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Executive Summary

History

With small beginnings as a leather handbag company, Prada had grown into an upper-class, high quality, fashionable accessory and apparel company. Ten years after Miuccia Prada took over she brought the company from near bankruptcy to one of the top fashion companies in the World. Prada began in Italy but can be found all over the World in private Prada boutiques to department stores.

Industry Analysis

Fashion is a day-to-day big name industry as well as a profitable one. Fashion is as old as human civilization itself. Fashion industry was brought into the United States and has grown ever since which has made the nation a major competitor for the French Fashion. Industrial development brought globalization and some new problems of counterfeiting and exploiting workers are more blatant, however, the standard belief that protecting innovation and invention to motivate creativity seems to prove false in the fashion industry. The future trends of the fashion industry include localization, men’s apparel and “green clothes”.

SWOT

One of the superior strengths of Prada is in its quality of design. In addition, facing with the fierce competition in the luxury industry, Prada stands out for its competitive strength of marketing. The weakness of Prada is that it is the only major luxury goods group that still not publicly traded. Another weakness is that the company’s website does not have
enough information. Prada also faces the ever growing trend of counterfeiting products. Outsourcing also post a big threat to Prada since it gives those artisans more opportunities to counterfeit extra copies of a product with a high quality. Opportunities for the company are in technology. LG and Prada have launched a silver version of the designer Prada phone. In addition, the large population and the increasing quality of life in China could allow Prada to raise its sales and income in the years ahead.

**Competitors**

Prada has many competitors in the fashion industry. These competitors are Dolce and Gabbana, The House of Gucci, Christian Dior, Jimmy Choo, Juicy Couture, Versace, and shoe and handbag stores. Also included in competitors is fake or pirated Prada which has had its positive and negative affects.

**Recommendations**

The following recommendations would help Prada become a powerful fashion company. Prada should increase its brand awareness, expand their clothing line to include plus size women’s apparel, introduce a new Men’s apparel line, and expand globally.

**Conclusion**

Prada has a great deal of potential. The leaps and bounds the company has made since 1913 prove that it has the capacity to push forward in the 21st century. By following the recommendations mentioned in this paper, Prada will be able to do so. Prada has been a fashion leader since its first arrival on the runway and with the leadership of Marccia Prada, will continue to be just that.
Introduction

Prada is one of the most recognized fashion names in the industry around the world. The company began in 1913 when Mario Prada witnessed his dream become reality. At first step on the runway Prada turned heads and captured admiration from some the most renowned designers in the world. The fashion icon continues to stay strong and has the potential to grow steadily into the 21st century under its creative and innovative leader Miuccia Prada.

History

In 1913 Mario Prada first introduced the Prada brand into the fashion World in Milan, Italy. Prada outlets can be found World wide and are very influential in the fashion world. Prada is a high class luxury clothing and apparel company. However, the first products by Prada were handbags, suitcases, shoes and trunks with the main focus being high quality leather1.

In 1978 Miuccia Prada, Mario's granddaughter, took over the company. During her take over of the company, they had been struggling against competition of Gucci. Prada needed a new look and Miuccia was just the person to help refocus the company on a new look. Though, Miuccia did not have any education in fashion, she did have a degree and political science and a natural knack for designing. The first step under new management was to regain a foothold against the competition and redesign some of Prada's old favorites. The black classic prada handbag was the first product to help Prada

1 wikipedia.org
take gain footing against the competition. The handbag was so popular and so expensive that it erupted a large amount of knockoffs that helped Prada become even more popular.\(^2\)

Ten years later Prada entered into the fashion market with the popular and sexual low cut tops and short skirts. The fashion World could not ignore the trendy sexual line of clothes and it helped to make Prada an even more popular company. Prada's first time on the runway in 1989 was very successful. The high quality fabric, basic colors and simple elegance caught the public’s eye. Prada's silver triangle symbol at this time became a recognized symbol of upper class elegance.\(^3\)

By 1990 Prada had created a base of what Prada would always been seen as. Prada is known for its unrivaled quality, soaring prices, classy and sexy clothing and apparel lines. During this time Prada stuck to its signature colors of mainly green, brown, grays, blacks, and creams and introduced their accessory line. The accessory line included; belts, handbags, and high heeled shoes.\(^4\)

