. Today, there are 111 home center stores where 28 of them in Saudi Arabia. Customers can shop from home center through home center's website and mobile app in addition to the store (HomeCentre.com, 2020). Home center have a loyalty program designed to offer rewarding shopping experience for customers (Landmarkgroup.com,2020).

Weakness:

- Prices slightly high compared to IKEA.
- Less number of products than IKEA.
- Smaller store with less number and designs of products than IKEA.

PESTLE Analysis of IKEA

- PESTLE Analysis is an analytical tool for strategic business planning, to understand the external influences on a business and take them in consideration, and allow the managers to make the right decision toward achieving their goals (NITANK RASTOGI, Dr. M.K TRIVEDI, 2016).
- PESTLE stands for :

P – Political:

- Saudi Arabia government have a clear customs regulation to import goods. This relationship with Saudi government maintain the stability of IKEA.
(PESTLE Analysis, 2020)
- IKEA consider moving into Asian markets because India and China have become more open to international brands (PESTLE Analysis,2020)
- Change in government policies affect businesses such as:
 - Taxation policy affects business costs. Non-Saudi investors are liable for income tax in Saudi Arabia about 20 %.(Taxsummaries.pwc.com, 2019)
 - Monthly payment for expat levy. According to Ministry of Labor and Social Development, Companies employing more foreign nationals than Saudi nationals would have to pay a monthly fees. SAR 800 per foreign national employee or SAR 700 if they employ more Saudi nationals by 2020 year (Pwc.com, 2020)

E – Economic:

- Fluctuations of costs of raw materials such as wood and metals affect IKEA product cost (Research-Methodology, 2019).IKEA's low product prices helped to manage the pressure imposed from economic fluctuations. Consumers who wanted stylish and inexpensive furniture they think of Ikea (Marketing Tutor,2019)
- Saudi economy fall due to a sharp decline in the oil sector which affect the non-oil sector too.(focus-economics,2020)
- Covid-19 containment measures led to factories and stores closures, which affect both companies and consumers income. Companies may lose profit until the virus subsides and confidence among consumers returns.(focus-economics,2020)

S – Social

- IKEA adapts its products to respond to local culture, to tailor the product to the consumers and avoid offending social values. (PESTLE Analysis,2020)
- IKEA uses website, catalogue, in store advertisements and the range with the low price in marketing communication to attract consumers. (Diva-portal.se,2010)
- IKEA in Saudi Arabia using differing social media channels for marketing. They have Social Media Specialist to contribute with the country marketing communication and support other functions by listening, reacting and communicating within the social media environment. In addition, he/she is responsible in developing and executing social media plans that establishes IKEA as the leader in life at home and achieve trademark objectives across all channels (Smartrecruiters,2020)

T – Technological

- IKEA use differing digital channels for marketing and communication with consumers.
- IKEA consumers can shop in IKEA through mobile app and website which include current offerings, sales, catalogue, and home decor inspiration.
- IKEA use technology in all aspect of IKEA operations such as order processing and data analytics to shape consumer experience.

L – Legal

- The government of Saudi Arabia established regulatory reforms to encourage investment.
- IKEA follows Saudi Arabia laws and regulations, and staying up-to-date with labor laws.

E – Environmental

- Sustainability is the focus area of the IKEA brand. It reduces operational costs and improves the IKEA's image and overall experience. (Notesmatic,2018)
- IKEA have a great product life cycle. They use renewed and recycled resources as materials. They re-design the production of an existing product and try to make products that can be

reused, repaired, reassembled and recycled by customers. They develop a new product from other productions or recycled materials. They design products that can be re-invented such as selling sofa that customer can change the cover and rearrange the modules. They produce products consuming renewable sources, such as the wind and sun. IKEA ambition is to be 100% circular in all product by 2030. (Ikea.com, 2020)

Target Market

IKEA has a very wide target market. They have targeted middle-class consumers in Saudi Arabia (Coursehero, 2020). This includes young adults, middle-aged group, working professionals, both genders but women more than men. In addition, they target small families, who are able to manage their financial capabilities and accept new products and innovative concepts, and college students who have limited budget. Furthermore, they target small business who shop furniture for the first time and want value at a low price. IKEA targeted children too. (Jgdb, 2020) They offer products for kids such as toys and art supplies in addition to kid's room furniture. IKEA offer a unique shopping experience for all the family. It is a family-friendly place. IKEA in Saudi Arabia offers a playroom where children can be dropped off so parent can have comfortable shopping. They also have restaurants, cafes and food stores and groceries (IKEA, 2020). Customers will have a lot of services in on place. This strategy helps promote IKEA trademark.

