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# Internationalization and Economic Growth of Rwandan Hotel Industry, a Case Study of Park Inn by Radisson -Kigali

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Abstract: This study aims to assess the contribution of internationalization to the economic growth of hotel industry of Rwanda with a case study of Park Inn by Radisson Kigali. The study was guided by the following objectives: To determine the factors influencing international trade, to determine the impact of internationalization to the commercialization, to identify the challenges faced by internationalization and to suggest the possible solutions to the challenges faced by internationalization in Park Inn by Radisson Kigali. The questionnaires were distributed to 110 sampled employees during data collection. Data was organized, coded and entered into SPSS Software for cleaning and analysis. The study established the following findings: the major factor influencing internationalization is profit maximization at 52%. 47% responded customer needs change as a major challenge that is mostly faced in internationalization. The study revealed different solutions to overcome the internationalization challenges. The contribution of international trade to the commercialization is financial performance with 39.4% of the respondents. The study concludes that internationalization stimulates business travel and contributes to networking at the individual, business, and at national levels. It is recommended that the hotel industry trains the employees to satisfy customers according to their needs in order to enhance different products through employee innovation, the government should continue to improve infrastructure for facilitating the internationalization businesses.

**Keywords:** Internationalization, International business, economic growth, hotel industry, Park inn by Radisson, Economy, Rwanda

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# 1. Introduction

Apart from international hospitality industry, international trade (imports and exports) significantly contributes to the economic growth of a nation. Directly associated with the agricultural and industrial sectors, international trade is also linked to the service sector. International trade stimulates business travel (Turner & Witt, 2001) and contributes to networking at the individual, business, and national levels. Besides this, international trade bolsters a network effect, which reduces international transaction costs as well as promoting travel and exchanges among countries (White, 2007). International trade can be interchangeably referred to as 'foreign trade' or 'international trade'. It encompasses the inflow (import)

and outflow (export) of goods and services in a country. A country's imports and exports represent a significant share of her gross domestic product (GDP); thus, international trade is correlated to economic growth. In an open economy, development of foreign trade greatly impacts GDP growth (Li, Chen & San, 2010). According to Adam Smith (2000), expansion of a country's market encourages productivity, which inevitably leads to economic growth. Africa's hospitality sector is dynamic and largely demand driven, and thus requires some government support in partnership with the private sector if the sector is to become more competitive and developed (Saibu, 2012). Attracting private investment in partnership with provision by the State of finance to address sector bottlenecks, facilitation of air passenger access, and basic infrastructure and skilled labour will require integration of the sector into national development plans and into the communities concerned.

Rwanda is a member of the East African Community (EAC), and participates in a customs union that helps facilitate the movement of goods produced in the region and allows EAC citizens with certain skills to work in any member state. Value addition on imported raw materials must reach three percent to qualify for duty free entry (MINICOM, 2017). Rwanda is basically an open economy with international transactions constituting a significant proportion of output. Rwanda's trade openness has increased the participation of foreigners in the economy by allowing the inflow of foreign capital and expertise, thereby impacting on its economic growth. Rwanda has established a free trade zone outside the capital, Kigali, includes current and planned which future Bonded warehouse communications infrastructure. facilities are now available both in and outside of Kigali for use by businesses importing duty free materials (MINICOM, 2017). However, the hotel industry in Rwanda faces the challenges of insufficient financial and international standard regulations which lead them undergrowth even closing the business. It is for this reason that this study will investigate...

### 2. Literature Review

# 2.1 The factors influencing the international trade in the economic growth of hotel industry

### 2.1.1 Macro economics

There seems to be widespread consensus in the literature that macroeconomic management should give high priority to fiscal and monetary stabilization (Sirimaneetham and Temple, 2009). It should not allow inflation to reach high levels, maintain a reasonably competitive, flexible exchange rate policy reflecting market forces, and hold a sustainable fiscal position. However, the evidence on what levels of inflation and fiscal deficits are growth-restricting is in conclusive. The literature also argues that a reasonable competitive exchange rate policy is necessary for growth of firms in the export sector. Sirimaneetham and Temple, (2009) show that growth accelerations tend to be associated with real depreciations and suggest that although the exchange rate cannot sustain economic growth in and of itself, an appropriate exchange rate policy can be an important enabling condition for a country seeking to capitalize on opportunities for growth. A competitive exchange rate also has the impact that imports are getting more expensive, which could stimulate local production

