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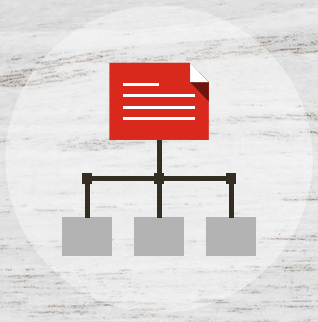

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FOREWORD

Across the globe, e-commerce is maintaining impressive growth, with sales expected to reach $2.05 trillion in 2016.

Online retail brands are expanding into new markets and they are bringing their affiliate programmes with them. For many e-commerce companies, affiliate marketing is a major revenue driver and merchants anticipate that it will play an integral role in their global e-commerce expansion.

Managed properly, the affiliate channel can be one of the highest ROI digital channels around. Technology has made it easier than ever to operate a global e-commerce business and the same is true of global affiliate programmes. However, many merchants with strong affiliate programmes in their native countries have encountered challenges as they move abroad. They've been faced with network and agency differences, difficulties in establishing brand awareness, varying compliance standards, not to mention issues with recruiting and managing local affiliates.

For those experiencing such problems, It's important to set realistic expectations and to remember that adjusting to a new market can mean new challenges. All of these pitfalls can be overcome by asking the right questions and finding partners that can leverage country-specific resources in order to work out what's best for your programme and brand goals. When you can pick and choose best-in-class partners in each region, you have a much better chance of succeeding. I implore anyone expanding into a new market to explore all of your options before making a decision and be sure to ask a lot of questions.

A big thank you to everyone who attended our roundtable and provided insight on the challenges of managing a global affiliate programme – we hope you enjoy the supplement.

Robert Glazer, Founder and CEO, Acceleration Partners

Contents

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Where in the World to Start

In recent years, the e-commerce powerhouses of the world have made it easy for advertisers to decide where their attention is best positioned. In Europe, for example, stats from RetailMeNot had Germany, the UK and France accounting for 67% of the continent's online spend in 2015.

Yet, as the world as a whole grows accustomed to selling via the web, emerging markets are starting to work their way into the spotlight. Whether it's Nigeria's tendency for mobile buying or China's need for luxury items, opportunities are cropping up all over the globe, forcing brands to consider where they really should be heading...

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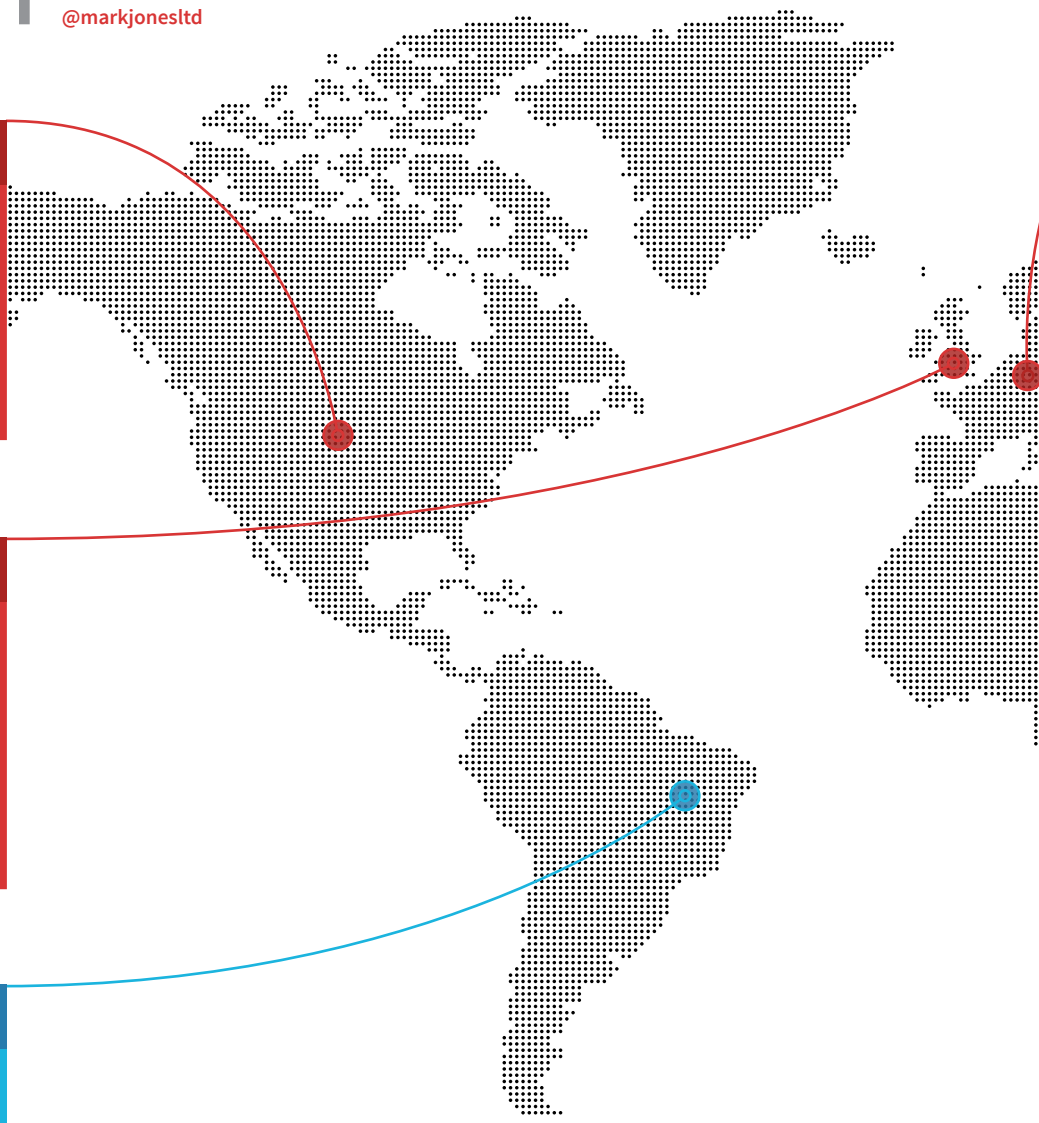

