

Sustainable Development as a Strategy for Enhancing Competitiveness in Tourism Business in Indonesia



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ABSTRACT: The growth of tourism in Indonesia has demonstrated significant progress; however, Indonesia's competitive position in the tourism sector remains below that of Singapore, Malaysia, and Thailand. Empirical studies have revealed a crucial fact: the existence of shifting demands in tourism and the emergence of green tourism. The objective of this research is to formulate a strategy for the development of the tourism industry in Indonesia, aimed at achieving competitive advantage. This study adopts a quantitative approach. Primary data were gathered through the use of questionnaires and interviews, and data analysis was conducted using the Analytical Hierarchy Process (AHP). The research findings indicate that the strategy deemed most essential and viable for achieving Green Competitive Advantage (GCA) within the Hospitality Industry is fostering, enhancing literacy/understanding, and raising GCA awareness among all hotel management personnel. This strategy aims to bolster the commitment and involvement of hotel management in implementing environmentally friendly and sustainable business practices. The most pivotal factors in attaining GCA within the hospitality industry companies are Dynamic Managerial Capabilities, followed by government policies, innovation capabilities, and environmental capabilities. The primary actors contributing to the realization of GCA are the government, community, company leader, and associations.

KEYWORDS: Analytical Hierarchy Process, Dynamic Managerial Capabilities, Environmental Capabilities, Green Competitive Advantage, Green Innovation Capabilities

I. INTRODUCTION

The global tourism industry is experiencing rapid growth, accounting for 10.4% of the global GDP and employing 319 million people (10% of the total workforce in 2018). This trend is expected to persist, as evidenced by the 1.4 billion international tourist arrivals in 2018 (47% increase from the 950.8 million in the 2010s), with a projected increase to 1.8 billion by 2030. Hotels are a vital component of this industry [1]. Bank Indonesia (BI) emphasizes the importance of the tourism sector for Indonesia's economy, ranking second in foreign exchange earnings after palm oil [2]. The tourism sector is estimated to generate foreign exchange revenue of US\$ 24 billion, exceeding the projected revenue of the oil and gas, coal, and palm oil sectors. Although lower than palm oil, the tourism sector generated US\$ 19.2 billion in foreign exchange revenue in 2018. The pandemic caused a decline of over 50% in tourism sector foreign exchange earnings in 2020.

In 2018, Indonesia's travel and tourism industry grew by 7.8%, twice the global average of 3.9%, and higher than the country's economic growth rate of 5.1% from the previous year [3]. Travel and tourism contributed IDR 890.42 trillion (equivalent to USD \$62.6 billion) and created nearly 13 million jobs. However, Indonesia's competitive position in the tourism sector has remained below that of Singapore, Malaysia, and Thailand since 2008. Indonesia has improved its competitive ranking each year, moving from 80th place in 2008 to 74th in 2011, 70th in 2013, 50th in 2015, 42nd in 2017, and 40th in both 2019 and 2021. Nevertheless, these improvements have not yet surpassed the competitive position of Singapore, Malaysia, and Thailand.

The weakest element among the 14 pillars supporting the development of Tourism in Indonesia is Environmental Sustainability. Therefore, there is a need to focus on the development of sustainable tourism (green tourism) to enhance the tourism sector in this country. According to [4] global tourists tend to have an interest in green tourism, with over 50% of tourists in various countries falling into the category of environmentally conscious travelers. They exhibit a sustainable social and economic orientation, as well as concern for ecological aspects. Tourists from various countries such as Singapore, Australia, the United Kingdom, and Germany show concern for the environment and safety when selecting travel destinations. They are also interested in travel experiences that involve well-preserved natural, cultural, and historical environments. Awareness of the impact of tourism activities is also strong, with a significant portion of tourists feeling responsible for the environment and willing to pay more to support conservation efforts. In the United States, the LOHAS (Lifestyles of Health and Sustainability) segment indicates

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a rapidly growing trend in eco-tourism and green tourism, with the market reaching billions of dollars. Nature-based, cultural, and heritage tourism is also appealing to millions of tourists, and interest in green and sustainable products continues to rise. These empirical findings highlight a crucial fact: the presence of changing demand in tourism and the growth of green tourism. For tourism businesses, these changes represent an opportunity to develop the tourism industry with a green tourism model, thereby restoring an industry that was devastated by the Covid-19 pandemic. [4][5]. A survey also revealed that young, affluent, urban consumers are willing to spend more on vacations. In fact, 61% of respondents stated their willingness to pay extra for environmentally friendly vacations, maintaining this preference from the previous year despite the higher costs [6]. It can be argued that eco-friendly travel has become more than a mere trend and has now become a lasting consideration.