# 2.1.2 Availability of infrastructure

Matthews, (2002) spoke about infrastructure as a public capital (roads, railways, airports and pipelines. Infrastructure is defined as the sum of material, institutional and personal facilities and data which are available to the economic agents and which contribute to realizing the equalization of the remuneration of comparable inputs in the case of a suitable allocation of resources, which is complete integration and maximum level of economic activities. The operation of a competitive hospitality sector largely depends on the quality of the infrastructure. The existence of good and well-functioning telecommunication systems; land and air transportation services, adequate and up to standard accommodation facilities, is vital for international trade as it assures the accessibility, efficiency, quality services and facilities, for the businessmen.

International and inter-country communication is extremely and possible at times, and both power and water sources are frequently operational. A substantial amount of infrastructural works is required before more of the country's potential can be developed (Matthews, 2002). Small investors failed to improve the basic infrastructure like expanding broadband and secure servers. These factors have impacts on the small size firms to turn to e-business approach

### 2.1.3 A Country's Natural Resources

The natural resource base of country plays an important and crucial role in the decision of multinationals to make international trade (Han & Brewer, 2003). MNEs from emerging markets and mostly state-owned enterprises are rapidly participating in resource seeking international trade due to rising demands at international level and increased prices of natural resources. Governments have realized that for continual international trade, stable prices and sustained supply of outputs are necessary conditions (Han and Brewer, 2008) but generally, countries abundant with natural resources participate more in international trade.

### 2.1.4 Local economic development

Local Economic Development (LED) typically starts by analyzing the economy of a particular region or municipality, identifying opportunities to enhance its prospects. LED strategies may combine any of the following: business environment reform, value chain development, infrastructure development, innovation and technology policy, planning and/ or skills development.

LED programmers often involve local and regional governments, the private sector and civil society in programmer design and implementation (ILO, 2008).

### 2.1.5 Political Stability

Internalization theory explains that Multinational Enterprises (MNEs) would prefer to participate in international trade of the countries where the political stability is high (Buckley and Casson, 2000). Contrary a highly political instable country reduces the number of chances international trade. It indicates that in the highly political instable country, smaller firms have competitive advantage because they are more flexible in the response of political, technological and institutional changes in the market.

# 2.1.6 Fighting crime and corruption

Greater transparency, accountability and merit-based human resource management in public administration are principles which, if implemented, make it possible to curb corruption. However, tackling corruption is not an easy process. A study of the customs administration in Senegal by Daubrée and Stasavage (2003) found that a reduction in import taxes, simplification of their structure, implementation of reforms reducing the discretionary powers of customs officials and computerization of procedures helped to reduce the level of fraud by 85 per cent between 1990 and 1995. A direct policy to curb corruption is the creation of anti-corruption commissions.

### 2.1.7 Business environment reform

Where entrepreneurship and markets are safe by appropriate regulation, moderate taxation, competition, stable policy environment, growth and poverty reduction are likely to perform international trade. Typically, donors first fund business environment analyses, such as the World Bank's Doing Business Reports, identifying the major constraints to business growth. They then work with government and other stakeholders to implement reforms (Javed, et al, 2012). The private sector itself can play an important role in advocating for a better business environment. Many development agencies thus work to strengthen the capacity of businesses and business associations to engage in public-private dialogue with governments.

# 2.1.8 Business development services

This approach seeks to build markets in services that improve the performance of individual and enterprises. Some of the most important business development service markets are in training, consultancy, marketing, market information, information technology and technology transfer. For many within the development community, donors should ideally not undertake business development service directly; instead they should facilitate commercial business development service providers to be self-sustaining, through the improvement of their techniques and the sourcing of new clients. Business service development markets can be sustainable where providers recover their costs via the fees they charge for services (Mole and Bramley, 2006).

# 2.1.9 Government Policy

Governments could begin by reducing visa bureaucracy and improving information and communications technology, security, underdeveloped health care, airlines and transport infrastructure. Support in the long term can be provided to the local private sector to operate hotels and compete with international hotel chains present in the country (Naoise, 2008). Industrial policy is broadly defined as selective government intervention to promote a specific economic sector and promote structural change.

