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Internet marketing and customer satisfaction in emerging markets: the case of Chinese online shoppers

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Abstract

Purpose – The purpose of this paper is to examine the factors that influence customer satisfaction among Chinese online shoppers. It applies the normative categories identified in the literature and tests them for effect in the emerging Chinese online consumer market.

Design/methodology/approach – Electronic survey instrument was used to obtain data from Chinese online shoppers. The survey covered 15 composite items that could potentially influence the level of customer satisfaction related to online shopping experience. These, in turn, were further decomposed to six driving factors (convenience, product performance, customer services, security concerns, web site interactions, and web site sensory stimulations).

Findings – It was possible to identify and classify the most critical moderators of online customer satisfaction (most of which are consistent with similar studies in the West). Paradoxically, the data also revealed the existence of some behavioral differences which are context-specific.

Research limitations/ implications – As is usually the case with online surveys, there was limited scope for free-response data to be generated. Also, the study concerned itself with the factors influencing customer satisfaction, but did not examine the relationship with online purchase intention and loyalty.

Originality/value – This paper provides some fascinating insights into the factors that moderate the level of customer satisfaction among Chinese online shoppers. These are likely to become the important determinants of success (or failure) of companies' customer satisfaction management programs related to online shopping in China and, therefore, of practical value to companies engaging in internet marketing.

Keywords Customer satisfaction, Internet shopping, China, Emerging markets

Paper type Research paper



Introduction

Previous research on online shopping has provided useful perspectives and developed our understanding of the behavior of online shoppers (Drennan *et al.*, 2006; Ha, 2006; Cheung *et al.*, 2005; Cho and Park, 2001). However, most research efforts on the topic have been based on western contexts (Bathgate *et al.*, 2006). This despite the fact that there has been a dramatic increase in the growth of electronic commerce in China and

some of the emerging markets in Asia. However, research in the region is still conspicuously less intense when considered alongside comparable efforts in western countries (Park and Kim, 2006).

Electronic commerce in China is a relatively recent phenomenon but growing rapidly. In Beijing, for example, internet penetration reached 30 percent in 2007 for the first time and 75.9 percent of Chinese internet users (about 104 million people) use broadband connections (China Internet Network Information Centre (CNNIC), 2007). In the Asian region, South Korea enjoys the largest total internet percentage penetration with 76 percent; China has an equivalent figure of 22.4 percent. Broadband usage in China had overtaken Japan in 2004 and is now second only to USA. Comparable statistics in North America suggests that internet penetration has grown 120 percent between 2000 and 2007 and reached a 71 percent penetration of the population (Internet World Stats, 2007). When further analyzed, a “digital divide” is evident between rural and urban areas. China’s internet users are mainly concentrated in the large cities and eastern coastal provinces – chiefly Guangdong, Jiangsu, Shanghai, Beijing, Shandong, and Zhejiang (CNNIC, 2006). The 2007 CNNIC report indicated that rural internet usage had reached 5.1 percent whilst the equivalent urban penetration rate was four times larger at 21.6 percent. The report indicates that most usage in rural areas is for entertainment (online music, games, movies, and TV shows), with a very low percentage of rural consumers engaging in online purchasing, e-banking, or other forms of e-trading. This would appear to indicate that any analysis of on-line behavior would be largely focused on urban areas. Nevertheless, the formidable market prospect in terms of sheer volume at current levels of penetration and the potential for further growth in the Chinese market imposes a need to reflect on the potential of internet marketing to contribute to the economic growth that is today taking place in China. An important dimension is to seek ways to enhance satisfactory buying experiences through the internet. Given the volume of research in this area that is western biased, (Lee *et al.*, 2006; Bathgate *et al.*, 2006), it is of academic interest to identify those drivers of e-consumer satisfaction that are unique to the Chinese market and those that are generally applicable to all e-commerce. Therefore, this study attempts to analyze and test the veracity of commonly identified drivers of e-consumer satisfaction in the context of China. The overarching aim is to provide a synthesis of the factors that influence satisfactory shopping experience among Chinese on-line shoppers.