Segmentation

Market segmentation is a critical marketing strategy. Its aim is to identify sets of consumers which would then become targets for the corporation's marketing plans (A. Caroline Tynan & Jennifer Drayton, 2010). The four main types of market segmentation are geographic, demographic, psychographic and behavioral segmentation.

Geographic segmentation:

- Saudi Arabia has a high growth market because it combines a large population base that grows at approximately 2% per year, with growing purchasing power. Private sector workers have increased by more than 50% as a result of the latest Saudiisation measures. This resulted in a

rise in disposable income, which reflects positively on retailers. (Oxford Business Group, 2020)

- The growing number of real estate development and increasing demand for residential property in Saudi Arabia (Mordorintelligence,2020)
- Local manufacturers in Saudi Arabia are facing a shortage of raw materials required for manufacturing furniture products, which increases the demand for importing furniture. (Mordorintelligence,2020)
- IKEA stores are opened in three big cities in Saudi Arabia. Those cities have big private companies and big colleges and universities that attract people from inside and outside the country. For example, Saudi Aramco Oil Company and King Fahd University of Petroleum and Minerals in Dhahran. This shows that IKEA target young people, college students, young professionals, expats who would like to buy what they need in low prices.

Demographic segmentation:

Classify a market through variables such as age, gender, education level, family size, occupation, income, and more (Learn.g2, 2019)

- IKEA target middle-class consumers ,both genders males and females, young adults, and middle-aged group, Students, small families, office workers, children, working professionals, small business and first time furniture shoppers (Jgdb,2020)
- IKEA adapts its products to respond to Saudi Arabia culture and religion. They will not sell products not acceptable by Islamic religions.

Psycho-graphic segmentation:

- Saudi Arabia people prefer luxury lifestyle. But, young individuals and small families, expats, students would prefer modern style with reasonable price. IKEA attract people who prefer modern and innovative lifestyle with low price and enjoy assembling the furniture on their own in order to save some money.
- IKEA in Saudi Arabia provide collection combined the authentic Arab heritage with the Scandinavian style to attract Arab people.
- IKEA use their website and different social media programs to post discounts, promotions, news and events.
- IKEA use Augmented Reality technology (Appendix 3), to help consumers to decide about the product (Digital Agency Network,2020)

Behavioral segmentation:

IKEA customers divided according to the income range and buying pattern like usage frequency, benefits sought, usage occasions, prices and brand loyalty (Essay48, 2018). IKEA has strong community and strong trademark engagement in Saudi Arabia. It attracts price oriented consumers. The consumers are conscious to the quality of the products and they are satisfied with it. IKEA values their customer relationship and has high involvement on both environmental and social level (Appendix 2), which increase the loyalty of their customers. **(Mujikea, 2020)**

SWOT Analysis

SWOT analysis evaluates the organization environment which include the internal strengths and weaknesses, and its external opportunities and threats that may face (Tanya Sammut-Bonnici & David Galea, 2015).

Strengths:

- IKEA is one of the well-known and recognized home furnishing brands in the world.
- Strong financial position. IKEA sales reached total retail sales of EUR 41.3 billion in 2019, showing grew of 6.5%. (Ikea.com, 2020)
- Offer inexpensive products without impacting its function and customer expectations.
- IKEA has a huge variety of products (Appendix 1), with different and innovative designs, quality and price.
- IKEA selling furniture in the flat pack form where transport and assembly can done by customers following clear instructions and illustrations provided by the company.(Research-Methodology,2019)
- IKEA stays up-to-date with changes according to customer needs and preferences, which increases consumer loyalty.(Research-Methodology,2019)
- IKEA able to buy bulk quantities of products because of a long lasting relationship with their suppliers, which is cheaper for IKEA and great for suppliers. (PESTLE Analysis,2018)
- Customers can shop from IKEA through IKEA's website and IKEA's mobile app in addition to the store.
- IKEA stores include restaurant, café and grocery.
- IKEA is a family-friendly place.
- Unique shopping experience. IKEA provides pencils, measuring tapes, store guides, catalogs, shopping carts, bags, and strollers to assist with the shopping experience. (Appendix 4)

