

**Evaluating and Enhancing
Starbucks' Marketing Strategy:
Addressing Market Dynamics and
Consumer Engagement**

Managing Marketing Change

July 2024

BMMB7026 Level 7

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Executive Summary

This report critically examines Starbucks' marketing strategy, focusing on its response to market dynamics and shifts in consumer behavior to achieve sustainable growth. As a global leader in the coffee industry, Starbucks prioritizes customer-centric values, continuous product innovation, and robust digital transformation. However, challenges such as high operational costs due to quality emphasis and reliance on the North American market highlight vulnerabilities.

The analysis employs a comprehensive framework encompassing macro and micro-environmental analyses. The PESTEL analysis explores political, economic, social, technological, environmental, and legal factors influencing Starbucks' strategic decisions. Additionally, the SWOT analysis evaluates internal strengths and weaknesses, along with external opportunities and threats. The report also incorporates Lewin's change management model and Market Segmentation, Targeting, and Positioning (STP) to assess Starbucks' current state and necessary organizational adjustments amidst market changes. Key findings suggest that while Starbucks has strengthened brand loyalty and reputation through community engagement and sustainability efforts, areas for improvement exist. The report concludes that Starbucks must enhance strategic flexibility to effectively address intense competition, economic fluctuations, and evolving consumer preferences.

Based on these insights, several recommendations are proposed to enhance Starbucks' market position and competitiveness. These include introducing healthier and locally inspired product lines, optimizing pricing strategies to align with market dynamics, enhancing green marketing initiatives, and improving digital customer experiences. Additionally, improving supply chain management, expanding into emerging markets, investing in employee

training, and deepening community engagement are identified as crucial steps for Starbucks to achieve long-term success.

In summary, this report provides Starbucks with strategic insights and recommendations derived from comprehensive analysis and established frameworks to support sustainable growth and resilience against challenges in the market.

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1. Introduction

Starbucks is a global leader in the coffeehouse industry, known for its high-quality coffee and unique customer experience. Coffee is integral to American culture, and the name “Starbucks” has almost become synonymous with “coffee shop” (Fox Business, 2024). Since its inception in 1971, Starbucks has grown from a single store in Seattle to thousands of locations worldwide, becoming a staple in the daily lives of millions of people. The company is headquartered at Starbucks Center in Seattle, Washington, and as of 2023, operates 38,038 locations across 86 countries (Starbucks Corporation, 2021). This pervasive presence highlights the importance of understanding consumer behavior and the effectiveness of Starbucks’ marketing strategies. Starbucks Corporation has a rich history of innovation and community engagement, which has contributed significantly to its global brand reputation (Starbucks, n.d.). The company’s commitment to quality, sustainability, and social responsibility has helped it build a strong, loyal customer base and differentiate itself from competitors.

This report aims to critically evaluate the changing consumer buying behavior at Starbucks and assess how the company has adapted its marketing strategies in response to these changes. By analyzing various aspects of Starbucks’ marketing efforts, including product development, customer engagement, and sustainability initiatives, that can gain insights into the effectiveness of their strategies and identify areas for further improvement.

2. Concept and Importance of Marketing

2.1 Definition of Marketing

Marketing is the process by which companies create value for customers and build strong customer relationships to capture value from customers in return (Kotler, Armstrong, Harris, and Piercy, 2013). According to Drucker, “Because

the purpose of business is to create and keep customers, it has only two central functions - marketing and innovation. The basic function of marketing is to attract and retain customers at a profit” (Drucker in Fahy & Jobber, 2019). For Starbucks, marketing encompasses not only product development and customer relationship management, but also community engagement and corporate social responsibility initiatives. Starbucks believes that “continuous investments in our brand and operations will deliver long-term targeted revenue and income growth. This includes expansion of our global store base, adding stores in both existing, developed markets such as the U.S. and in higher growth markets such as China” (Starbucks Corporation, 2023).

2.2 Starbucks’ Investment in Marketing and Marketing Strategy

Starbucks’ marketing strategy involves a deep commitment to quality and responsible business practices. As stated by Starbucks, “We make sure everything we do honours that connection – from our commitment to the highest quality coffee in the world, to the way we engage with our customers and communities to do business responsibly” (Starbucks, n.d.). This approach underscores the company’s dedication to fostering strong customer relationships and engaging in ethical business practices, which are crucial elements of its overall marketing strategy. This commitment is demonstrated through significant investments in various areas.

