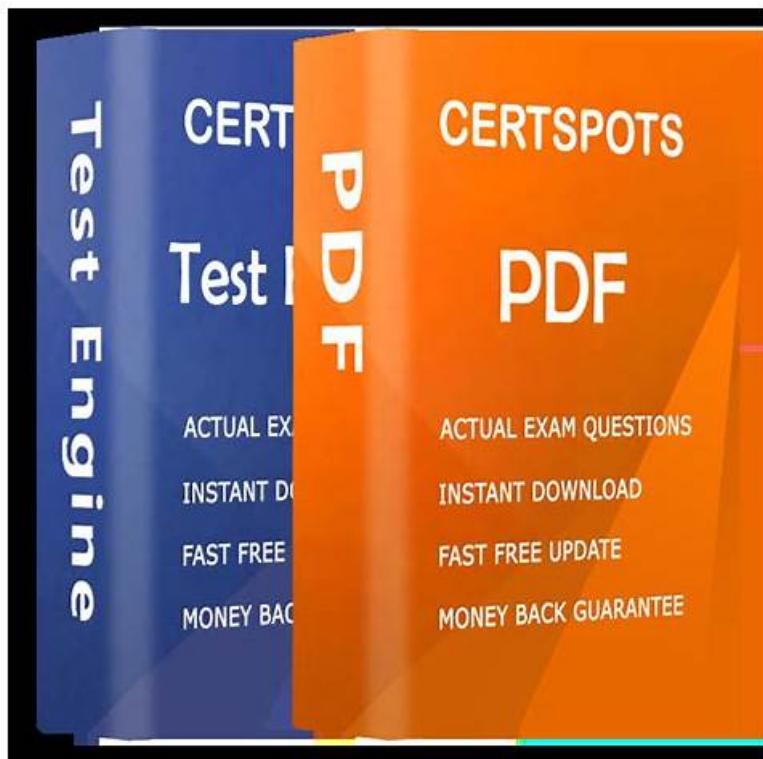


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## CIPS Global Strategic Supply Chain Management Sample Questions (Q17-Q22):

### NEW QUESTION # 17

Compare and contrast the following two supply chain approaches: Lean and Agile.

## **Answer:**

Explanation:

See the Explanation for complete answer.

Explanation:

Lean and Agile are two well-established approaches to supply chain management, each designed to enhance performance - but they focus on different strategic priorities.

\* The Lean approach is primarily concerned with efficiency and waste elimination, seeking to reduce cost and maximise value through streamlined processes.

\* The Agile approach focuses on flexibility and responsiveness, enabling the supply chain to react quickly to unpredictable changes in demand or market conditions.

Both approaches can deliver competitive advantage, but their suitability depends on the organisation's product characteristics, market environment, and strategic objectives.

### **1. Overview of Lean Supply Chain Management**

Lean supply chain management originates from the Toyota Production System (TPS) and aims to achieve "more value with less waste."

It focuses on eliminating all non-value-adding activities across the supply chain and optimising flow to achieve efficiency, cost reduction, and consistency.

Key Characteristics of Lean:

\* Waste elimination (Muda): Remove overproduction, waiting, excess inventory, and unnecessary motion.

\* Standardisation and process discipline: Use consistent processes and visual management tools.

\* Continuous improvement (Kaizen): Ongoing effort to improve quality, productivity, and performance.

\* Demand-driven production (Pull systems): Products made only when there is actual demand, reducing overstocking.

\* Focus on cost and efficiency: Minimising resources and variation while maintaining quality.

Example:

An automotive manufacturer like Toyota or Nissan uses lean principles to streamline production lines, reduce inventory, and improve throughput efficiency.

### **2. Overview of Agile Supply Chain Management**

Agile supply chain management focuses on responsiveness, flexibility, and adaptability in volatile or uncertain markets.

It is particularly effective when demand is unpredictable or product life cycles are short - such as in fashion, technology, or seasonal industries.