- IKEA use Augmented Reality technology (Appendix 3), to help consumers to decide about the product (Digital Agency Network,2020)
- Collaborating with designers and brands .For example, IKEA teamed up with Adidas to understand what people want and need when it comes to exercising, sleeping and eating at home. (IKEA, 2020)

Weaknesses

- IKEA provide standardized quality products and services at low price. However, it is not possible for standardized products to meet everyone need in the marketplace. (Marketing Tutor,2019)
- The cost reduction obsession in IKEA has reduced its product quality which has negatively affected Ikea trademark image. Raw material cost is increasing these days. It is difficult to minimize product cost while maintaining the same product quality. (Marketing Tutor,2019)
- Weak presence in Asia. There are limited stores in Saudi Arabia. (Research-Methodology,2019)

Opportunities

- IKEA need to Increase number of IKEA stores in Saudi Arabia because of Increase the demand of home furnishing retailers:
 - Saudi Arabia has a high growth market because it combines a large population base that grows at approximately 2% per year and increase private sector workers by more than 50%. This resulted in a rise in disposable income, which reflects positively on retailers. (Oxford Business Group, 2020)
 - The growing number of real estate development and increasing demand for residential property in Saudi Arabia (Mordorintelligence, 2020)
 - Local manufacturers in Saudi Arabia are facing a shortage of raw materials required for manufacturing furniture products, which increases the demand for importing furniture. (Mordorintelligence, 2020)
- People likes healthy food which has tremendously increased the demand for IKEA grocery products .This is a huge opportunity for Ikea to expand its grocery. (Marketing Tutor,2019)

Threats

- Local and international home furnishing retailers such as ABYAT and Home center.

- Competitive advantage is difficult to sustain. (Research-Methodology,2019)
- IKEA underwent several lawsuits from its customers who were injured due to poor quality of its previous products, which negatively impact IKEA reputation. (Marketing Tutor,2019)
- Growing income can serve as opportunity and threat at the same time for Ikea. When consumer income increase, they have more purchase power; they are less likely to buy cheap products with less quality. (Marketing Tutor,2019)
- Fluctuations of costs of raw materials such as wood and metals affect IKEA product cost (Research-Methodology, 2019).Increase cost will lead to increase the product price.

Market Research

IKEA Marketing mix

Marketing mix is a model of create and implement marketing strategies. The main elements are known as the 'four Ps': product, place, price and promotion. (Amy Poh Ai Ling, 2007)

Product:

IKEA in Saudi Arabia quickly catapulted itself to leadership position (Arab News, 2017). In 2015 and 2016, Ikea ranked as the No.1 home furnishings retailer in Saudi Arabia (Arab News, 2017). In 2019, Ikea ranked as the No.2 of Saudi Arabia retailers (Brandindex.com, 2020).IKEA has a huge variety of products (Appendix 1), with different and innovative designs, quality and price. Consumers' aware of the product quality and they are satisfied with it value. IKEA collaborate with designers and brands to improve products designs and function. In addition, they adapts their products to respond to local culture, to tailor the product to the consumers and avoid offending social values (PESTLE Analysis, 2020).IKEA's differentiation points include Self-service and flat-pack packaging which ease the storage and transportation and keep the price low (Mujikea, 2020). Some IKEA products quality were affected to maintain low price. IKEA have a great product life cycle. They trying to make products that can be reused, repaired, reassembled and recycled by customers. Furthermore, they produce products consuming renewable sources, such as the wind and sun. IKEA ambition is to be 100% circular in all product by 2030. (Ikea.com, 2020).This all increase the customers' loyalty.

Boston Consulting Group Matrix (BCG MATRIX)

<p>Stars</p>	<p>Products in this category have a high market share along with a high level of growth rate. The star of IKEA is ready to assemble furniture. To maintain the star category, IKEA needs to stay up to date to the latest fashion trends and offer innovative designs with affordable rates to increase customer satisfaction and loyalty which will lead to more profit. (BCG Matrix Analysis,2018)</p>
<p>Cash Cows</p>	<p>Products in this category have low market growth with a high level of market share. IKEA's food falls in this category because of its good taste, quality, and price. Hence, IKEA should invest more money in food, because it has the potential to grow. IKEA can open restaurants to entertain consumers who are looking for good food. IKEA's home appliances and accessories fall into this category too. There is a big number of customers, who wait for the offers to buy them (Lim, 2007).(BCG Matrix Analysis,2018)</p>
<p>Question Marks</p>	<p>Products in this category has a high growth level but relatively low market shares, but they have the potential to grow. IKEA Children toys fall in this category. IKEA should invest more in these products, because of its potential to grow due to a strong trademark position. Furthermore, The low sales of the confectionery market is a result of low reach and poor distribution of IKEA in this segment. The suggestion for IKEA to increase the sale, is to penetrate the market by make these products present in more outlets.(Case48,2018)</p>
<p>Dogs</p>	<p>Products in this category has both low market share and low growth level. Company will benefit more when invest in other products. In Saudi Arabia, IKEA textile products fall in this category due to strong competition with other companies.</p>