Contextual background

Against the backdrop of the relative nascence of internet shopping in China, the rapid growth of internet usage mirrors, the country’s economic renaissance and movement towards the mainstream global economy. Concurrent with the rapid growth of the Chinese economy is the positive attitude of foreign investors towards the country, which has seen the country ranked by multinationals companies as one of the most promising markets. With per capita GDP of around \$1,100 (equivalent to \$5,500 when adjusted for purchasing power – Yu, 2006) in 2003, China by then had 79.5 million web surfers. Yu (2006) projects that around 40 million households will earn around \$24,000 per annum in terms of purchasing power. With the emergence of such huge middle class sub-population, the internet becomes a tool with huge exploratory potentials in terms of accessing the vast Chinese market.

According to the bi-annual Statistical Survey Report, the country added another 20.4 million new internet users by the end of 2005 and had grown to 162 million users

in 2006. In total, internet penetration in China has grown in six years from 1.7 percent in 2000 to 12.3 percent in 2006. This represents a growth in users from 22.5 million in 2000 to 162 million in 2007, a growth rate of 720 percent. Broadband usage as of June 2007 stood at 122 million of which 48.5 million were broadband subscribers (Internet World Stats, 2007).

The make up ratios of Chinese “netizens” are male (59.3 percent) to female (40.7 percent) and unmarried (57.8 percent) to married (42.2 percent). The profile of users since 2003 appears to be changing slightly from 60.9 percent male, 39.1 percent female, 58.9 percent unmarried, and 41.1 percent married, respectively, (China Media Intelligence, 2003). A CNNIC report (2002) stated that the occupations of the netizens include civil servants (8.0 percent) technology experts (15.7 percent) office workers (10.3 percent) commercial managers (8.9 percent) teachers (6.2 percent) commercial and service sector workers (10.3 percent) agriculture, forestry and fishing workers (1.0 percent) manufacturing and transport workers (6.2 percent) military (0.9 percent) students (28 percent) unemployed (4 percent), and others (0.5 percent). CNNIC also reported that 31.9 percent of the internet users bought online in the past year – items of purchase include books, computer-related products, and electronic. “White goods” are hot internet transaction commodities. *People’s Daily Online* reported that during the severe acute respiratory syndrome epidemic in 2003, on-line shopping and message service found a second development opportunity. Among the surveyed netizens only 8 percent never visited a shopping web site. A total of 40 percent of them routinely made on-line purchases. The netizens between the ages of 18 and 30 remain the driving force, but this age group’s share of the whole community dropped steeply from 91 percent in 1998 to 52.9 percent at the end of June 2003. This decrease was attributed to the steady growth in numbers of adults (35 and older) consumers going on-line (China Internet Information Center, 2003). What should be considered formidable, contextually, is the market prospect in terms of sheer volume at current levels of penetration and the potential for further growth in the Chinese market. Against the backdrop of the rich and growing body of research in this area that is western biased (Mitchell, 1999; Ueltschy *et al.*, 2004; Lee *et al.*, 2006), it is of academic interest to identify those drivers of e-consumer satisfaction that are unique to the Chinese market and those that are generally applicable to all e-commerce. The success of any business as identified in most marketing texts is the satisfaction of customer needs in order to effect repeat business (Kotler and Keller, 2007).

Conceptual background

According to Donthu and Garcia (1999):

[...] the increasing number of companies that offer internet access are providing consumers with a convenient and inexpensive way to become members of the internet community [...] the increase in the quantity and quality of available information on the internet and the presence of well-known corporations and brands on the internet are also generating high interest among consumers.

The internet has proved to be a tremendously powerful vehicle for marketing purposes and has become the front-end application of consumer intelligence gathering and consumer purchase facilitation. Arnott and Bridgewater (2002) suggest that such interactivity increases the organization’s ability to understand consumer purchase behavior. A viewpoint could be taken that consumption has become a “cultural experience” (Kozinets, 1999) – this experience is enhanced by the web and has profound