2.2.1 High-Quality Coffee

Starbucks has a strong commitment to high-quality coffee, demonstrated by significant investments in sourcing, production, and quality control processes. This includes establishing long-term relationships with premium coffee bean suppliers and ensuring ethical sourcing practices. Starbucks controls nearly all coffee purchasing, roasting, packaging, and global distribution to maintain high standards (Starbucks Corporation, 2023). This dedication to quality is a key

element of Starbucks' marketing strategy, enhancing customer satisfaction and brand loyalty.

2.2.2 Product Diversification and Customization

Starbucks offers a variety of drinks in five different sizes: short, tall, grande, venti, and trenta, with numerous customization possibilities (Wikipedia, n.d.). This wide range of customization options enables Starbucks to meet diverse customer preferences, thereby enhancing customer satisfaction and promoting repeat business. Moreover, Starbucks consistently innovates its product line, introducing popular beverages like the Vanilla Cream Frappuccino, as well as environmentally friendly options such as reusable cups and plant-based milk alternatives (Naibaho et al., 2023). These strategies not only cater to evolving consumer tastes but also foster a loyal customer base by providing personalization options. Continuous innovation keeps the brand relevant and appealing, while the emphasis on sustainability meets consumer demand for eco-friendly practices, strengthening Starbucks' reputation as a socially responsible brand.

2.2.3 Customer Interaction

The company enhances customer experiences by investing in staff training and engagement platforms. At Starbucks, customers can purchase high-quality, premium products while enjoying personalized in-store experiences, such as having their names written on their cups by friendly staff (Haskova, 2015). These personalized services significantly boost customer satisfaction and loyalty. Additionally, Starbucks increases brand loyalty and visibility through the development and innovation of unique, high-quality merchandise, including seasonal and themed products that attract customers and serve as effective promotional tools (Naibaho et al., 2023). This strategy ensures that customers feel valued and cared for, building a strong emotional connection with the brand. By continuously interacting with customers and

providing personalized experiences, Starbucks maintains a competitive advantage and encourages repeat business.

2.2.4 Community Engagement and Corporate Social Responsibility

Starbucks actively invests in community projects and sustainability initiatives, demonstrating its commitment to responsible business practices. This includes funding sustainable farming, renewable energy, and waste reduction programs, promoting reusable cups, and supporting local social causes. These efforts enhance Starbucks' brand image, foster customer loyalty among socially conscious consumers, and improve operational efficiency. Additionally, these initiatives facilitate smoother market expansion and contribute to sustainable growth and profitability (Starbucks Corporation, 2023).

3. Macro and Micro Market Environment

Many uncontrollable contextual factors impact real-world situations. These factors, which include competitors' actions, economic conditions, and consumer confidence levels, can significantly influence the success of an organization's strategies (Beech and MacIntosh, 2017). Understanding these uncontrollable factors is crucial for developing robust strategies that can withstand external pressures and uncertainties.

3.1 Macro Environment Analysis (PESTEL Analysis)

3.1.1 Political Factors

Politically, Starbucks enhances its brand reputation by adhering to fair trade and the laws of its sourcing countries. This compliance earns Starbucks a favorable business environment and consumer trust worldwide (Azriuddin et al., 2020). As consumers increasingly focus on ethical practices and social responsibility, Starbucks' commitment to fair trade aligns with the shift in

consumer behavior towards more responsible consumption. However, varying political regulations and policies across different countries can complicate operations and increase costs. For example, strict import regulations in certain countries might affect the coffee bean supply chain, leading to higher costs and supply instability.

3.1.2 Economic Factors

Economically, growth and the expanding middle class have significantly boosted Starbucks' sales and profitability in emerging markets (Azriuddin et al., 2020). Economic prosperity allows more consumers to afford premium coffee products, increasing Starbucks' revenue. However, economic downturns or currency devaluations can lead to a decline in consumer purchasing power, affecting their buying behavior. This shift can negatively impact Starbucks' sales as consumers may opt for lower-priced alternatives. To remain competitive during economic fluctuations, Starbucks needs to continually assess and adjust its product pricing and market strategies to meet changing consumer demands and purchasing behaviors. This flexibility and adaptability are crucial for maintaining its market position in volatile economic environments.