Ecotourism, cultural ecotourism, medical tourism, and dark tourism are some of the existing branches of the tourism industry along with the hospitality sector. Across all these forms of tourism, most travelers exhibit environmentally conscious behavior. The hospitality business supports tourism by providing essential facilities for all types of travel, which are fundamental prerequisites for the operation of tourism activities [7]. The availability of hotels is indispensable for maintaining tourism infrastructure, thereby facilitating the growth of the industry [8][9]. Therefore, it can be inferred that stakeholders in the tourism sector need to achieve Green Competitive Advantage (GCA) to revitalize their enterprises. The aim of this research is to formulate a strategy for tourism business development in Indonesia to achieve competitive advantage.

II. LITERATURE REVIEW

A. Strategic Management

Strategies serve as tools for guiding a company's course of action in both short and long-term contexts and emphasize that strategy constitutes a central plan aimed at attaining competitive advantage, directing decisions on sustaining or discontinuing a business [10]. The intricate nature of strategy highlights its role in shaping actions towards achieving medium and long-term objectives before operational solutions [11]. Strategy also characterizes as a managerial compass for decision-making, considering external factors and competition [12]. The multifunctional and multidimensional facets of strategy are expounded upon, demanding an assessment of both internal and external influences [13]. Strategy defines as the establishment of long-term objectives and resource allocation to accomplish them [14]. Ongoing, incremental actions shaped by future customer perspectives, as highlighted by [15], underpin strategy, reflecting the pace of innovation and evolving consumer behaviors, and requiring the cultivation of core competencies.

Companies use the strategic management process to achieve competitiveness and above-average results. Competitive strategy is implemented through value creation development and learning [16]. The strategic management process is a collection of commitments, decisions, and actions required to achieve strategic competitiveness and above-average results. Strategic management is defined as the art and science of coordinating cross-functional decisions that help a company achieve its goals [13]. The strategic management process consists of three stages: 1) Strategy formulation, including developing the business mission, identifying external opportunities and threats, determining internal strengths and weaknesses, setting long-term objectives, generating alternative strategies, and selecting a specific strategy for implementation; 2) Strategy implementation, often referred to as the action stage of strategic management. Strategy implementation involves mobilizing employees and managers to turn the formulated strategy into action; 3) Strategy evaluation is the final stage in strategic management. Three fundamental activities for evaluating strategy include reviewing the external and internal factors that underpin the current strategy, measuring performance, and taking corrective action [13]. According to [10] strategic management is a set of decisions and actions designed to achieve a company's goals and is the outcome of formulation and implementation processes. To ensure the effectiveness of chosen and implemented strategies in a company and emphasize the importance of conducting internal and external analyses of the company's environment [10]. Subsequently, the results of these analyses can be used as a basis for formulating and selecting both long-term and short-term strategies, as well as the company's grand strategy. Tactical policies and programs must also be implemented and continuously evaluated to ensure that the chosen and implemented strategies align with the company's vision, mission, and social responsibilities.

B. Green Competitive Advantage

An organization is a system, with a company being a type of organization [17]. Figure 1 depicts three companies, A, B, and C, operating within the same industry and sharing a business environment with the same forces of Suppliers, Buyers, Substitute Products, Industry Competitors, and Potential New Entrants [18]. Each company has identical Inputs and Outputs, consumed from and by the same business environment.

If a simple productivity measurement is conducted for each company and company A has higher productivity than companies B and C, then company A possesses a competitive advantage over companies B and C. This competitive advantage can only be derived from the organizational resources that undergo organizational processes [19]. This approach is known as the Resource-Based View (RBV) [20], which identifies the relationship between organizational resources and Competitive Advantage (CA).