Key Characteristics of Agile:

\* Customer responsiveness: The ability to react quickly to changes in demand or preferences.

\* Flexibility in production and logistics: Capacity to switch suppliers, products, or distribution channels rapidly.

\* Market sensitivity: Close alignment between supply chain operations and real-time market data.

\* Use of information technology: Visibility, forecasting, and rapid decision-making enabled by digital tools.

\* Collaboration: Strong integration with suppliers and customers to enable fast communication and response.

Example:

A sportswear brand such as Nike or Zara uses an agile model to rapidly design, produce, and deliver new styles in response to changing fashion trends and consumer demand.

### **3. Comparison of Lean and Agile Supply Chain Approaches**

Dimension

Lean Supply Chain

Agile Supply Chain

Primary Objective

Efficiency and cost reduction through waste elimination.

Flexibility and responsiveness to changing demand.

Focus

Process standardisation and stability.

Market adaptability and speed.

Demand Pattern

Predictable and stable demand.

Unpredictable and volatile demand.

Product Type

Functional, high-volume, low-variability products (e.g., paper, automotive parts).

Innovative, short-life-cycle, or customised products (e.g., fashion, electronics).

Production Approach

"Pull" system based on forecast and level scheduling.

Real-time, demand-driven production using actual market data.

Inventory Strategy

Minimise inventory ("Just-in-Time").

Maintain buffer stock for responsiveness.

Supplier Relationships

Long-term, stable relationships with efficient suppliers.

Flexible supplier base capable of rapid response.

Information Sharing

Controlled and standardised.

Dynamic and real-time, using digital platforms.

Key Performance Measure

Cost efficiency and waste reduction.

Service level, responsiveness, and time-to-market.

#### 4. Advantages and Disadvantages

Lean Supply Chain

Advantages:

- \* Reduced waste and operating cost.

- \* Improved process control and quality.

- \* Stable, predictable supply chain performance.

Disadvantages:

- \* Limited flexibility to cope with sudden changes in demand or supply disruption.

- \* Potential vulnerability in uncertain environments (e.g., during global disruptions).

- \* Requires high demand predictability and stable operations.

Agile Supply Chain

Advantages:

- \* High responsiveness to customer and market changes.

- \* Better suited to volatile or fast-changing markets.

- \* Enhances innovation and customer satisfaction.

Disadvantages:

- \* Higher cost due to holding inventory, expedited transport, or flexible capacity.

- \* More complex coordination and management.

- \* Risk of inefficiency if demand is stable.

#### 5. Strategic Application: The "Leagile" Hybrid Model

In practice, many organisations combine the strengths of both approaches - this is known as aLeagile supply chain.

For example, the upstream processes (procurement and production) operate under lean principles for efficiency, while the downstream processes (distribution and fulfilment) are agile to respond to market variability.

Example:

A toy manufacturer may use lean principles in manufacturing (standardised processes and JIT inventory) but apply agile practices in its distribution and marketing to respond to seasonal fluctuations in demand.

#### 6. Strategic Considerations for XYZ (Application)

If XYZ Ltd were to apply these concepts:

- \* ALean approach would be suitable for itsstable, high-volume products(e.g., standard paper supplies, everyday items).

- \* AnAgile approach would be better suited for seasonal or promotional products(e.g., limited-edition paper designs, packaging for holidays).

The key is to align supply chain strategy withmarket characteristics, demand volatility, and corporate objectives.

#### 7. Summary

In summary, bothLeanandAgilesupply chain approaches offer distinct advantages:

- \* Leanfocuses onefficiency, waste reduction, and cost control, ideal for stable and predictable environments.

- \* Agilefocuses onflexibility, responsiveness, and customer satisfaction, ideal for dynamic and uncertain markets.

Modern organisations often blend both into aLeagile strategy, achieving the best balance betweenefficiency and responsiveness, ensuring that the supply chain supports both cost competitiveness and customer-driven innovation.

### NEW QUESTION # 18

What is meant by effective supply chain management? What benefits can this bring to an organisation?