3.1.3 Social Factors

Social and Cultural Factors: Starbucks enhances its brand appeal by tailoring products and services to local market trends. In China, for example, it introduced China-specific products and incorporated local elements in store designs to create unique experiences. These strategies cater to evolving consumer behaviors and preferences, demonstrating respect for local culture and helping to build stronger customer relationships. However, cultural differences can lead to products not aligning with local preferences, requiring continuous adjustments. Understanding these dynamics is crucial for

developing targeted marketing strategies that foster customer loyalty and maintain competitiveness in global markets.

3.1.4 Technological Factors

Technologically, Starbucks effectively adapts to evolving consumer behaviors through advanced technology. The application of data analytics and AI enables personalized marketing, enhancing customer loyalty and sales. Rapid technological changes require Starbucks to continually invest to meet the growing demand for convenience and digital experiences. Starbucks' establishment of the China Innovation and Technology Center in Shenzhen accelerates digital innovation, positioning it as a leader in tech-driven consumer engagement and industry upgrades. This strategic focus on technology not only improves customer experience but also drives operational excellence and competitive advantage.

3.1.5 Legal Factors

Starbucks operates in diverse legal environments, requiring adherence to various labor laws, food safety standards, and consumer protection legislation. These legal obligations ensure compliance and consumer rights protection but also introduce significant challenges. Differing legal requirements across countries increase compliance costs and legal risks. For instance, variations in labor laws can complicate employee management and escalate operational costs. Additionally, inconsistent regulations may necessitate frequent adjustments to policies and procedures, impacting efficiency and profitability. Thus, while legal compliance is crucial for safeguarding the brand, it also demands strategic management to mitigate associated risks and costs.

3.1.6 Environmental Factors

In recent years, rising environmental awareness has driven businesses to

integrate environmental principles into their R&D, production, and marketing strategies (Tsai et al., 2020). Consumers increasingly prioritize eco-friendliness and green marketing, pushing companies like Starbucks to adopt sustainable practices and highlight their environmental responsibilities (Chen and Yang, 2019; Dangelico and Vocalelli, 2017). This shift significantly impacts economic factors for companies. While sustainable initiatives enhance brand reputation and build strong loyalty among environmentally conscious consumers, they also entail higher operational costs and substantial R&D investments (Hasan and Ali, 2015). Starbucks' efforts, such as using eco-friendly materials and aiming for carbon neutrality by 2030, exemplify this balance between consumer demand and economic investment. The trend underscores the need for businesses to continuously innovate and invest in green technologies to maintain competitiveness and meet evolving consumer expectations.

3.2 Micro Environment Analysis (SWOT Analysis)

3.2.1 Strengths

Starbucks' primary strength lies in its commitment to customer-centric values and personalized service, a philosophy championed by Howard Schultz: "We are in the people business serving coffee" (Sewer, 2004). This customer-first approach fosters robust relationships and forms the core of Starbucks' marketing strategy, significantly contributing to its global success (Talpau and Boscor, 2011). With operations in 86 markets, Starbucks effectively balances consistent branding with local market adaptation, maintaining competitiveness and operational efficiency in diverse environments (Starbucks Corporation, 2023). This strategic adaptability bolsters its market position and enhances brand influence by meeting varied cultural and economic demands.

3.2.2 Weaknesses

Starbucks' focus on premium quality leads to high operational expenses, driven by investments in superior ingredients, outstanding customer service, and aesthetically pleasing stores. These costs, while crucial for maintaining brand prestige, can strain profitability during economic downturns. Furthermore, consumer behavior shifts towards cost-consciousness in such periods can exacerbate this impact. Additionally, Starbucks' heavy dependence on the North American market exposes it to regional economic instabilities and changing consumer spending patterns, highlighting the necessity for geographic diversification to mitigate risks and achieve stable growth (AIMP, 2020).

3.2.3 Opportunities

Starbucks has significant potential to grow in emerging markets by leveraging its brand and adapting to local preferences, which aligns with the growing middle-class populations in countries like India and Brazil (Carrizo et al., 2021). The global trend towards health and wellness also presents opportunities for Starbucks to diversify its product lines with healthier options, catering to changing consumer preferences. A key focus is China, where Starbucks is aggressively expanding, opening over one store per day and creating nearly 10,000 jobs annually (Chuang, 2019). This strategy targets the rising middle class and local tastes, demonstrating adaptability to consumer behavior changes.