implications for marketers in terms of different cultural orientations. In addition, factors such as low-entry barriers have brought more retailers into the e-marketplace (Chen and Dubinsky, 2003) whilst consumers have greater bargaining power, increased choice, and lower switching costs. Ranaweera *et al.* (2005) state that the increasing prevalence of the internet coupled with the efficiency and convenience of on-line transactions is likely to significantly change customer behavior and business practices. According to Gentry and Calantone (2002), “an ongoing requirement in the twenty-first century is that marketers must understand the impact of the network economy on buyer behaviour” and by implication customer satisfaction. Devaraj *et al.* (2002) highlighted the importance of analyzing customer behavior in terms of retail practices and in the importance of addressing the concerns related to delivering satisfactory customer experience in transactive relations. Similarly, Cho and Park (2001) found evidence of the need to assess the dual role of the consumer as both user of technology and customer. In the latter role, the level and ease of understanding of product detail, including the delivery of the goods, play an important part in customer satisfaction. Such basic information such as clarity of products change, return and refund policies, provision of order information, and product arrival information all contribute to satisfaction (Baroudi and Orlikowski, 1988; Bailey and Pearson, 1983; Richins, 1983).

A key differentiating factor in internet marketing is that consumer experience/behavior occurs in a computer-mediated environment (CME). If it is accepted that parts of the determinant of consumer satisfaction are word of mouth, past experience of usage, and marketing communications (Zeithaml *et al.*, 1993), then in a cyber environment this is facilitated not just by interaction between the user and the organization, but also interaction with the web site (Kim, 2002). The primary relationship is between the consumer/sender and the mediated environment; hence, a two-step process is involved. Mediated environments are created and then experienced. It can be argued that part of this mediated, one-to-many environment is the virtual community as well as the primary interaction between the individual consumer and the web site. Kim (2002) found that interactivity enhances the experience and levels of satisfaction. Communication within the CME/virtual community could be seen as allowing anonymous word of mouth, identified by Zeithaml *et al.* (1993) as playing an important part in establishing buyer expectations and perceptions of service quality (SERVQUAL).

Flavian and Guinalieu (2006) state that an individual's loyalty and intention to return to a web site is determined by levels of trust, which is also affected by perceptions of privacy and security. Word of mouth can generate consumer trust and lessen perceived risk. Trust in this context becomes the mediating variable between members of a virtual group. This is especially relevant to the Chinese “collectivist” mind set in which Confucian social “norms” is a key element in decision making (Park and Jun, 2003). George (2004), in a study based on the “Theory of planned behaviour” as relating to the impact of privacy and security issues on on-line purchasing intention, found that the more trustworthy a site was believed to be the more likely positive attitudes were developed. George was also able to make a link between belief in the trustworthiness of the internet and consumers' belief in their abilities to buy on-line. From a behavioral perspective, therefore, levels of perceived risk could determine whether a consumer becomes a buyer or non-buyer on the web (Schoenbachler and Gordon, 2002). The links between perceived risk and trust have also been identified by Harridge-March (2006) from a marketing planning perspective where an increase in trust in potential customers can lead to a reduction of perceived risk.

Trust and perceived risk then can be considered as moderators of behavior which also extend beyond the virtual community to attitudes and perceptions towards technology. From what is already known in the literature, concepts such as utility, likeability, usability, and flow are all moderators of on-line consumer satisfaction (Shackel, 1991; Gaines and Shaw, 2002; Gefen *et al.*, 2003; Chen and Dibb, 2004). Cho and Park (2001) linked consumer interaction with technology as a determinant of satisfaction whilst Devaraj *et al.* (2002) link e-commerce to customer behavior outcomes (satisfaction) through three constructs; technology acceptance model, transaction cost analysis, and SERVQUAL models. These models have been tested in the electronic commerce domain and are shown to be robust in determining consumer satisfaction and repurchase intentions. Similarly, evidence suggests that interaction with the web site is influenced by such things as web site appearance as indicated by over all design, colours used, and navigation (DeLone and McLean, 1992).

Research efforts have also been extended to examine how emotional and cognitive responses to visiting a web based store for the first time can influence on-line consumer satisfaction and intentions to return and their likelihood to make unplanned purchases. Whilst focusing on intentions to return to a virtual site, explanations based on the "Theory of planned behaviour" (Ajzen, 1991) and the "Theory of reasoned action" (Fishbein and Ajzen, 1975), have been stressed largely on the basis that behavioral intention can be a strong predictor of actual behavior. Attitudes and perceptions (subjective norms) towards risk, technology, vendor, web site as well as perceived behavioral control, become precursors to any assessment of on-line satisfaction and are especially relevant in a collective society.