**Answer:**

Explanation:

See the Explanation for complete answer.

Explanation:

Effective supply chain management (SCM)refers to thestrategic coordination and integrationof all activities involved in the flow of goods, services, information, and finances from suppliers to the final customer. It ensures that all elements of the chain - including procurement, production, logistics, inventory, and distribution - operate in a synchronised, cost-efficient, and value-adding manner.

At a strategic level, effective SCM focuses on creating competitive advantage by aligning supply chain objectives with corporate goals, enhancing collaboration among partners, and optimising total value rather than minimising isolated costs.

### 1. Definition and Key Characteristics of Effective SCM

Effective supply chain management involves:

- \* **Integration:** Seamless coordination between internal departments (procurement, operations, finance, marketing) and external partners (suppliers, logistics providers, and customers).
- \* **Visibility:** Real-time information sharing and data analytics across the supply chain to support accurate decision-making.
- \* **Agility and Responsiveness:** The ability to adapt quickly to changes in demand, market conditions, or disruptions.
- \* **Collaboration and Relationship Management:** Building long-term partnerships and trust with key suppliers and customers to achieve mutual value.
- \* **Sustainability and Ethics:** Ensuring that supply chain practices support environmental, social, and governance (ESG) goals, in line with corporate responsibility principles.
- \* **Continuous Improvement:** Using performance metrics and lean practices to drive efficiency and innovation.

In essence, effective SCM is not only operational excellence, but a strategic enabler of competitive differentiation, ensuring that the right products are available, at the right time, cost, and quality.

### 2. Benefits of Effective Supply Chain Management

#### (i) Cost Reduction and Efficiency Gains

An effective supply chain minimises waste, reduces transaction costs, and optimises inventory levels.

Through lean operations, just-in-time systems, and supplier integration, organisations can significantly reduce operating costs and improve profitability.

Example: Streamlining logistics routes and consolidating shipments can lower transport and warehousing expenses.

#### (ii) Improved Customer Satisfaction

By enhancing reliability, product availability, and delivery performance, effective SCM strengthens customer trust and loyalty.

Meeting or exceeding service-level expectations improves market reputation and customer retention rates.

Example: Accurate demand forecasting and responsive fulfilment ensure on-time delivery and consistent product quality.

#### (iii) Enhanced Competitive Advantage

Effective SCM allows an organisation to respond faster to market changes than competitors, differentiate through service levels, and leverage supplier capabilities for innovation. It also supports strategic positioning

- whether cost leadership, differentiation, or focus.

Example: A consumer goods company using agile supply chains can introduce new products faster than competitors.

#### (iv) Greater Collaboration and Innovation

Strong supplier relationships and transparent communication lead to co-development opportunities, access to new technologies, and improved product design. This collaborative innovation can shorten lead times and improve sustainability performance.

#### (v) Risk Reduction and Supply Chain Resilience

Effective SCM identifies potential vulnerabilities early and establishes contingency plans. This reduces the likelihood and impact of disruptions from supplier failures, geopolitical events, or natural disasters.

Example: Dual sourcing and risk monitoring systems enhance continuity of supply.

#### (vi) Sustainability and Corporate Reputation

Integrating environmental and social considerations within SCM enhances compliance and brand image.

Sustainable sourcing and ethical procurement support long-term business viability and stakeholder confidence.

### 3. Strategic Impact

At the strategic level, effective supply chain management aligns operational activities with corporate goals such as growth, profitability, and sustainability. It transforms the supply chain from a cost centre into a strategic value driver.

For a global organisation like XYZ Ltd, effective SCM can:

- \* Support market expansion through reliable global sourcing.
- \* Enable cost-efficient operations across multiple countries.
- \* Build brand reputation through ethical and sustainable supply practices.
- \* Improve agility in responding to global market volatility.

#### Summary

In conclusion, effective supply chain management is the strategic integration of all activities and partners in the value chain to optimise performance, enhance responsiveness, and deliver superior customer value.