3.2.4 Threats

Starbucks faces significant challenges in the competitive coffeehouse industry due to intense competition from global and local coffee chains. Fluctuations in commodity prices, particularly coffee beans, impact its cost structure and profitability. Moreover, economic uncertainties and shifting consumer

preferences towards alternative beverages and sustainable practices add operational risks, necessitating strategic adaptability to maintain market position and meet evolving consumer demands.

4. Change Management Strategy of Starbucks

4.1 Lewin's Change Management Model

4.1.1 Unfreeze Stage

Starbucks initiated significant changes by recognizing the necessity for transformation in key areas:

(1) Digital Transformation: The advent of digital technology has significantly transformed human lives and added new dimensions to our consumption behaviors (Dey, Yen, and Samuel, 2020). Recognizing the shift towards a more digital consumer base, Starbucks began investing heavily in digital technologies. This involved acknowledging the limitations of traditional in-store experiences and the need for enhanced digital engagement. This proactive approach aimed to align with consumer preferences and improve customer experience through digital engagement, ultimately enhancing customer satisfaction and loyalty.

(2) Supply Chain Optimization: Climate change is profoundly impacting agricultural production globally, with coffee being one of the most affected crops (Bozzola et al., 2021). To ensure the industry's survival and improve efficiency and sustainability, Starbucks identified the need to revamp its supply chain. This included compliance with updated supply chain legislation and certification processes, addressing environmental impacts like climate change and coffee price volatility (Bianco, 2020). These measures aimed to secure a stable and ethical supply chain, thereby reducing risks and promoting sustainability.

(3) Cultural and Diversity Initiatives: Recognizing the importance of a diverse

and inclusive workforce, Starbucks initiated changes to foster a more inclusive culture. This included addressing wage disparities and ensuring equitable distribution of resources within the company. By promoting diversity and inclusion, Starbucks aimed to enhance employee satisfaction, improve the company's reputation, and ensure long-term organizational health.

4.1.2 Change Stage

Starbucks implemented the necessary changes through:

(1) Digital Transformation: Starbucks launched a comprehensive digital strategy, including the development of a mobile app, integration of artificial intelligence for personalized marketing, and adoption of digital payment systems (Lombardi, Chidiac, and Record, 2021). These changes were aimed at improving customer engagement and operational efficiency by leveraging advanced technologies, resulting in a seamless and personalized customer experience.

(2) Supply Chain Optimization: Using the CSV framework and understanding global adaptation challenges, Starbucks introduced blockchain technology to enhance transparency in its coffee supply chain. This allowed customers to trace their coffee's journey from farm to cup, promoting ethical sourcing and sustainability (Bianco, 2020). This step was significant in building consumer trust, ensuring compliance with ethical standards, and promoting long-term sustainability.

(3) Cultural and Diversity Initiatives: The training programs and diversity hiring practices were embedded into Starbucks' corporate culture, ensuring ongoing commitment to fair wages and equitable resource distribution. This strategy aimed to create a supportive work environment and uphold corporate social responsibility, thereby enhancing employee morale and attracting a diverse talent pool.

4.1.3 Refreeze Stage

When learning something new, we focus on it and become very conscious of our performance. (Cameron and Green, 2019) However, maintaining this focus can be challenging, and real transformation takes time (Kotter, 2009). Starbucks solidified these changes by embedding them into its culture and operations:

(1) Digital Transformation: The digital initiatives, such as the mobile app and digital payment options, have become integral to Starbucks' operations, becoming standard offerings in all stores. This ensures consistent customer experience and operational efficiency across locations, contributing to sustained customer loyalty and competitive advantage.

(2) Supply Chain Optimization: The use of blockchain for supply chain transparency is now a permanent feature of Starbucks' operations, reinforcing its commitment to ethical sourcing and compliance with new legislation. This permanency ensures long-term sustainability and ethical practices within the supply chain, thereby enhancing the company's reputation and customer trust.