Two years later, Prada made some major moves in expansion. Miu Miu was their first new line at more affordable prices that they would use to try and generate more popularity with the younger generation. They also introduced the Prada sport line along with a men’s line and lingerie. By 1993 Prada gained major recognition by receiving an award for accessories from the “Council of Fashion Designers of America”.\(^5\)

Most recently, in May of 2007 Prada created the LG Prada phone by joining forces with LG Electronics. This phone alone will set an individual back at least eight

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\(^2\) http://www.fashion-forum.org
\(^3\) http://www.fashion-forum.org
\(^4\) http://www.fashion-forum.org
\(^5\) http://www.fashion-forum.org
\(^6\) http://www.fashion-forum.org
hundred dollars. Prada takes such pride in their lines that when they create their stores they hire notable architects to design their boutiques. This not only shows the level of quality they believe they have but it also is a great way to help market their grand openings.

Prada has even been credited for inspiring poets and screen writers. Most notably a book and movie were created entitled “The Devil Wears Prada”. Prada has reached so many people whether they actually own any of the clothing or accessories.

Prada has had many looks that have always had the same high quality. Today, Prada has even expanded its look from colors alone. While, the classic colors of Prada are still available Miuccia has expanded the colors to reach an even greater amount of the market. Miuccia has been credited for many innovations in the fashion industry, including using beaded latex and mirror fragments in her designs. Today, Miuccia was even named the third most powerful woman in Europe by the Wall Street Journal.

Industry Analysis

Fashion is a day-to-day big name industry as well as a profitable one. Fashion Industry houses millions of workers who play their part everyday to cloth people in new and desirable fabrics. Advertisements on buses, billboards, televisions, and magazines inform people of the on-going trends and influence our clothing habits, consciously, and/or subconsciously. Fashion has been a symbol of differences in cultures, customs, geographical settings, religious beliefs and even socioeconomic conditions.
Fashion is as old as the human civilization itself. This remained quite stable and unchanged throughout the ancient and medieval periods. During these times fashion was for royalty and was presented merely for other classes of people to watch and admire. Fashion gained acceleration after the court of King Louis XIV made Paris the capital of fashion. By this time the British had been able to produce various new types of fabrics, credited to their inventions during the Industrial Revolution. Industrial Revolution also enabled clothes to be produced cheaply and efficiently which fueled the growth of fashion industry and spread it to middle and low income groups alike in Europe.

But despite various attempts to conceal invention through copyrights, information was brought to the United States by Samuel Slater. This germinated fashion industry in US, which has grown ever since and has been a major competitor for the French Fashion. American Fashion is distinctive of its casualness and sobrierness. Blue jeans are the sweet child and cash cow of the American Fashion industry. This informality of American fashion contributed to such brands as Calvin Klein and Ralph Lauren. American fashion industry along with cosmetic industry grew rapidly in the mid 20th century. This period has been a symbol of development of sports generic logos and styles incorporated in caps, shoes, t-shirts, and shorts. America saw a trend of masculinity in female wardrobes after World War I while World War II isolated American fashion from the Paris fashion. By the 1970s, fashion industry had adventured even into niches like children’s fashion clothing. The increase in competition in the industry has skyrocketed with in various aspects of clothing and accessories. Not only is it a national competition, but a competition between countries in a global market.
Global Issues

Industrial development brought globalization which in result forced the assimilation of western clothing into the Asian and African societies. This provided an opportunity for Europe as well as American businesses to discover and exploit these new lands.

US fashion companies found a new way to cut their costs. They employed cheap labor from the less-fortunate countries. Also, the country utilized and even exploited the natural resources of these nations. Questions have been arising regarding the social, ethical, and environmental issues that are a by-product of these foreign endeavors. Workers are being forced to work in questionable, risky conditions and they are obliged to accept these due to their poverty. Many renowned companies like Calvin Klein and Nike have been accused of using sweatshops which lack minimum safety requirement for their workers. They have been accused of exploiting their workers and even employing child labor. But the question lingers, will cutting cost in this manner bring in large profit for the business entity? Not necessarily.