A further component to consider could be cultural and demographic impacts (Ueltschy *et al.*, 2004). Sin and Tse (2002) confirm that there is a connection between on-line behavior and consumers' demographic, psychographic, attitudinal, and experiential factors. Therefore, the focus is not on decision making as a process but more towards the antecedents of that process, that is, in the development of attitudes. They also discovered cultural differences in the effects of internet usage and perceived risk on buying behavior (Choi and Lee *et al.*, 2003).

It is recognized that customer satisfaction is a subjective aspect of consumer behavior with no commonly agreed framework. Therefore, based on a synthesis from the literature on components of customer value of internet shopping, six principal common factors (and embedding features) can be considered crucial in the formation of customer satisfaction:

- (1) Convenience: ease of ordering and payment; simple navigational capabilities; easy to operate search engines (Kim, 2002); ease of understanding of product information; detailedness of product information; provision of differentiated products for comparison; safe and fast delivery; anywhere available delivery; delivery charge; variety of payment methods (Cho and Park, 2001). A result of these aspects would be reduced levels of risk and increased trust (Shackel, 1991; Gaines and Shaw, 2002; Gefen *et al.*, 2003; Chen and Dibb, 2004, Harridge-March, 2006).
- (2) Product performance: quality, brand, selection, price, suitable, and clear product categories (Cho and Park, 2001).
- (3) Consumer services: asynchronous contact via e-mail; (Kim, 2002) to include clarity of products change, return, and refund policies; provision of order information,

product arrival information (Baroudi and Orlikowski, 1988; Bailey and Pearson, 1983; Richins, 1983).

- (4) Web site sensory stimulation: description of the exterior of a good; web site's color, structure, menu designs (DeLone and McLean, 1992).
- (5) Web site social interaction functions: forum, chat room functions (Kim, 2002), and auction functions.
- (6) Security concerns: protection of privacy, security of the online payment, etc. (Flavian and Guinalieu, 2006, George, 2004).

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These important elements, as discerned from the literature, can then form the basis of an internet-shopping satisfaction framework. These are then tested to check the saliency and importance of each factor in influencing the customer satisfaction among Chinese online shoppers.

Research instruments

A questionnaire method was used in this survey and conducted in Beijing. The questionnaire was divided into two sections: Section A consisted of a list of questions intended to probe the demographic variables of the respondents such as age, sex, residence, and occupation. In addition, one of the questions was designed to establish that the respondents had previously made purchases over the internet. Section B contained questions aimed at gauging the respondents' attitude to a range of variables across the six determinant factors synthesized from the general literature and which could possibly influence their satisfaction of internet shopping, using a five-point Likert scale. The following determinant factors were focused on; convenience (ten variables), product performance (four variables), consumer services (three variables), web site sensory stimulations (two variables), web site social interactions (two variables), and security concerns (two variables).

A pilot test to check the readability and reliability of the survey instrument was successfully conducted before the commencement of full-scale data collection. Subsequently, a total of 300 electronic mails were sent out with a link to the web site where the questionnaire was displayed. There were 204 usable questionnaires, so the overall effective response rate was 68 percent, which was considered adequate for analysis and reporting (Babbie, 1990). The 204 effective respondents included males and females, between the ages of 18 and 50, with different occupational backgrounds such as government officers, technical persons, clerks, service persons, teachers, students, unemployed people, and others. This is in accordance with the official statistics (by market media report, 2003) of the China's netizen's demographic characteristics.

Using SPSS, a factor analysis was performed in the treatment of data. Results of the factor analysis showed a factor structure consistent with the expected construct structure with six factors. Reliability of the instrument was also examined. Both reliability and validity were acceptable. For the factor analysis, varimax rotation was performed to explain the variance of the six determinant factors. The result of reliability analysis for the variables within each factor showed positive internal consistency. High consistency was found in convenience with Cronbach's alpha of 0.908: "web site sensory stimulations" (0.823), "products performance" (0.793), "web site social interactions" (0.721), "consumer services" (0.660), "security concerns" (0.362).