(3) Cultural and Diversity Initiatives: The training programs and diversity hiring practices are now embedded in Starbucks' corporate culture, ensuring ongoing commitment to fair wages and equitable resource distribution. This helps maintain a positive work environment and corporate image, promoting long-term organizational stability and growth.

5. Market Segmentation, Targeting, and Positioning (STP)

5.1 Market Segmentation of Starbucks

Starbucks effectively uses market segmentation to divide its market into

distinct groups based on needs, characteristics, or behaviors that require separate marketing strategies, as defined by Kotler and Armstrong (2006). The company segments its market into four main variables: demographic, geographic, behavioral, and psychographic. This approach enables Starbucks to tailor its products and services to meet specific needs, effectively targeting a diverse customer base.

5.2 Targeting of Starbucks

Coffee's universal appeal as a daily staple in social settings is central to Starbucks' strategy for attracting a broad customer base (Samper and Quiñones-Ruiz, 2017). This allows Starbucks to target middle to high-income consumers, including professionals, students, and business people aged 22 to 60 who value quality and are willing to pay for premium experiences. Geographically, Starbucks operates in diverse regions like Latin America, the US, Europe, and Asia, adapting to local tastes. Psychographic targeting addresses various lifestyles, while behavioral targeting focuses on customer loyalty and consumption patterns. This strategic approach leverages coffee's broad appeal to maximize reach, aligning premium offerings with less price-sensitive demographics, and enhancing customer satisfaction and brand loyalty through tailored marketing. This strengthens Starbucks' competitive position and drives long-term growth.

5.3 Positioning of Starbucks

Starbucks positions itself as a premium brand that offers more than just coffee. The company's customer-centric positioning strategy emphasizes excellent customer service, a comfortable store ambiance, and a strong commitment to social and environmental responsibility. Starbucks enhances customer experiences with amenities like free Wi-Fi, comfortable seating, and drive-thru services. The company also adopts sustainable practices, such as

LEED-certified buildings and using recycled materials, highlighting its dedication to environmental protection (The Light Leeds, 2024). Additionally, Starbucks ensures ethical sourcing and supply chain transparency through certifications and compliance with new supply chain legislation, enhancing its premium and responsible brand image. This positioning differentiates Starbucks from competitors, resonating with its target market and enhancing brand loyalty and customer satisfaction.

6. Media Selection and Effectiveness

Starbucks effectively uses social media platforms such as Instagram, Twitter, Facebook, LinkedIn, TikTok, and YouTube to engage with customers and promote its brand. This strategy enables the company to reach a broad audience, create a sense of community, and gather feedback to enhance its offerings:

Firstly, Starbucks engages customers through various content forms such as photos, videos, polls, and contests, particularly leveraging short videos on TikTok and Instagram Reels to capture younger audiences' attention (Ch. Yin Sam and Cai, 2015). This strategy enhances engagement and fosters a sense of community. Secondly, consistent brand messaging across platforms helps establish a strong brand identity and foster customer loyalty. Starbucks targets middle to high-income consumers aged 18-49 on Facebook and Instagram, as 79% of this demographic uses Facebook and 67% of younger users prefer Instagram (Duncza, 2021). Additionally, collaborations with influencers on Instagram, TikTok, and Weibo enhance visibility and engagement, utilizing influencers' large follower bases to boost product awareness and sales (Cao, 2022). By monitoring social media and responding to customer feedback, Starbucks demonstrates its commitment to customer satisfaction, maintaining a positive brand image and loyalty. Lastly, localized campaigns like the Cat

Paw Cup in China integrate cultural trends to engage consumers and create buzz, highlighting the importance of adapting to local consumer behaviors. While Starbucks' social media strategy has notable strengths, managing multiple platforms and creating diverse content require significant resources and continuous investment to keep up with rapidly changing trends. Moreover, the rapid dissemination capability of social media poses threats, as negative feedback or controversies can quickly amplify, potentially harming the brand. Additionally, intense competition on social media adds to the challenges (Ch. Yin Sam and Cai, 2015; Duncza, 2021; Cao, 2022).