Its benefits include cost efficiency, improved service, risk mitigation, innovation, and sustainability - all of which contribute directly to achieving organisational objectives and long-term competitive advantage.

## NEW QUESTION # 19

What is market segmentation? Describe TWO methods that can be used to segment customers.

**Answer:**

Explanation:

See the Explanation for complete answer.

Explanation:

Market segmentation is the process of dividing a broad market into smaller, more manageable groups of consumers who share similar characteristics, needs, or behaviours.

The purpose of segmentation is to enable an organisation to tailor its marketing, product development, and supply chain strategies to meet the specific needs of different customer groups, rather than applying a single approach to the entire market.

By identifying and targeting distinct customer segments, organisations can allocate resources more effectively, improve customer satisfaction, and achieve a stronger competitive advantage.

## 1. Meaning and Importance of Market Segmentation

Market segmentation allows a business to:

- \* Understand variations in customer needs, preferences, and purchasing behaviour.
- \* Develop differentiated products or services for each group.
- \* Align pricing, promotion, and distribution strategies with customer expectations.
- \* Increase profitability through more focused marketing and efficient supply chain planning.

In supply chain management, segmentation also assists in demand forecasting, service-level differentiation, and inventory management by recognising that not all customers or markets have the same value or requirements.

## 2. Methods of Market Segmentation

There are various ways to segment a market, but two commonly used and strategically significant methods are demographic segmentation and psychographic segmentation.

### (i) Demographic Segmentation

Demographic segmentation divides customers based on measurable characteristics such as age, gender, income, occupation, education, family size, or social class.

It assumes that these variables influence purchasing behaviour, product preferences, and price sensitivity.

Example:

A toy manufacturer like XYZ Ltd (which produces wooden toys) might segment its market into:

- \* Parents of toddlers (ages 1-3) - prioritising safety and educational value.
- \* Early childhood education centres - focusing on durability and bulk purchasing.

Impact on the Supply Chain:

Demographic segmentation allows the company to align its production, packaging, and logistics with the distinct needs of each demographic group - for example, producing safe, non-toxic toys for toddlers, and cost-efficient bulk deliveries for nurseries.

Advantages:

- \* Easy to measure and analyse.
- \* Provides clear customer profiles for targeted marketing.

Limitations:

- \* May oversimplify customer motivations and fail to capture deeper behavioural or lifestyle differences.

### (ii) Psychographic Segmentation

Psychographic segmentation divides customers based on lifestyle, values, attitudes, interests, and personality traits. It seeks to understand the psychological and emotional factors that influence purchasing decisions.

Example:

Continuing with XYZ Ltd's case:

- \* One segment may consist of eco-conscious parents who value sustainability, wooden toys, and environmentally friendly packaging.
- \* Another segment may include traditional buyers who prioritise brand reputation and product heritage.

Impact on the Supply Chain:

Psychographic segmentation can shape procurement and production strategies - for instance, sourcing FSC-certified wood, using recyclable packaging, and promoting ethical labour practices to appeal to sustainability-focused consumers.

Advantages:

- \* Encourages strong brand differentiation and customer loyalty.
- \* Supports premium pricing through alignment with customer values (e.g., sustainability).

Limitations:

- \* More complex and expensive to research due to qualitative data requirements.

- \* Customer attitudes can change quickly, requiring regular review.

## 3. Other Common Segmentation Methods (for context)

While the question requires only two, it is worth noting that markets can also be segmented based on:

- \* Geographic factors: Region, climate, or population density.

- \* Behavioural factors: Purchase frequency, brand loyalty, or product usage.

Each method can be combined in a multi-segmentation approach to achieve a more comprehensive understanding of the market.

## 4. Summary

In summary, market segmentation enables organisations to focus their marketing, product design, and supply chain strategies on distinct customer groups that share similar characteristics or motivations.