### 2.1.10 Human resources and capacity building

In modern hotel business, competence in people and especially the employees' qualities are important. The level of service quality depends on the qualities of employees (Leitao, 2010). The qualities are about knowledge, skills and thoughts which lead to a hotel's survival and development. Therefore, staff training is essential in many ways; it increases productivity while employees are armed with professional knowledge, experienced skills and valid thoughts; staff training also motivates and inspires workers by providing employees all needed information in work as well as help them to recognize how important their jobs are (Yafang, 2008).

Training and development can be seen as a key instrument in the implementation of HRM practices and policies. Successful hotels always include staff training as their important development strategy Naoise, 2008).

# 2.2 The challenges faced by international trade in the economic growth of hotel industry

# 2.2.1 Lack of differentiation product at international trade level

According to (Saxena, 2009), International industries face stiff competition from their regional and international counterparts. The rivalry for market share becomes intense when product or service differentiation is low. Rivalry amongst current competitors puts pressure on firms in the industry. This pressure leads to limits on the profit potential of these firms. Factors that may make an industry competitive include multiple competitors, slow growth within the industry, high fixed costs, product and service switching costs, capacity increases, diversity of competition and barriers to exit.

### 2.2.2Technology issue

Technology in the world today is evolving at a fast pace. Avenues to market such as the internet and social media require managers to have training in how to use them. This is in order for them to be able to maximize their marketing potential. However, many marketing managers today have little or no training or experience on how to fully take advantage of digital or online marketing methods. (Saxena, 2009), states that digital and social marketing have a wide array of benefits such as lower costs of advertising compared to other marketing methods and the ability to reach markets all over the world at a click of a button. This is especially helpful in international marketing. There are various channels of digital marketing such as through email, blogs, podcasts, search engine marketing, social media, text message marketing and application based mobile marketing.

### 2.2.3 Customer needs change

Marketing services as opposed to good presents its own set of challenges. Hospitality marketing is a subset of service marketing (Saibu, F.M. (2012). The main challenge of hotel industry is that services are intangible and therefore customers are unable to accurately judge the satisfaction they will get from purchasing the service. This makes it difficult for hotel managers to convince potential customers of the ability to meet their needs.

### 2.2.4 Political and Economic Climate

Political and economic climates can greatly hinder the implementation of hospitality industry both in the home country and abroad. According to (Gor and Otwori Osoro, 2015), harsh or unfavorable political and economic climates can deter guest from wanting to visit a country, therefore making managers efforts to market their firms difficult. A sudden change in political climate in a potential or current market may want to make marketers shift focus to other markets.

### 2.2.5 Poor infrastructure

Lack of progress in implementing agreements along with the absence of reliable transport, energy and information and technology infrastructure make the journey towards regional integration long and arduous (Gor and Otwori Osoro, 2015). "Road freight moves incredibly slowly, while major ports are choked for lack of capacity," observes the AfDB. Even with the current gains Africa is making in upgrading regional infrastructure, Ibrahim Mayaki, the head of the New Partnership for Africa's Development (NEPAD). the African development arm, finds the continent still faces serious infrastructure shortcomings across all sectors, both in terms of access and quality (World Bank ,2016). NEPAD has just completed a 30-year plan that focuses on regional trans-border projects like the 4,500-km highway from Algiers in Algeria to Lagos, Nigeria. Africa requires huge investments to develop, upgrade and maintain its infrastructure. The AfDB estimates the region would need to spend an additional \$40 billion a year on infrastructure to address not only current weaknesses but also to keep pace with economic growth.

# 2.2.6 Inadequate qualified staff and training program

The quality of customer service is not consistent and generally poor compared with neighboring states. Also, the hospitality employees meet the challenges of adapting in the customer need due to the change of globalization such as advancement of technology. The main impediment is the large skills deficit in the sector in all the subsectors in hospitality industry (Kulendran and Wilson, 2000). The skills deficit applies to all areas of hospitality industry, including top managers, chefs, cooks, waiters, as well as service personnel and technicians for the hotels.