7. Case Analysis and Measuring Success

7.1 Success Case of Starbucks Cat Paw Cup

Starbucks' Cat Paw Cup campaign in China is a prime example of leveraging cultural trends and social media to drive consumer engagement. Launched in February 2019, the Cat Paw Cup became a viral sensation, resulting in long queues and high demand. The success was driven by tapping into China's growing pet culture, especially the affection for cats, as noted in the 2018 China Pet Industry Report. Limited availability and a pre-order system further heightened the product's appeal and urgency, making it a hot topic on social networks.

7.2 Measuring Success

Starbucks successfully drives business growth and customer satisfaction through several key measures. Firstly, the Cat Paw Cup campaign and membership card strategy significantly boosted sales by creating urgency and offering discounts to encourage repeat purchases. The membership card program offers various benefits such as discounts and rewards, fostering customer loyalty and building a strong customer base. Secondly, effective

management of in-store and outdoor queues enhances the customer experience by reducing wait times, which is crucial in high-traffic locations. Thirdly, cultural promotions through products and marketing campaigns connect Starbucks with local communities, increasing customer satisfaction by respecting and integrating local cultures. Additionally, these activities greatly increased brand awareness, attracting both new and returning customers. Furthermore, data analysis and market research tools optimized service efficiency and marketing strategies, ensuring Starbucks' sustained success and market leadership.

7.3 Broader Success Factors of Starbuck

Starbucks' global success can be attributed to multiple key strategies. Firstly, localization allows Starbucks to cater to local tastes and preferences, such as introducing tea beverages in different markets, making the brand more relatable to local consumers. Secondly, positioning itself as a high-end brand offering high-quality products and a comfortable environment enhances brand appeal and customer satisfaction. Additionally, digital engagement is a crucial factor, with investments in mobile apps and digital payment systems improving customer convenience and engagement. Moreover, promoting local cultural events and traditions through its products and marketing campaigns helps Starbucks build strong community connections and strengthen brand loyalty. These strategies collectively enable Starbucks to attract and retain customers, ensuring continuous growth and market dominance.

8. Conclusions and Recommendations

8.1 Conclusions

In conclusion, this report provides a critical analysis of Starbucks' marketing strategy, examining how it addresses market dynamics and shifts in consumer

behavior from various perspectives.

Starbucks has built global leadership in the coffee industry by prioritizing customer-centric values, continuous product innovation, and robust digital transformation. Its active community engagement and commitment to sustainability have further bolstered brand loyalty and reputation. However, vulnerabilities such as high-cost operations stemming from an emphasis on high quality and overreliance on the North American market expose weaknesses. To navigate these challenges, Starbucks must maintain flexibility in strategic planning to effectively confront intense competition, economic fluctuations impacting consumer spending, and evolving consumer preferences.

To sustain growth and enhance competitiveness, Starbucks should explore opportunities like introducing healthier and locally tailored product lines, refining pricing strategies to better align with market dynamics, intensifying efforts in green marketing, and enriching digital customer experiences. Strengthening its market position can be achieved through localized expansion strategies and enhancements in supply chain management. Furthermore, investing in employee training and deepening community engagement will be pivotal for ensuring long-term success.

8.2 Improvement Suggestion

(1) Diversification of Product Line

Starbucks should expand its product line to include more health-conscious and locally inspired options to attract a broader customer base amid global trends towards healthier lifestyles.

(2) Optimization of Pricing Strategy

Implementing a dynamic pricing strategy based on market conditions and

consumer demand will optimize revenue and maintain competitive advantage.

(3) Strengthening Green Marketing and Sustainability

Enhancing green marketing initiatives to promote eco-friendly products will boost brand image and appeal to environmentally conscious consumers.

(4) Enhancing Digital Experience

Continuously innovating the digital experience through improved mobile apps and personalized marketing will enhance customer satisfaction and retention.

(5) Increasing Customer Interaction and Community Engagement

Foster deeper community ties through localized marketing and interactive customer engagement platforms to enhance brand loyalty and support local market growth.

(6) Expanding Market Share

Pursue aggressive expansion in emerging markets by adapting products to local tastes and preferences, particularly in Asia and Latin America, to capture new customer segments.

(7) Improving Supply Chain Management

Enhance supply chain transparency and efficiency using advanced technologies like blockchain to ensure product quality and promote sustainability.

(8) Employee Training and Benefits

Invest in comprehensive employee training programs and competitive benefits to attract and retain top talent, thereby enhancing service quality and employee satisfaction and loyalty.

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