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While some researchers use the term competencies to refer to organizational resources [21]; King and Zeithaml, 2001; King, 2007), this study uses the term organizational resources to include all assets, capabilities, organizational processes, information, knowledge, and others controlled by the organization that enable it to develop its efficiency and effectiveness [20][22]. Company A will strive to maintain its advantageous position by seeking to attain Competitive Advantage through the maintenance of Dynamic Capacity (DC) [23], driven by management actors as elucidated in Dynamic Managerial Capabilities (DMC). For companies in the tourism business, their DMC has unique characteristics and must endeavour to implement green activities to attain CA [24]

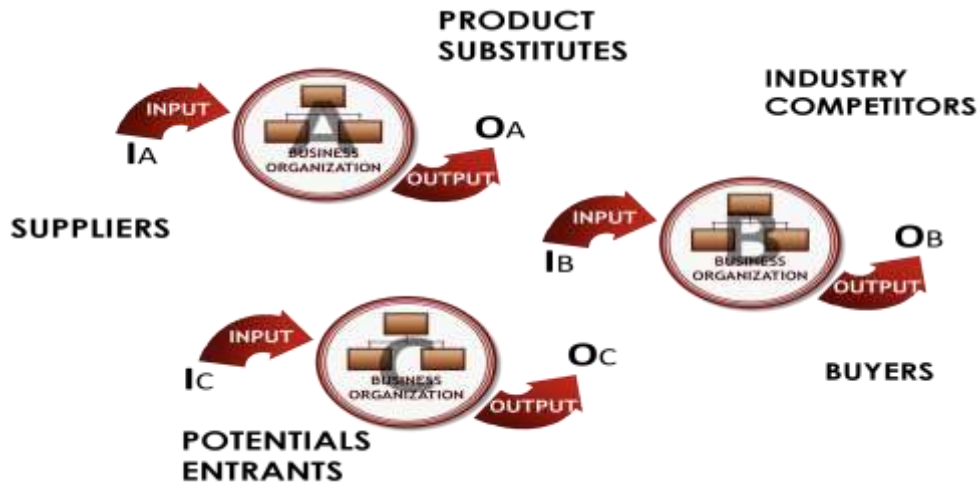


Figure 1. Illustration of Competitive Advantage.

C. Dynamic Managerial Capabilities (DMC)

The concept of Dynamic Managerial Capabilities (DMC) represents an advanced iteration of Dynamic Capabilities (DC), introducing the temporal dimension as a pivotal factor for organizations' strategic decision-making processes. In response to fluctuations within the business environment, organizational executives may exercise varying strategic choices, influenced by distinct evaluations and competencies of each executive [25].

Executives hold a critical role in organizational governance, encompassing the management of resources that engender temporal effects on the company. Within the dynamic business milieu, executives undertake responsibilities such as environmental scanning, trend identification, and capitalizing on opportunities to secure competitive positioning. The strategic decision-making process integrates diverse viewpoints and knowledge from executives, thereby yielding a synthesis reflective of individual perspectives. Disparities in executive decisions emanate from the divergent resource endowments across organizations and the executives' capacity to coordinate these resources. DMC accentuates the distinctive roles of executives as discrete agents. [25] underscore that variations in individual competencies yield divergent decisions, ultimately impinging on organizational performance. Furthermore, DMC accentuates the role of executive decisions in strategic management by facilitating the construction, assimilation, and reconfiguration of an organization's resources and competencies [25]. Notably, DMC posits that executive decisions wield substantial influence on organizational performance, substantiated by empirical research demonstrating the impact of DMC on strategic formulation [26][27].

Central to DMC is its emphasis on the managerial impact on strategic alterations [28]. This core facet elucidates the disparities in managerial decisions, determining courses of action, strategic shifts, and corporate performance within a mutable environment [28]. As stipulated by [25], DMC constitutes a managerial capability that constructs, amalgamates, and adapts competencies and resources, thereby bridging managerial acumen with the ability to cultivate, augment, and revise the organization's foundational resource pool. The resultant developmental outcome characterizes DMC as a pivotal juncture and a pinnacle attainment within the senior managerial capacity, fostering a climate conducive to learning, integration, and where warranted, reconfiguration and transformation. Such endeavours are all oriented towards the astute recognition and pursuit of opportunities consonant with prevailing market dynamics [29].