Two key methods - demographic segmentation and psychographic segmentation - help businesses understand who their customers are

and why they buy, leading to more efficient targeting and greater customer satisfaction.

By applying effective segmentation, an organisation such as XYZ Ltd can achieve better alignment between customer needs, marketing strategy, and supply chain performance, thereby improving competitiveness and profitability in its market.

## NEW QUESTION # 20

XYZ Ltd is a large sporting retailer selling items such as clothing, bikes and sports equipment. They have stores in the UK and France. Helen is the CEO and is looking at the product and service mix on offer at the company in order to plan for the future. What is this and how should Helen approach an analysis of the product and service mix offered by the company? How will this affect the way she decides the company's corporate strategy?

### Answer:

Explanation:

See the Explanation for complete answer.

Explanation:

The product and service mix refers to the range, diversity, and balance of products and services that an organisation offers to its customers. For a large retailer like XYZ Ltd, it includes not only the physical goods

- such as sports clothing, bicycles, and equipment - but also associated services such as repairs, maintenance, warranties, online ordering, and customer support.

Analysing the product and service mix helps management understand which offerings contribute most to profitability, growth, and customer satisfaction, and which may need improvement, repositioning, or withdrawal.

This analysis forms the foundation for shaping the organisation's corporate strategy, as it reveals where the company's strengths, risks, and opportunities lie across different product and service categories.

### 1. Understanding the Product and Service Mix

The product mix represents the full assortment of products the company offers, defined by four key dimensions:

\* Width: The number of product lines (e.g., clothing, bikes, footwear, accessories).

\* Length: The total number of products within each line (e.g., mountain bikes, road bikes, e-bikes).

\* Depth: The variety within a product line (e.g., different brands, sizes, colours, price ranges).

\* Consistency: How closely related the product lines are in terms of use, production, and target market.

The service mix includes any intangible offerings that support or enhance the product experience - such as after-sales service, product customization, online chat support, or home delivery. For XYZ Ltd, this may include bicycle repair workshops, fitness advice, and loyalty programmes.

A balanced mix allows the company to meet diverse customer needs while maintaining profitability and brand consistency.

2. How Helen Should Approach an Analysis of the Product and Service Mix

Helen, as CEO, should take a structured and data-driven approach to analysing XYZ Ltd's current product and service portfolio. The following analytical tools and methods are useful:

#### (i) Portfolio Analysis - The BCG Matrix

The Boston Consulting Group (BCG) Matrix is a widely used tool that classifies products or services according to market growth rate and market share, helping to guide resource allocation.

Category

Description

Example for XYZ Ltd

Strategic Action

Stars

High growth, high market share

E-bikes, performance apparel

Invest to sustain leadership

Cash Cows

Low growth, high market share

Traditional bicycles, core fitness gear

Maintain efficiency, generate profit

Question Marks

High growth, low market share

Smart fitness wearables

Evaluate potential; invest selectively

Dogs

Low growth, low market share

Outdated product lines

Rationalise or discontinue

This analysis helps Helen determine which product lines to grow, maintain, or phase out.

#### (ii) Product Life Cycle (PLC) Analysis

Each product or service progresses through introduction, growth, maturity, and decline stages.

Understanding where each offering sits on the life cycle helps in forecasting demand, managing inventory, and planning innovation or replacement.

\* For instance, e-bikes may be in the growth phase, requiring investment in supply and marketing.

\* Traditional sports equipment might be in maturity, needing efficiency and differentiation.

\* Older models of clothing lines may be in decline, requiring markdowns or withdrawal.

#### (iii) Profitability and Margin Analysis

Helen should examine each product and service category's sales revenue, cost structure, and contribution margin.

High-turnover but low-margin items (e.g., sports accessories) may support traffic but reduce profitability, whereas premium services (e.g., bike repairs or loyalty memberships) could generate higher margins and customer retention.

#### (iv) Customer and Market Segmentation Analysis

Understanding which customer groups purchase which products or services - for example, casual consumers, serious athletes, or parents buying children's equipment - enables more targeted offerings and efficient marketing spend.