# 2.3 The solutions to the challenges faced by the international trade in the economic growth of hotel industry

# 2.3.1 Scanning international trade situations

The success of a hotel company depends on a number of external and internal factors. External factors include several macro-environments such as demographic, economic, natural, and technological and, therefore, companies have little or no control over these factors (Gursoy & Swanger, 2007). Internal factors include various kinds of knowledge, production equipment, buildings, personnel, capital, marketing capabilities, and other company resources that can influence the company level of success. These internal factors can be labeled company competencies. Although the external environment influences company success, sustained competitive advantages derive from the internal resources and capabilities (also referred to as core competencies) that a company controls. The term "resources" includes competencies, assets, capabilities, resources, information and knowledge. Core competencies are those processes, skills and assets within the firm that it relies on to achieve competitive advantages. Therefore, hotel managers should focus on identifying, creating or developing competitive advantages that can be utilized in order to enhance the company's economic performance and bottom line.

### 2.3.2 Differentiation products

The major competitive methods of the hotel firms include: new product development; strategic alliances; brand repositioning; technological innovation; data base marketing; pricing tactics; diversification; service quality management; employees as important assets; in-room sales and entertainment; conservation/ecology programs; and management information systems (Olsen et al., 2001).

# 2.3.3 Technology advancement

Technology is a key factor that influences competitive advantage. The concept of knowledge management concerns creation of structures that combine the most advanced elements of technology resources and the indispensable input of human response and decision making (Raisinghani, 2000). The technological change can create new possibilities for the design of a product, the way of commercialization, produce it or deliver it and the subsequent auxiliary provided services. New sectors are

born when this technological change makes a new product feasible.

### 2.3.4 Responses to customer needs change

The willingness to help and respond the customer's need. Hotel ought to be receptive to the moving or shifting needs of their clients and giving courses and preparing programs that are important to the business. Dale, et al, (2007) define responsiveness as the willingness to assist customers and to provide prompt service on a continuous basis. This dimension focuses on attentiveness and willingness in dealing with customer requests, queries and prompt complaint resolution. The hotel employees should have the capacity to attend to guests' inquiries, queries and complaints timorously, and thus quality of service is optimized and guest satisfaction is enhanced.

### 2.3.5 Infrastructure development

Mattoon (2004) studied the impact of existing state of infrastructure on productivity of hospitality industry and argued that poor quality infrastructure drives firms away from a location more often than good infrastructure will attract them. In the Indian context a study was conducted to find the linkages between public investment on rural connectivity, agricultural growth and poverty alleviation, over the time frame ranging between 1970 and 1993. As a result, it was estimated that the 123.8 number of poor people would be raised above the poverty line for each \$0.02 million (1993 constant prices) of additional investment in roads. Rural road development is the key to growth of agricultural production; several studies have highlighted this earlier. Investment in building rural infrastructure results in raising the income and consumption level of the rural population. Another study conducted on Indian economy revealed the existence of positive relationship between increased infrastructural provisions and average growth rate of Indian States. A lot of studies broadly suggest that investment in building public infrastructure bears a positive impact on improving productivity of any economy.

### 2.3.6 Staff training and career development

In modern hotel business, competence in people and especially the employees' qualities is important. The level of service quality depends on the qualities of employees. The qualities are about knowledge, skills and thoughts which lead to a hotel's survival and development. Therefore, staff training is essential in many ways; it increases productivity while employees are armed with professional knowledge, experienced skills and valid thoughts; staff training also motivates and inspires workers by providing employees all needed information in work as well as help them to recognize how important their jobs are (Yafang, 2008).

# 2.4 The impact of international trade to the commercialization in hotel industry

## 2.4.1 Improves quality service and product

The nature of hospitality services, based as much on the sale of services as on the provision of service through which consumers can achieve deep-rooted needs, renders its evaluation reasonably complex. Managers in hospitality strive to improve the quality of their services and the level of customer satisfaction in the belief that this effort will create loyal visitors. Loyal visitors will return to the destination and recommend it to others (Yafang, 2008). The quality of products and services has also been linked to external indicators of customer satisfaction such as complaints, warranty, litigation and market share (Yafang, 2008). Satisfied customers often lead to loyal customers who continuously repurchase the product or service.