Research findings

The *t*-test result shows that there are 16 relevant items that influence consumer satisfaction as applicable to Chinese consumers (Table I). These are:

These features span the six determinant factors already isolated for testing. Among the features, there are nine most important items that are easily discernible: safe and fast delivery, provision of order information/product arrival information, security of the online payment, product quality, forum, chat room functions, easy to operate search engines, provision of differentiated products for comparison, detailedness of product information, and ease of ordering and payment. The means of *t*-test of these items are all over 4.50. They should be considered the first-position and basic conditions of an internet shopping web site.

The result also indicated that the most popular internet shopping web sites in China were Sina shopping mall (<http://mall.sina.com.cn>), Eguo shopping mall (www.eguo.com), Sohu shopping mall (<http://store.sohu.com>), Netease shopping mall (<http://mall.163.com/newmall/index.html>), and 8848 shopping mall (www.8848.com/). It was found that the success of those shopping malls depended on satisfying the 16 relevant items identified. The results also revealed some subtle differences in consumer behavior to internet shopping between China and other developed countries in relation to payment methods (Cho and Park, 2001; Park and Kim, 2006). In most developed countries, the mature technology of credit cards smooths out some of the problems relating to methods of payment. In China, however, the case is slightly different because of the significant population of consumers still preferring cash payments.

Managerial implications and conclusions

As the internet evolves into a more sophisticated environment for marketing, clearer standards for measuring web site effectiveness will also evolve and, more particularly, customer responsiveness of web-based transaction environments. In addition, marketers must address the issue of how to deal with the high level of internet exposure and business response to positive and negative consumer experiences, as those will determine how well they succeed on the internet. The trend towards an engagement with issues around consumer satisfaction is the key to gaining attention of on-line consumers and transforming them into repeat customers. It is critical to realize that the internet possesses the potential to build and enhance brand/corporate equity and the ability to erode or destroy it. While this may not be new in the world of traditional marketing, the full impact of such exposure in cyberspace can be staggering.

Safe and fast delivery	Product brand
Provision of order information, product arrival information	Security of the online payment
Forum, chat room functions	Easy to operate search engines
Ease of ordering and payment	Suitable and clear product categories
Provision of differentiated products for comparison	Protection of privacy information
Product quality	Detailedness of product information
Visual description of the exterior of a good	Clarity of products change return and refund policies
Simple navigation capabilities and auction function	Auction functions

Table I.

The purpose of this initial study was to assess the moderators of on-line customer satisfaction within China. From this study, it is clear that the issue of “safe and fast delivery” is one of the most important factors considered by consumers in expressing positive or negative feelings about online buying. In China, most online shopping web sites provides delivery service during daytimes, and usually the goods do not arrive at indicated times. This is a problem area and a constraint on customer satisfaction strategies. Nevertheless, there are some good practice examples that will aid new entrants to the markets. For example, 24-hour and real-time delivery service is greatly demanded by customers, and marketers wishing to establish an enduring presence and defendable market position via the internet should seriously consider this. “Provision of order information, product arrival information” is likely to make customers much more certain of what they have ordered and when the orders are likely to be delivered – prior to exiting the transaction environment. The successful internet shopping web sites like Sina shopping mall, Eguo shopping mall, and 8848 shopping mall all provide “order information and product arrival information” on the webpage after customers’ orders, and subsequently a confirmation webpage pops up for customers to confirm all of the information. Without this confirmation, the transaction is invalid. If a confirmation order is received, a separate e-mail (including the order and product arrival information) is sent to the customers as well.

“Security of online payment” is not only a major concern of Chinese customers, but also equally true of consumers in other countries. In China, online payment is still at a low level (CNNIC, 2003) and only a limited number of China’s internet shopping web sites are able to fulfill online payment functions. This is not only a problem for the internet contents providers (ICPs) business, but also the internet access service providers, banks, and IT security companies. There is an obvious need for joined-up initiatives to make on-line shopping less of a hassle. As China’s information technology evolves, more and more ICPs will provide online-payment services, thus making online payment more popular. In this way, more customers could be trustful of the internet security arrangements and more confident in the integrity of market transactions.

“Product quality” is another crucial dimension to consider. Marketing on the internet cannot offer any escape from the conventional product quality imperatives associated with traditional marketing. The internet is not a medium for selling sub-standard products in the erroneous impression that customers may not feel, taste, or touch the product prior to consummating the exchange process. In an environment where sensory shopping is not present, quality should constitute a critical selling factor. This is equally true with regard to the development of a brand strategy. A “product brand” is inextricably interwoven with “product quality.” Famous brands are known to have easier acceptance. Levels of trust are higher for popular brands and therefore perceived risks are also lower. It may not be a bad idea to opt for a “twinning” positional strategy in cases of products that are new to the market or consumers. The successful internet shopping web sites in China all provide variety categories of famous-brand products.