This analysis may differ between the UK and French markets due to cultural and demographic variations.

#### (v) Competitive Benchmarking

Helen should also compare XYZ Ltd's product and service range against leading competitors to identify differentiation opportunities, pricing gaps, or innovation potential.

### 3. How the Product and Service Mix Analysis Affects Corporate Strategy

The findings from this analysis will directly influence XYZ Ltd's corporate and business strategy in several key ways:

#### (i) Strategic Focus and Resource Allocation

The company can decide which product lines or services are strategic priorities - for example, focusing investment on high-growth categories such as e-bikes and reducing emphasis on low-margin items. This ensures resources are deployed where they generate the greatest return.

#### (ii) Market Positioning and Differentiation

The analysis helps define how XYZ Ltd positions itself in the market - e.g., as a premium sports retailer, an affordable brand, or an eco-conscious supplier. The service mix (like repair workshops or sustainable sourcing) can reinforce that brand image.

#### (iii) Innovation and Product Development Strategy

Insights from the mix analysis can guide R&D or supplier collaboration efforts - for instance, introducing new eco-friendly clothing or smart fitness technology.

#### (iv) Supply Chain Strategy Alignment

Changes to the product mix influence sourcing, logistics, and inventory strategies. For instance, increasing e-bike offerings may require partnerships with new component suppliers, while expanding services might need new in-store capabilities or digital platforms.

#### (v) Geographic Strategy and Market Expansion

Comparing performance between the UK and France may reveal opportunities for regional adaptation or global standardisation, influencing whether the corporate strategy adopts a localisation or global integration approach.

### 4. Strategic Implications

Helen's analysis of the product and service mix will form a key input into corporate strategy formulation, as it identifies where the company's future growth, profitability, and differentiation lie.

It will determine:

\* Which markets to expand or exit.

\* How to balance products versus services.

\* Where to invest in innovation or partnerships.

\* How to align the company's supply chain and marketing functions with strategic priorities.

### 5. Summary

In summary, the product and service mix represents the total range of offerings that define XYZ Ltd's value proposition to its customers.

By systematically analysing this mix - using tools such as the BCG Matrix, Product Life Cycle analysis, and profitability evaluation - Helen can identify which areas to grow, sustain, or divest.

This analysis directly shapes the company's corporate strategy, guiding decisions on investment, market positioning, innovation, and supply chain alignment.

A well-balanced and strategically managed product and service mix ensures that XYZ Ltd remains competitive, customer-focused, and financially robust in both its domestic and international markets.

## NEW QUESTION # 21

Discuss and evaluate supplier segmentation as an approach to supply chain management. Explain one method of supplier segmentation.

**Answer:**

Explanation:

See the Explanation for complete answer.

Explanation:

Supplier segmentation is a strategic supply chain management approach used to categorise suppliers based on their strategic importance, risk profile, and value contribution to the organisation.

The purpose is to ensure that resources, relationship management, and procurement strategies are aligned with the relative importance of each supplier rather than treating all suppliers in the same way.

Through segmentation, supply chain managers can tailor strategies for collaboration, performance management, and development - ensuring that critical suppliers receive greater attention and investment, while routine suppliers are managed efficiently to minimise administrative effort and cost.

## 1. Meaning and Purpose of Supplier Segmentation

Supplier segmentation helps organisations:

- \* Focus resources on key strategic relationships that deliver the highest value.
- \* Manage risks by identifying suppliers critical to business continuity.
- \* Differentiate relationship styles - strategic partnership, performance management, or transactional purchasing.
- \* Improve efficiency in supplier management by avoiding a "one-size-fits-all" approach.

In a global supply chain context, segmentation enables firms to strike a balance between cost efficiency, innovation potential, and risk mitigation across their supply base.

## 2. Strategic Importance of Supplier Segmentation

Supplier segmentation is central to strategic supply chain management because it links sourcing strategy with business objectives.