As the world is globalizing so is the apparel. People around the globe, whether be it in Tokyo or Taiwan, Beijing or Boston, London or Lahore, have similar fashions if not same. There are few differences based on personal choices, but in general, the trend throughout the world runs in one swift motion. There are certain limitations to the above generalizations, like the Muslim women, who can walk in public only after being fully covered in chador. These religious trends and local norms should be acknowledged and appreciated by multinational fashion while expanding their market throughout the world. This way they can gain the support of the public and government in their country of
operation through which they can earn a profit in a healthy manner that can exist in the long run.

*Risks*

Fashion is a fast paced industry with new designs coming up everyday. Those businesses that cannot live up to this challenge will face failure in the market. This competitiveness has brought about a new problem of counterfeiting in the fashion industry. Copy right laws lack effectiveness in the fast growing nations like China where counterfeiting develops not through the greed of profit, but through the urge to compete and stand along the market leader, which has given China and edge in the developmental race. Many authentic clothing houses are learning the hard way that taking law actions in not a desirable option. These companies are finding other ways to utilize these amazing abilities of the Chinese firm in counterfeiting, in a co-operative way rather than futile law suits.

The standard belief that protecting innovation and invention to motivate creativity seems to prove false in fashion industry. In fast changing luxury industries such as designer clothing, it seems that status is not reflected only by being wrapped in trendy clothes, but also with keeping up with the trend which seems to change so fast. Therefore, intellectuals of this field do not seem to mind counterfeiting because they know that latest trend one month will be obsolete the next. Kal Raustiala and Christopher Sprigman, law professors, believe that weak intellectual-property laws have amazingly been essential to success of fashion industry, rather than hurting it. Counterfeit products are targeted to a different market segments rather than the authentic products of the renowned fashion
houses. These increases in the popularity of their much protected brand names lure people into acquiring these authentic fabrics and prepares them to pay premium prices.

**Future trends**

It is universal truth that fashion changes and travels by the speed of light. With new trends developing each day, even the trendiest of people cannot live up to latest trend.

The ‘machismo’ trends of female clothing lines have been able to blur the frontier of male and female clothing. Though there is a significant difference in male and female clothing, there seems to be fairly large amount of similarities in them. The increasing popularity of sports clothing has also been hot spot for fashion pundits to compete. With sports being as popular as always as well as sports celebrities being seen as global icons, sport clothing will be the favorite field of fashion industry as long as clothing means anything to people.

Men’s apparel have had an increase in sales than women’s, or so is suggested by the 5% increase in sales of men’s wear in 2006, which is fairly higher than women’s. This might be indicative of the fact that men are being more fashion conscious than the past. Within the women’s clothing market, large size apparel has remained more popular than any other segments.

In addition, there has been a greater than expected love for ‘green clothing’, which are deemed to be environment friendly. Animal rights activists have been urging
the worldwide to stop to the use of animals in manufacture of clothing. Thus, there seems to be a trend of fashion conscious, environmentally friendly consumers around the globe.

Company Analysis

**Strengths**

As a worldwide empire, the superior strength of Prada is in the quality of the design. The designer, Miuccia Prada, a high-profile collector of contemporary art, has made a great contribution to Prada and has played an important role of leading Prada in the right direction as well as maintaining the highest standard quality. With its unique designs, Prada’s influence on fashion is enormous: the clothes designed by Miuccia have become widely influential, and the key accessories from her autumn/winter 2004/2005 collection - brooches and skinny belts, also became immediate high-street hits. Miuccia Prada once announced that she would like to keep working until she is in her nineties, and she hopes to be more and more creative as she goes along. So it seems that Prada could still keep enjoying its high-end fashion labels in the decades ahead.

Facing with the fierce competition in the luxury industry, Prada stands out for its competitive strength of marketing. The Prada store has a clever marketing strategy, in that technology plays a big role. Walking into the Prada’s epicenter stores, like New York, Los Angeles and San Francisco in American, and Tokyo in Japan, customers will have unusual experiences. The dressing rooms can switch from transparent to translucent when a room is occupied, and the "magic mirrors"- a plasma screen invisibly built into the large mirror surface - enables customers to see themselves from any direction. These
epicenter stores have become landmark buildings and reflect the classical and elegant characteristics of Prada.