Place

There are four big IKEA stores in three big cities in Saudi Arabia. Two stores in Jeddah city, one in Riyadh city and one in Dhahran city. Customers can order from IKEA through IKEA's website and IKEA's mobile app and have them delivered to their homes. This service is available in Jeddah, Al Kharj and Dammam (Eiu.com, 2016). In addition, there is a pick up point for customers placing orders online and prefer to receive their products by themselves. IKEA distribution channel belongs to selective distribution which use some available outlets in an area to distribute a product (Wordpress, 2016). IKEA stores are a family-friendly place. It includes a play area, restaurant, café, and grocery. The store has a great design. Model homes inside these stores provide interior decoration ideas for the customers. (Notesmatic, 2018)

Price

IKEA use penetration pricing strategy .It enter the market with a low price products. The consumers are conscious of the quality of the products and they are satisfied with its value. This low price strategy make many people able to afford them (Mujikea, 2020). IKEA selling furniture in the flat pack to save the shipping cost and assembly can done by customers which lower the cost too. This allow the company to gain significant market share.

Promotion

IKEA markets uses different channels to create awareness and promote their products. IKEA use traditional and digital channels. IKEA offer Catalogue & brochures annually that available in store and distributed to the people randomly, and they can be accessed online in their website and mobile app (IKEA, 2020). IKEA used different social media programs too, for its brand and products promotions such as Instagram and twitter. IKEA used digital channels more for promotion and advertising. IKEA have IKEA Friend Program designed to offer rewarding shopping experience, online Exclusive Sale and free delivery for customers, to attract them and increase their loyalty. (IKEA, 2020). IKEA use pull strategy on its stores by providing price discount and offers, and rewarding points to customers. Push strategy such as quantity discount is being implemented on excellence outlets to maintain the relationship with customers, partners and members of the IKEA Company. (Wordpress, 2016).

Conclusions and Recommendations

In conclusion, IKEA is a home furnishing retail leader in the globe due to her unique services. The company revenues grow each year, which clarify excellent marketing strategy. IKEA have a clear vision and business objectives to create a better life for many people. By understanding IKEA Saudi Arabia brand equity, market target, market segmentations, marketing mix, and examine the external and internal market environment impact by using PESTEL and SWOT analysis. We found that IKEA focus well on the company target and response well to both internal and external issues, to achieve the company goals. IKEA have a good market position in Saudi Arabia since opening the first store. The company offer a huge variety of products with a great product life cycle and different and innovative designs to attract different people. In addition, IKEA products are flat pack that can assemble by customer, to lower the cost of product assembling, shipping and transportation. IKEA offer online shopping through IKEA's website and IKEA's mobile app in addition to the store, to enhance the retail experience and allow the customer to purchase at any time. Due to increase on the demand of home furnishing retailers in Saudi Arabia, the recommendation for IKEA is to improve their products quality which will positively impact the company reputation, and to increase the number of stores in Saudi Arabia and distributor to be across all the country. Furthermore, IKEA need to invest more in their products which have potential to grow. Finally, the company should monitor the economic condition which affect the costs of raw materials and may lead to change in the product price.

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Appendix

Appendix 1

Products: Furniture, Beds & mattresses, Storage & organization, Baby & children, Decoration, Lighting, Textiles, Kitchenware & tableware, Bathroom products, Rugs, mats & flooring, Pots & plants, Outdoor products, Laundry & cleaning, Home electronics, Kitchen & appliances, Home improvement, Safety products, Food & beverages, and LJUV collection. (IKEA, 2020)

Appendix 2

Environmental level: IKEA has the vision form saving energy to reduce carbon dioxide emissions.
Social level, IKEA focuses mainly to improve health and education, focusing on children and women. (Mujikea, 2020)

Appendix 3

Augmented Reality is *a technology that superimposes a computer-generated image on a user's view of the real world, allowing the costumers to see how the furniture will fit in their homes.* (Digital Agency Network, 2020)