For example:

- \* Strategic suppliers might support innovation, co-development, and long-term sustainability goals.
- \* Tactical or routine suppliers focus on cost competitiveness, standardisation, and process efficiency.

By classifying suppliers, organisations can prioritise their engagement efforts - ensuring that scarce procurement resources are directed where they deliver the greatest impact.

## 3. Evaluation of Supplier Segmentation as an Approach

Advantages:

- \* Improved Relationship Management: Allows differentiated relationship strategies - partnership for strategic suppliers, transactional control for routine ones. This enhances focus and effectiveness.
- \* Enhanced Risk Management: Identifying critical suppliers improves resilience planning and helps in developing contingency arrangements for high-risk categories.
- \* Efficient Use of Resources: Procurement teams can concentrate time and effort on managing suppliers that are strategically important, optimising cost and effort.
- \* Better Strategic Alignment: Ensures that supplier management supports organisational priorities, such as innovation, cost leadership, or sustainability.
- \* Supports Performance and Innovation: Enables joint improvement initiatives and innovation with key suppliers, fostering long-term value creation.

Disadvantages or Limitations:

- \* Complexity and Data Requirements: Effective segmentation requires comprehensive supplier data, performance metrics, and ongoing monitoring, which can be resource-intensive.
- \* Potential for Misclassification: Inaccurate assessment of a supplier's importance or risk can lead to poor management focus or neglected partnerships.
- \* Dynamic Environments: Supplier significance can change rapidly due to market shifts, mergers, or new technologies; segmentation therefore requires regular review.
- \* Relationship Sensitivity: Categorising suppliers may affect perception - "non-strategic" suppliers might feel undervalued and disengaged.

Despite these challenges, supplier segmentation remains a core strategic tool for achieving efficiency, risk control, and competitive advantage in global supply chains.

## 4. One Method of Supplier Segmentation - The Kraljic Matrix

The Kraljic Matrix (1983) is one of the most widely recognised and practical methods for supplier segmentation.

It classifies purchases or suppliers according to two key dimensions:

- \* Supply risk: The risk of supply disruption, scarcity, or dependency.
- \* Profit impact: The effect the item or supplier has on the organisation's financial performance.

The Matrix contains four quadrants:

Quadrant

Description

Management Strategy

### 1. Non-Critical (Routine)

Low risk, low profit impact - e.g., office supplies.

Simplify processes, automate purchasing, focus on efficiency.

### 2. Leverage

Low risk, high profit impact - e.g., packaging, common materials.

Use purchasing power to negotiate best value and pricing.

### 3. Bottleneck

High risk, low profit impact - e.g., niche or scarce materials.

Secure supply through safety stock, dual sourcing, or long-term contracts.

### 4. Strategic

High risk, high profit impact - e.g., core raw materials, key technologies.

Build long-term partnerships, collaborate on innovation, joint risk management.

Application Example:

A toy manufacturer sourcing timber might classify:

\* FSC-certified timber suppliers as strategic (high profit impact, high risk).

\* Packaging suppliers as leverage (high impact, low risk).

\* Stationery suppliers as non-critical.

Benefits of the Kraljic Model:

\* Provides a structured, visual framework for prioritising suppliers.

\* Aligns relationship strategies with risk and value.

\* Encourages proactive supplier development and risk mitigation.

Limitations:

\* Requires accurate data and cross-functional input.

\* Static classification - may not fully capture changing business dynamics.

### 5. Summary

In summary, supplier segmentation is a vital approach that enables organisations to manage their supply base strategically, ensuring that effort and investment are proportionate to the importance and risk associated with each supplier.

The Kraljic Matrix provides a practical framework to segment suppliers into strategic, leverage, bottleneck, and routine categories, enabling differentiated relationship management and procurement strategies.

When effectively implemented, supplier segmentation leads to better risk management, cost control, collaboration, and innovation, ultimately contributing to supply chain resilience and sustainable competitive advantage.

## NEW QUESTION # 22

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