# 2.4.2 Diversity in products and services

International trade provides various types of goods and services required in hospitality industry the customers choose from. A customers would like to have a good bargain, and if his or her choices are more than he or she can get these products or services at reasonable rates (Li, et al, 2010). Also personal desires are met if there are products and services to choose from are there. A person may like a particular type of tie and he can perhaps locate it in his local market. His desire to purchase a tie of his choice is thus met. The more guests in the hotel it would seem the higher the food and beverage revenue, but it doesn't always turn out that way. Guests may not want to wait in line for busy meal times or perhaps they just want to explore the restaurants rather than eat in the hotel

### 2.4.3 Branding and hospitality industry

According to Kulendran, & Wilson (2000), branding is a combination of a name, term, symbol or design intended to distinguish goods or services of a firm from those of its competitors. It is the use of a phrase, image, design or combination of these factors to position the identity of a product or service in the minds of consumers. In the hospitality industry, branding has become a highly effective marketing strategy. It has become so popular that the concept of a brand has become synonymous with the word hotel in the minds of consumers across the globe.

### 2.4.4 Hotel innovations

The highly competitive environment of the hotel drives the search for new ways and elements of efficient performance. One of the core trends in this sphere is the development and application of a variety of innovations and new elements that can serve as a powerful impetus for the development of the hospitality industry (Blundell and bond, 2000). Innovations of all kinds are essential for both the viability and competitiveness of hotel enterprises.

#### 2.4.5 Performances

Performance is related to increase in profitability and customer service delivery in order to meet the satisfactorily or exceeding customers" demand. (Blundell and bond, 2000), draws attention to innovation as the key to long-term success. According to (Blundell and bond, 2011), companies can boost their profit by almost 100% by retaining 5% more of their customers than their competitors as the cost of acquiring new customers is much higher than cost associated with retaining customers. Companies with long-time customers can outperform competitors with higher customer turnover.

# 3. Methodology

The researchers used a descriptive research based on quantitative and qualitative data, the researchers used both descriptive and analytical design with the aim of describing and analyzing all issues related to the contribution of international business and economic growth in hotel industry in Rwanda. Geographically, the research was conducted in Kigali City, Nyarugenge district, specifically at Park inn by Radisson Kigali. The research was conducted within a period of Six months, from September 2020 -February 2021 and the researchers considered the period of 3 years (2016-2018) for the needed information. The population was 152 employees of Park inn by Radisson Kigali where by the sample size of this research was 110 respondents by using simple random sampling techniques and these techniques were used in order to get accurate information. The researchers used questionnaire and documentary review to collect primary and secondary data from participants of the study. In this study, the researchers analyzed the data by using Excel and SPSS software, where by the findings were interpreted through percentages and frequencies. The researchers made sure that the respondents give their views at free will and interest without coercion.

# 4. Results and Discussion

Table 1: The factors that influence the international trade to the economic growth of Park inn by Radisson Kigali

| Factors                              | Frequency | Percentage |
|--------------------------------------|-----------|------------|
| Macroeconomics                       | 12        | 10.9       |
| Availability of infrastructure       | 19        | 14.2       |
| Country natural resources            | 6         | 5.4        |
| Local economic development           | 11        | 10.1       |
| Political stability                  | 7         | 6.3        |
| Fighting crime and corruption        | 5         | 4.5        |
| Business environment reform          | 15        | 13.6       |
| Business development services        | 22        | 20.3       |
| Government policy                    | 4         | 3.6        |
| Human Resource and capacity building | 9         | 8.1        |
| Total                                | 110       | 100        |

The results indicated that business development and profit maximization is the major factor which influences international trade at level of 20.3%, followed by availability of infrastructure with 14.2%, business environment reform is another factor which contributes to the international trade at 13.6%, 10.9% responded the macroeconomics factor as it raises the number of investors in the country, 10.1% revealed the local economic development, 8.1% asserted by human resource and

capacity building, 6.3% responded political stability, 5.4% reported that country natural resources is another factor, 4.5% quoted fighting crime and corruption and government policy scored 3.6%. Furthermore, these findings were supported by another research by (Mariana & Elena., 2014) who noted that international trade has existed for a long time, but trade has increased hugely in the past few hundred years and has a major impact on the economies of many countries.