**Weakness**

Nowadays, there are quite a lot of companies in the fashion business that have been publicly traded. Prada is the only major luxury goods group that still has not gone public, which has made it lack some of the economic power its competitors owned. Prada’s chief executive, Mr. Bertelli, once mentioned that not being quoted would mean not competing with others in their capacity to invest. Prada’s close competitor, LVMH, is a public company that has the financial advantage to expand its stores in emerging markets. Another competitor, Hermès, also has been listed on the Paris Stock Exchanges and other European Stock Exchanges. Actually, Prada has flirted with an initial public offering for three times in the past seven years and recently in December 2007, with a hope to generate cash, Prada chief Patrizio Bertelli said that he was well prepared to try again. Since there are many new markets for luxury goods set up in Russia, China and elsewhere, Prada needs funds and capital to build stores, hire staff and approach advertisements there. Based on a source close to the deal, by the second half of 2008, Prada intends to have 30 to 40 percent of the label on the Milan exchange.11

With the development of technology and digital communication, a great amount of people could easily access to the internet for the latest news. It is no doubt that online advertising is part of the overall marketing strategy, but the fact is that there have been quite a lot of brands which are still neglecting the digital channels. As one of the best-known trademarks in the world, Prada also received complaints about its websites for not

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11 www.cmc/prada/
having enough information. By contrast, LVMH’s website not only provides all of its brands’ information, but also has English, Chinese, Japanese, and French for customers to choose from. Prada should pay more attention to its online strategy, otherwise it could lose many customers who are looking up on its website and wanting information (just as from any other brands).

**Threats**

Counterfeit products have posted a big threat to Prada. According to the report, although a U.S. crackdown on counterfeit products has made a great effort of putting down fakes into market, sales of counterfeit products in Asia are more blatant. Markets like Jakarta and Beijing have a great amount of fake brands, which includes Prada, Burberry and Louis Vuitton. Counterfeit goods can damage buyers’ image of a brand when the counterfeits are of inferior quality. Prada has long been imperiled by poorly-made counterfeit products, such as handbags, shoes and other products. For most of the buyers who purchase Prada’s products, they all expect a certain level of craftsmanship and, therefore, satisfaction. However, when the product fails to deliver on the expectations, the buyer is dissatisfied and Prada’s reputation is tarnished.

Prada starts with handbags and many of its production of apparel and other items have been outsourced. In recent years, however, many pirated products are turning out to have nearly the same quality of the real ones, especially in Italy. Since there are majority of Italian makers of luxury products outsource their production to small manufacturers in other countries, it gives those artisans more opportunities to counterfeit extra copies of a product with a high quality. Faced with this threat, Prada has already taken actions. It is
said that in recent years, Prada has brought back some of its licenses of outsourcing and
started to exert more control in its purchase of companies that makes products for it.

**Opportunities**

During the last year, there was one thing about Prada that had caught many
people’s eyes: LG Electronics, a large global manufacturer of electronics products, and
PRADA, one of the leading luxury brands, have launched a silver version of the designer
Prada phone. The PRADA Phone (KE850) has been regarded as a real breakthrough in
the industry since it is the first phone that has a complete advanced touch interface. This
cooperation, between LG and Prada, has brought new opportunities. On one hand, LG
could further open up its markets by relying on Prada’s worldwide popularity. On the
other hand, it enabled Prada to take its first step into the mobile phone market, which is
also a forefront fashion segment. LG’s Electronics vice president of marketing, Chang
Ma, said that this cooperation is not the end. After collecting feedbacks from customers,
we intend to develop a more attractive mobile phone in the future.

During recent years, the number of big brands entering into China’s market is on
the rise and it seems that it is much easier for foreign companies to expand their
businesses in China, especially after China’s retail sector was totally opened, fulfilling
the commitments it has made when joining the WTO (World Trade Organization) in
2001. As Prada's fastest-growing market in the world, China has brought quite a lot of
benefits to Prada. China has already been the third largest luxury goods market in the
world, and luxury mavens believe that China will continue to grow. Therefore, the large
population and the increasing quality of life in China could allow Prada to raise its sales
and income in the years ahead.
Competitor Analysis

Prada has many different direct competitors. These competitors are Dolce and Gabbana, The House of Gucci, Christian Dior, Jimmy Choo, Juicy Couture, Versace, shoe and handbag stores, and fake Prada. Discussed and analyzed below is the reason each company was chosen.