Three determinants influencing DMC encompass managerial cognition [30], managerial social capital [31]; [32], and managerial human capital [33][34]. These determinants intricately shape the strategic decisions engendered by a manager. Though distinct, managerial cognition, managerial social capital, and managerial human capital are interconnected elements [28]. The DMC framework advances the discourse on DC, directing its focus onto managers, individual agents, and collaborative teams [28]. In the DC framework, the manager assumes the role of an actor, serving as a catalyst for resource alterations [35] through a medley of processes, positions, and trajectories [23]. Within the DC paradigm, managers concentrate on asset accrual, replicability, and inimitability [23]. Alternatively, alternative studies define DC as inherently concerned with effecting

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enhancements in efficacy [36], resource reconfiguration [37], and resource transformations [38]. This managerial capability is embodied by managers across various echelons, be it at a high, intermediate, or low hierarchy.

D. Environmental Capabilities

The increasing environmental pressure on companies, especially of institutional nature, has forced companies to internalize environmental and social concerns [39]. Companies are developing new capabilities, such as environmental innovation, new management practices, and stakeholder integration, which facilitate environmentally conscious economic activities. These environmental capabilities are part of a company's Intellectual Capital (IC). IC's capabilities refer to intangible assets created through knowledge management related to the integration of environmental variables in the value creation process within the company [40]. IC is a highly important asset for a company. IC not only creates economic value "but also addresses ecological, social, and demographic challenges faced by our society" [41]. IC is seen as a mediator in the relationship between corporate social responsibility and financial performance [42]. More specifically, research has found a significant relationship between environmental performance and company performance [43]

E. Green Innovation Capabilities

The field of innovation systems finds itself as a pivotal subject of study for the advancement by organizational actors. Limited efforts have been made thus far to conceptually integrate this systemic understanding into a framework that encompasses organizational resources, capabilities, and strategic creation at the organizational level. The relationship between organizational resource rationality and innovation systems within the realm of management studies was delved into by [44]. The fundamental idea was to examine human resource behaviour from a micro foundation analysis level to the level of innovation systems within an organization. Resources at the organizational, network, and systemic levels were defined and juxtaposed [44] with an emphasis on the fact that certain types of resources can only be 'produced' at specific tiers. Key questions regarding the entry of actors into the innovation system and their commitment to the 'entrepreneurial system' can be addressed based on this conceptual foundation provided [44].

This framework facilitates comparing roles and contributions of diverse organizational actors to innovation system performance. The innovation perspective is a conceptual framework for studying spontaneous, nonlinear innovation and technological change [45] GIC framework explores links between GIC and resource-based concepts in strategic management [46]. GIC's core elements are resources, capabilities, and routines. It delves into mechanisms restricting resource transfer and imitation [47][48]. Dynamic capabilities for competitive advantage in a changing market are intertwined with innovation [46].

The green innovation system framework examines evolving technologies, identifying patterns including successes and failures [49][50]. Rooted in economic theories, the innovation system approach covers national, regional, sectoral, and production innovation systems, influenced by institutions and stakeholders' interests. It portrays phenomena like path dependency, lock-in, interdependence, cumulative effects, and non-linear dynamics [24][49]

III. RESEARCH METHOD

This study was carried out in 2023 in the regions of Nusa Dua and its surroundings, Surabaya, and Yogyakarta. The data collection process began in March 2023 through the distribution of questionnaires and was completed by the end of July 2023. Data processing was conducted at the beginning of August 2023. Primary sources, including survey questionnaires, interviews or discussions with experts/key individuals, as well as secondary data from literature studies, internet searches, and information-seeking from institutions such as the Central Statistics Agency (Statistics Indonesia), were used to obtain the research data. A quantitative approach was employed in this research, utilizing the Analytical Hierarchy Process (AHP) as multi criteria decisions making (MDCM) method. This approach was used to examine and formulate strategies for the development of Indonesia's tourism industry with the aim of achieving competitive excellence.

IV. RESULT AND DISCUSSION

A. Green Competitive Advantage Strategy in Hospitality Industry Companies

A weighting matrix for determining green competitive advantage (GCA) strategies within the hotel industry can be established by utilizing field data, study outcomes, in-depth interviews, and expert justifications derived from AHP questionnaires, as illustrated in Figure 1.