Another key consideration is “forum functions,” that is, the idea of providing a forum apart from routine product information where customers are able to post comments or seek further information. Such forums facilitate effective communication, ensure that appropriate market intelligence is gathered, and, most importantly, promote collective learning amongst consumers. Essentially, internet chat rooms may promote the word-of-mouth credibility that is very important in business-to-business marketing and

increasingly so in business to consumer marketing. In relation to the “easy to operate search engines” requirement, successful marketers do provide a textbox, usually on the title page, through which customers only need to type the name of the product they want to find. Often, several differentiated but the same generic product range will spring up immediately. Beside the textbox, there may be a selection menu, which lists all the categories of products on offer. It is suggested that marketers should list the detail of differentiated products in rows for comparison according to brand, type, style, color, function, etc. so that customers can make comparisons more easily.

A key consideration for the organization is to examine the extent to which cultural characteristics inform not only product/service design but also web site design/atmospherics. The question to be addressed by companies is what aspects of web site design makes for “stickiness” in the Chinese market and whether there is commonality across the region. The degree to which there is commonality between Chinese consumers is debatable. This can be viewed not only from a rural versus urban aspect, but also between the geographical locations of cities. Similarly, the overall Confucian philosophical base of the Chinese society may have a large impact on buyer behavior and therefore, on the design of web sites (Park and Jun, 2003). In terms of behavior, Goldsmith (2002) has shown that the frequency of on-line buying (i.e. return visits) is determined by the degree of innovativeness of the consumer. From a societal perspective, the more innovative a society is the more likely the consumer is to use the internet. In a collective society with a set of philosophical orientations, intention to use the internet may be lower than for other individualistic societies. Further research would need to be conducted in this area. It could therefore be stated that a one-site-fits-all strategy may not be the correct position in the Chinese market. This philosophical base may also act as a moderating influence on degrees of consumer satisfaction.

On the whole, the development of a sound marketing mix requires extensive consumer research to gain knowledge about target market needs, values, attitudes, etc. Some of the issues that need to be addressed in conducting consumer research for internet marketing purposes include:

- cost effectiveness;
- implantation of controls to ensure that the appropriate audience is surveyed;
- response rate problems and how to overcome them;
- validity of responses conducted over the internet; and
- security issues for respondents and researchers.

There are also other broader strategic issues to be dealt with by marketers. They must, from the outset, come to a clear decision on the role, the internet is to play in marketing strategy. More broadly, they must determine how internet marketing might impact corporate strategy.

Limitation and areas for further research

There are obvious limitations emanating from this study. First, as already alluded to, administering research instruments through the web site is full of complications. Although the response rate was high, because the questionnaires were sent out online anonymously, the respondents’ demographic information cannot be guaranteed to be true. This is a common problem in most research situations involving the use

of postal questionnaires. Also, the framing of questionnaire items, structured along the Likert “5-point scale” framework, did not allow for free-response data. This may preclude any detailed discussion of actual feelings in a way that will allow the research to tap deeper into the consumers’ world. It is also important to bear in mind that most of the respondents seems to come from big cities, such as Beijing, Shanghai, and Guangzhou. It is not inconceivable that the respondents’ expressed attitudes might be a little different from those in the rural areas of China. In China, consumption characteristics differ along geo-demographic boundaries.

This research has shown the broad generic features of the determinants of satisfaction in the Chinese on-line market. Further research needs to be conducted to explore the impact of culture on web site design (to include privacy and security measures) and therefore satisfaction. Areas that would need to be further considered when considering on-line satisfaction should include the cultural imperatives of web site design, the penetration of credit cards and therefore perceptions of risk and risk avoidance strategies within a Chinese context, differences in purchase behavior between certain product categories (e.g. low contact items of lower monetary value such as books/CD’s and higher involvement items), intention to shop on-line, the impact of demographic variables on consumer behavior, as well as attitudes towards the use and type of search engines.

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