Dolce and Gabbana

Dolce and Gabbana is a major competitor of Prada. The company was created in Milan, Italy and has grown into a multinational company. Dolce and Gabbana are known for their hand bag along with Prada. Although Prada makes a much more extensive line of baggage that includes back packs and luggage, Dolce and Gabbana are more commonly known for their handbags. Dolce and Gabbana also stretches their product line past Prada’s by offering beach ware such as bathing suits and sunglasses as well as a new line of modern sneakers. Recently, the company released an underwear collection for both men and women which caught attention of the fashion industry. By doing so they were able to capture many consumers looking to deck themselves out head to toe in Dolce and Gabbana whether they were going to the beach or out for the evening.

The House of Gucci

The House of Gucci, simply known to the fashion world as Gucci, is a close competitor to Prada and Dolce and Gabbana. The company was founded in Florence and

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12 http://www.infomat.com
13 http://www.dolcegabbana.com
is now one of the most prominent fashion distributors in the world\textsuperscript{14}. Known for its flashy designs, it is no wonder it heavily competes with the more standard Prada. Unlike its competitors, Gucci’s main focus is on shoes and handbags. However, they have a great line of small accessories as well. Gucci’s shoes are well known around the world because they are hand crafted usually in high grade leather material\textsuperscript{15}. By going above and beyond the competition in this factor, consumers have confidence of high grade, fashionable shoes for the amount in which they pay.

\textit{Christian Dior}

Christian Dior, based out of France, is a less extensive competitor of Prada. As Prada focus on clothing and less on their shoe collection, Dior concentrates on shoes and accessories, much like Gucci. However, Dior has a large market share of fashion hand bags, something in which Prada used to hold until the release of Dior’s new line under its new designs. Dior is very selective where it opens boutiques and recently on has two in the United States, both of which are located in California in the Hollywood area. Dior is famous for its line of sunglasses as well, which are sleek and more expensive than any other sunglasses on the market, largely due to demand\textsuperscript{16}. Also, Dior has something that very few other fashion companies have; a beauty product line. This line includes everything from foundations to fragrances and proves the innovation of the company.

\textsuperscript{14}http://en.wikipedia.org
\textsuperscript{15}http://www.guccigroup.com
\textsuperscript{16}http://www.infomat.com
Jimmy Choo

Jimmy Choo, the relatively new designer based out of the United Kingdom, has caused a stir, especially in 2008, by being voted in the top ten of items celebrities must have. This may not seem something to major, but to up and coming designers it means an increase in sales. It is well know that regular individuals like to mimic their favorite movie and rock stars. By receiving this honor Jimmy Choo knocks on the door of greats like Prada. Jimmy Choo is mainly known for its exquisite and often comfortable shoe design, a combination often not found in the fashion world. Along with shoes, matching handbags are also offered. Due to its relatively new status in the market, the company is somewhat cheaper then Prada however, is still very expensive. Prada has had to rethink shoes mainly due to this company.\(^\text{17}\)

Juicy Couture

Juicy Couture is considered low fashion compared to Prada, however, it does not keep the company from competing with Prada. This well known brand has a much more extensive range of products that range from shoes, clothing, handbags, swim ware, and small accessories. Juicy Couture is considered a competitor of Prada because it holds a fashion name, but significantly lower price. The prices are lower due to the company’s ability to capture the casual fashion, which includes jeans and track suits. Although Couture is considered more casual than Prada, the company still controls a large market of shoes for the upper class individual.\(^\text{18}\). As Prada is something you would see on a celebrity at the Oscar’s, Couture is something you would see at video music award shows.

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\(^\text{17}\) http://www.fashionwindows.com/fashion_designers/jimmy_choo/default.asp  
\(^\text{18}\) http://en.wikipedia.org/wiki/Juicy_Couture
such as the VMAs and Grammys, a type of free advertising that reaches young buyers across the globe.