A The strategy deemed most feasible and accorded highest priority in achieving green competitive advantage (GCA) within the hotel industry, based on the consensus of all experts, is to provide mentoring, enhance literacy/understanding, and raise awareness of GCA among all hotel management, with a weight of 0.388. This strategy aims to strengthen the commitment and engagement of hotel management in implementing environmentally friendly and sustainable business practices. Consequently, hotel management can identify opportunities and challenges related to GCA, and design and implement solutions that align with the needs and expectations of customers, employees, suppliers, and the community [51]. This strategy is considered most feasible and

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a top priority due to the influential role of hotel management in determining the direction and operational policies of the hotel [52].

The second strategy involves innovating environmentally friendly and sustainable products and services, with a weight of 0.339. This strategy is related to the development and presentation of products and services that meet customer needs and desires while simultaneously reducing negative impacts on the environment. Examples of environmentally friendly and sustainable products and services include the use of organic materials, recycling, energy conservation, waste reduction, and more [53]. This strategy is considered important as it can enhance customer differentiation and loyalty, and also save operational costs for the hotel [54].

The third and final strategy is to establish stringent and implementable policies/regulations related to sustainable tourism and GCA, with a weight of 0.273. This strategy involves creating and implementing rules that govern hotel behavior and activities in terms of environmental protection and social responsibility. Policies and regulations related to sustainable tourism and GCA could include environmental quality standards, eco-label certifications, environmental audits, and sustainability reports. This strategy is considered necessary as it can enhance the credibility and reputation of the hotel, and fulfill legal and ethical requirements from relevant stakeholders [55].

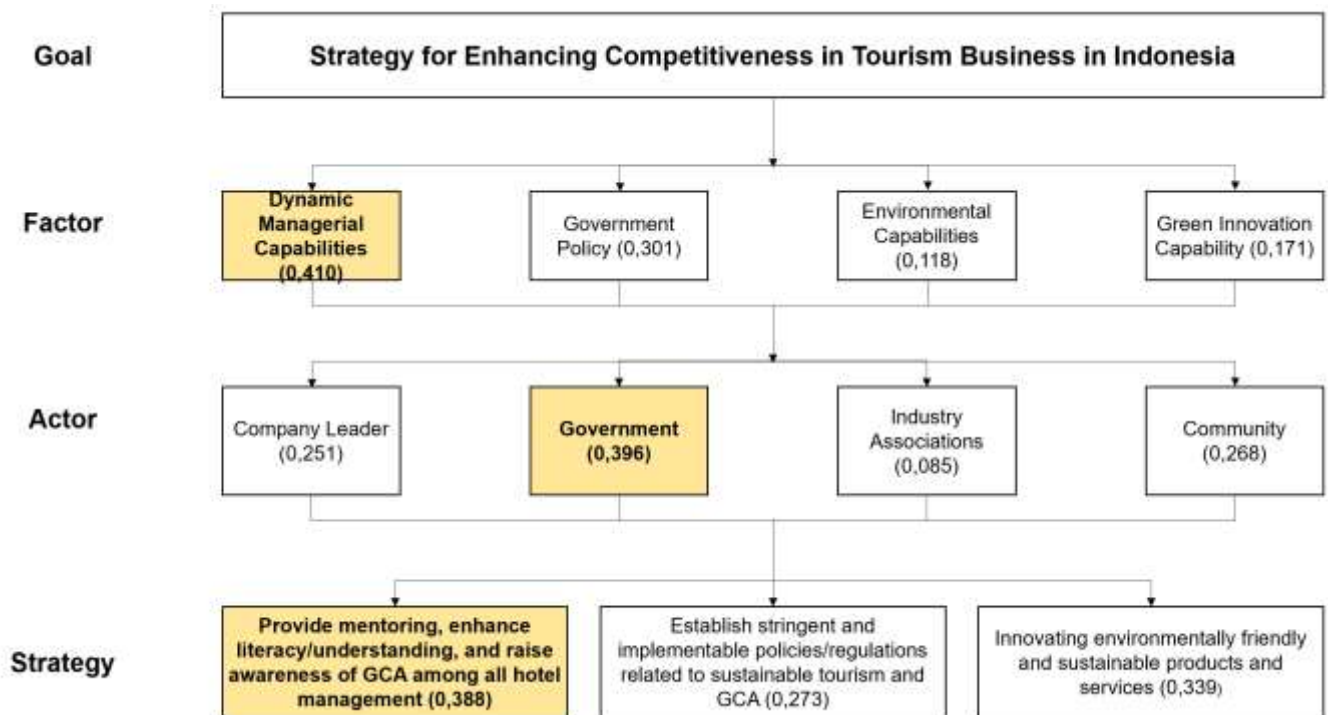


Figure 1. Weight of AHP Results Green Competitive Advantage Strategy in Hospitality Industry Companies