Table 2: The challenges against the international trade to the economic growth of Park inn by Radisson Kigali

| Responses  | Frequency | Percentage |
|--|-----------|------------|
| Lack of differentiation product at international trade | 30        | 27.2       |
| Technological issue                                    | 19        | 17.2       |
| Customer needs change                                  | 21        | 19.1       |
| Poor infrastructure                                    | 17        | 15.7       |
| Inadequate qualified and trained staffs                | 16        | 14.5       |
| Political and economic climate                         | 7         | 6.3        |
| Total  | 110       | 100        |

The findings showed that 27.2% of the respondents indicated lack of differentiation product as major challenge followed by customer needs change at the percentage of 19.1%, technological issue scored 17.2% as another challenge, 15.7% asserted poor infrastructure, Inadequate qualified and trained staffs was quoted 14.5%

while 6.3% indicated political and economic change. Furthermore, these findings were supported by another research by (Konings, 2020) who noted that the World forecasts a 7% fall in goods trade volumes in 2020 followed by growth of around 5% in 2021, to reach prepandemic levels in early 2022.

Table 3: The solutions to overcome the challenges affecting international trade to economic growth of Park inn by Radisson Kigali

| Responses                              | Frequency | Percentage |  |
|--|-----------|------------|--|
|  | 12        | 10.9       |  |
| Scanning international situation trade |           |            |  |
|  | 22        | 20         |  |
| Differentiation products               |           |            |  |
|  | 20        | 18.1       |  |
| Technology advancement                 |           |            |  |
|  | 29        | 26.3       |  |
| Response's customer need change        | 1.4       | 10.7       |  |
| T.C                                    | 14        | 12.7       |  |
| Infrastructure development             | 12        | 11.0       |  |
| Chaff tonining and account development | 13        | 11.8       |  |
| Staff training and career development  |           |            |  |
| Total                                  | 110       | 100        |  |

The results showed that 26.3% asserted the responses to customer needs change, differentiation products scored 20%, technology advancement should be the solutions at the percentage of 18.1%, Infrastructure development scored 12.7, 11.8%% quoted staff training and career development while 10.9% revealed Scanning international

situation. Furthermore, these findings were supported by another research by (Charnovitz, 2020), who noted that the trade war between China and the United States spills into the WTO, and explains why the WTO should not arrogate to itself the task of re-educating China.

Table 4: Impact of international trade to the commercialization in Park inn by Radisson Kigali

| Responses                           | Frequency | Percentage |  |
|-------------------------------------|-----------|------------|--|
| Improve quality service and product | 19        | 17.2       |  |
| Diversity in product and service    | 21        | 19.1       |  |
| Branding and hospitality industry   | 17        | 15.4       |  |
| Hotel innovations                   | 13        | 11.8       |  |
| Performances                        | 40        | 36.3       |  |
| Total                               | 110       | 100        |  |

The results revealed that 36.3% of the respondents said performance, diversity in product and service scored 19.1%, 15.4% revealed branding and promotion and 11.8% revealed the hotel innovations. Furthermore, these findings were supported by another research by (Simon Abendin & Pingfang Duan, 2021), who noted that Trade has a significantly positive impact on economic prosperity

without and with the interactive term in the RE, FE, and the sys-GMM estimations

### 5. Conclusion and Recommendations

### 5.1. Conclusion

Basing on the findings the international trade stimulates business travel and contributes to networking at the individual, business, and national levels. Besides this, international trade bolsters a network effect, which reduces international transaction costs as well as promoting travel and exchange among countries. International trade boosts product advertisements that attract consumers' attention and creates awareness of both a product and its country of origin, international trade encourages a country to develop essential infrastructure.

### 5.2 Recommendations

Basing on the findings of the study, recommendations were formulated to the hotel, government and further researchers.

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- 1. There is a need of training and development of employees in order to build the capacity of creating innovations towards differentiation products and service.
- 2. The international hotels have to scan the business environment by considering the inputs in business and the level of demand.
- 3. There is a need of collaboration between the international hotels with government in mitigating the challenge facing the international trade to the economic growth in hospitality industry.
- 4. The government has to revise the fiscal policies in the way of facilitating investors in hotel business since the country is ambitious to build based service economy. Government has to build the infrastructures that facilitated the international business.
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