**Versace**

Based in Italy, Versace may be one of the closest and largest competitors of Prada. The two companies sales schemes are nearly identical, and often their designs can become confused due to Italian influences each share. However, the company has a very extensive home collection. This collection includes linens and pillows which allows Versace to really bring their designs into homes, instead of just high priced dining rooms. Also, the company has an interior design section which sets them apart from all fashion competitors. By adding this addition, Versace can dominate in home décor, but put forth designs on runways that draw in consumers. Versace evening ware, handbags, and shoes is what heavily competes with Prada along with a small line of fragrances, and pricing is relatively the same for both companies.

**Shoe and Handbag Stores**

For individuals not looking to spend a fortune on shoes, clothing, and handbags, there are shoe and handbag stores with affordable and comfortable shoes. Shoe Carnival, Payless, JC Penny, and even Wal-Mart can be considered competitors of Prada as they all have fashionable shoes, handbags, clothing, ect. at affordable prices. Some may argue that Prada is high fashion, in which these stores do not carry what constitutes high fashion, but it cannot be argued that these stores do not directly compete. Any time where an individual may consider buying one product over another is competition. That is why Payless, even though considered a discount shoe source, is a competitor, and could be
considered a major competitor, of Prada. This is due to the fact that many more people buy shoes at Payless then by ordering them from Prada.

Fake Prada

Prada inadvertently competes with its own designs daily. Initially it helped Prada by being a form of free advertising, but in the long run has caused problems by flooding the market. Bootlegged or fake Prada can be found on street markets and even on eBay. It was estimated that over three million pirated Prada handbags have been sold, which totals cost the company billions\(^{19}\). Although it is against the law, the problem still occurs daily. Prada has even went as far as posting on sites such as eBay warnings and steps to take to spot fakes. This problem not only affects Prada, but many other high fashion companies. Tiffany’s has a law suit against eBay for allowing pirated goods to be sold on their website. The problem goes deeper and raises the question of what are authorities going to do about it. Nearly everyone questioned will respond that they are aware that items sold on street corners are almost always fakes, however, authorities allow this to continue. Many companies wonder when enough will be enough. It is underdetermined and immeasurable how much market share pirated handbags and shoes actually have\(^{20}\).

Recommendations

Short term

The short-term recommendation is that Prada should pay more attention to its website. Nowadays, the internet has already become a tool for people to get the latest information and purchase products. But when we search the website, we couldn’t find enough information about the company and products, so we suggest that Prada should

\(^{19}\) http://hietanen.typepad.com
\(^{20}\) http://www.news.com
add more information. First, Prada should increase its brand awareness, such as Miu Miu which is designed for younger. Second, by expanding their line to include plus size women would have the potential to increase sales. This expansion may possibly increase market share as well because Prada will have gone where others have not went before. Third, if Prada want to expand their market share through the world, it should add different language for customers to choose from, such as Chinese, Japanese and French. Also, we find that countries available shop online all focus on Europe, so Prada should expand new areas, such as Asia, North America.

**Long term**

The long-term recommendations are as follows. First, the trend of women’s only high fashion will change. Men have become more fashionable. Men’s apparel recently accounts for an increasing percentage of fashion industry sales. By following this trend, Prada will be able to increase sales drastically. Prada should invest more time into their men’s lines, possibly a sports apparel division. Second, Prada would benefit by expanding globally. This expansion could be accomplished in the Asian and North American fashion markets. Also, it would be beneficial to employ designers from those markets. Helping the expansion would be shops strategically placed in the major cities through out the world.

**Conclusion**

Prada has come along way since 1913 when it was founded, but has potential to go even further. By following the recommendations of increasing brand awareness, expanding into plus size women and men’s apparel, and updated their website to include countries with high purchasing power, Prada may have the capacity to grow into one of the most powerful fashion companies of the world. Also, Prada has to continue to
develop its brand. Fashion is an industry of art. The designers make or break the
companies they work for. Muccia Prada represents not only a savvy business woman, but
a designer whom has set a standard very high for those looking to enter the fashion
world.

**Methodology**

Methodology used in this research paper was primarily internet sources from
which we were able to obtain valued information. The sites used include encyclopedia,
industry, and news related sites. Also, we obtained information regarding the structure of
this paper by referring to the instructor’s international business page on the Dickinson
State University Website.
Bibliography

10. www.fashionindustrynumbers.com
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