The most important factor in achieving green competitive advantage within the hotel industry is Dynamic Managerial Capabilities, with a weight of 0.41. Dynamic managerial capabilities refer to their ability to identify, integrate, and manage changes in the constantly evolving business environment [56]. In the context of GCA, dynamic managerial capabilities are crucial due to the ongoing evolution of environmental and sustainability challenges [57]. These capabilities empower hotel managers to actively identify new sustainability-related opportunities, adapt company business strategies to change, integrate sustainable practices across all business lines, and lead change towards an organizational culture oriented towards social and environmental responsibility [58].

Another contributing factor in achieving GCA is Government Policy, with a weight of 0.31. The role of the government is critical through appropriate policies and regulations, companies in this sector can be encouraged and directed to adopt sustainable practices, making the achievement of GCA more attainable. Green Innovation Capabilities also contribute to GCA, with a weight of 0.171. The ability to develop environmentally friendly product and service innovations can create new opportunities, enhance competitiveness, and establish a competitive advantage for the industry [59] even though there is limited research on the hotel company model, such innovations reflect a company's commitment to sustainability and appeal to environmentally conscious customers.

The final factor influencing GCA is Environmental Capabilities, with a weight of 0.118. Environmental capabilities encompass a company's ability to integrate environmentally friendly practices into daily operations. By understanding and sustainably utilizing natural resources, hotel companies can reduce negative environmental impacts and enhance resource efficiency.

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The most influential actor in achieving green competitive advantage within the hotel industry is the Government (0.396). The government's role is crucial in encouraging and facilitating sustainable business practices in the hotel industry [60] Government presence through appropriate policies and regulations can motivate companies in this sector to adopt sustainable practices, making the achievement of GCA more feasible [61] The second actor is the Community (0.268), followed by Company leader (0.251), and Industry Associations (0.085) in successive order.

B. Relationship Between Factors and Actors

The next calculation performed using the Analytic Hierarchy Process (AHP) involves comparing the importance of the involved actors based on the established factors (Table 1). The results of the AHP calculation yield the following values:

- The results of the analysis of actor importance in terms of the dynamic managerial capabilities indicate that the main actors with the highest respective weight values are company leader (0.433), government (0.308), community (0.165), and association (0.094).
- The results of the analysis of actor importance considering government policies indicate that the main actors with the highest respective weight values are government (0.360), community (0.343), company leader (0.208), and association (0.089).
- The results of the analysis of actor importance in terms of environmental capabilities indicate that the main actors with the highest respective weight values are government (0.483), community (0.272), company leader (0.157), and association (0.088).
- The results of the analysis of actor importance in terms of green innovation capabilities indicate that the main actors with the highest respective weight values are government (0.433), community (0.292), company leader (0.206), and association (0.068).
- The results of the analysis of actor importance based on the overall factor averages indicate that the main actors with the highest respective weight values are government (0.396), community (0.268), company leader (0.251), and association (0.085).

Table 1. Relationship between factors and actors Green Competitive Advantage Strategy in Hospitality Industry Companies

Factor	Actor			
	Company Leader	Government	Industry Associations	Community
Dynamic Managerial Capabilities	0,433	0,308	0,094	0,165
Government Policy	0,208	0,360	0,089	0,343
Environmental Capabilities	0,157	0,483	0,088	0,272
Green Innovation Capabilities	0,206	0,433	0,068	0,292
Average	0,251	0,396	0,085	0,268

C. Relationship Between Actors and Strategy

The final calculation conducted using the Analytic Hierarchy Process (AHP) involves comparing the importance or priority of alternative strategies based on actors within the established hierarchy. The overall results of the AHP calculation based on each objective are as follows:

- The analysis of strategies from the perspective of Company leader indicates that the primary strategy to achieve green competitive advantage in the hospitality industry is to prepare strict and implementable policies/regulations related to sustainable tourism and Green Competitive Advantage (GCA) (0.582), provide training, enhance literacy/understanding, and raise awareness of GCA among all hotel management (0.309), and innovate environmentally friendly and sustainable products and services (0.109).
- The analysis of strategies from the perspective of Government indicates that the primary strategy is to innovate environmentally friendly and sustainable products and services (0.582), provide training, enhance literacy/understanding, and raise awareness of GCA among all hotel management (0.309), and prepare strict and implementable policies/regulations related to sustainable tourism and GCA (0.109).
- The analysis of strategies from the perspective of Associations indicates that the primary strategy is to provide training, enhance literacy/understanding, and raise awareness of GCA among all hotel management (0.637), prepare strict and implementable policies/regulations related to sustainable tourism and GCA (0.258), and innovate environmentally friendly and sustainable products and services (0.105).
- The analysis of strategies from the perspective of the Community indicates that the primary strategy is to provide training, enhance literacy/understanding, and raise awareness of GCA among all hotel management (0.497), prepare strict and implementable policies/regulations related to sustainable tourism and GCA (0.403), and innovate environmentally friendly and sustainable products and services (0.100).

In summary, the prioritization of strategies based on each fundamental objective/target for achieving green competitive advantage in the hospitality industry can be further detailed in Table 2. The main strategy for each actor is determined based on the AHP analysis, focusing on specific actions and initiatives to enhance environmental sustainability and competitiveness within the industry.

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Table 2. Relationship between actors and strategy Green Competitive Advantage Strategy in Hospitality Industry Companies

Actor	Strategy		
	Providing mentoring, enhancing literacy, and raising awareness about Green Competitive Advantage (GCA) among all hotel management.	Innovating environmentally friendly products and services	Establish stringent and implementable policies and regulations related to sustainable tourism and GCA.
Company Leader	0,309	0,582	0,109
Government	0,309	0,109	0,582
Industry Associations	0,637	0,258	0,105
Community	0,497	0,403	0,100

V. CONCLUSION

Strategies that can be undertaken by hotel industry entrepreneurs in the Nusa Dua Bali region are as follows: The first strategy involves providing mentoring, enhancing literacy, and raising awareness about Green Competitive Advantage (GCA) among all hotel management. The second strategy involves innovating environmentally friendly products and services. The third strategy is to establish stringent and implementable policies and regulations related to sustainable tourism and GCA.

The most critical factor in achieving GCA within the hotel industry is Dynamic Managerial Capabilities, followed by the role of Government, Green Innovation Capabilities, Environmental Capabilities, and Society. Therefore, to attain Green Competitive Advantage, hotel industry companies need to focus on the development of Dynamic Managerial Capabilities, Environmental Capabilities, and Green Innovation Capabilities. Additionally, the roles of government, society, and other capabilities must also be considered to create sustainable competitive advantages within the hotel business.

As a recommendation stemming from this research, further in-depth studies could be conducted to explore the influence of Dynamic Managerial Capabilities on GCA through Environmental Capabilities (EC) and Green Innovation Capability (GIC), as well as the role of government in driving sustainable practices. Such studies could provide valuable insights for the development of sustainable business practices within the hotel industry.

VI. RECOMMENDATION

This study recommends that hotel industry entrepreneurs in the Nusa Dua Bali region prioritize the development of Dynamic Managerial Capabilities, Environmental Capabilities, and Green Innovation Capabilities to effectively achieve Green Competitive Advantage (GCA). These three factors have been identified as the most critical in attaining sustainable competitive advantages within the hotel business. Comprehensive and focused studies that delve deeper into the relationship between Dynamic Managerial Capabilities, Environmental Capabilities, and Green Innovation Capability are advisable to further enhance understanding and implementation. Investigating the role of the government in driving sustainable practices within the hotel industry would offer valuable insights into policy frameworks and regulatory support. By dedicating efforts to these areas of research and practice, hotel industry companies can establish a stronger foundation for adopting eco-friendly policies, promoting sustainable tourism, and gaining a competitive edge in the Nusa Dua Bali region

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