MATURE

US

Spend: $356 billion in 2015
Growth: 13.8% (2014–2015)
Lowdown: The US may be losing out to China in the e-commerce sales stakes, but what does first place count for when you're reeling in hundreds of billions a year? The big caveat for affiliate programme managers is the Nexus tax, which applies in certain states.

MATURE

UK

Spend: $76 billion in 2015
Growth: 16.2% (2014–2015)
Lowdown: In 2014, nearly a quarter of Brits (23%) had bought from retailers in other European nations that year – up from just 12% in 2008. Comparatively, the European average for buying cross-border is 10%, which says it all about Britain's love for an overseas deal.

EMERGING

Brazil

Spend: $20 billion in 2015
Growth: 17.3% between 2015-2015
Lowdown: This country's population makes up over a third of LATAM's total – and at 30.3 hours a month, its inhabitants spend the most time online globally. Increasing mobile adoption is fanning the country's already rapid growth – nearly nine million internet users are mobile-device exclusive – and affiliate marketers should note that online pricing and promotional strategies are highly popular in this market.

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MATURE

Germany

Spend: $65 billion in 2015
Growth: 23.1% (2014 – 2015)
Lowdown: Germany trails only to the UK in Europe's online selling league, although both of these markets are likely to see their dominance tested by the emergence of Southern European nations like Spain and Italy. Still, with 77% of Germans making "several" online purchases in 2015 – above China's paltry 25% – it's a nation clued up on the benefits of e-shopping.

MATURE

Sweden

Spend: $6 billion in 2015
Growth: 15.5% (2014-2015)
Lowdown: It's the eighth richest country in the world per capita, and 94% of its 9.6 million-strong population are internet users. It's also Europe's slowest growing e-commerce market, but that's because it's the most mature. Swedes spent an equivalent of £3.2 billion on online purchases in 2013, with the most popular items including consumer electronics, clothing, footwear and home furniture.

EMERGING

Romania

Spend: $1.2 billion in 2014
Growth: 82% (2013–2014)
Lowdown: Perhaps the underdog on this map, Romania has the second highest percentage of people that have never used the internet. However, the majority of its 19.7 million citizens connect at least once a week – hot on the tail of Portugal, Italy and Greece. While it's been slower to emerge than its European neighbours, a near double increase in e-commerce sales between 2013-2014 shows it's growing – one to keep an eye on.

EMERGING

Russia

Spend: $32 billion in 2015
Growth: 100% between 2008 – 2013
Lowdown: Roughly 31 million Russians shopped online in 2014. This hit 40 million in 2015 as the nation continued to live up to its billing as a late-bloomer-turned-fast-grower. Retailers should note that only 0.6% of the population were shopping via mobile device in 2014, hinting there is a long way to go in this regard.

EMERGING

China

Spend: $672 billion in 2015
Growth: 42.1% compared to 2014
Lowdown: 'Emerging' is a generous tag for the biggest online shopping market in the world, but with one of the fastest growth rates around, there are signs that China is yet to flex its financial muscle. High levels of disposable income and a demand for branded goods translates to a good opportunity for luxury retailers, with UK and US designers proving popular.

EMERGING

India

Spend: $38 billion by 2016
Growth: 67% compared to 2015
Lowdown: "Significant upward movement" due to aggressive discounting is set to propel India into the e-commerce mainstream this year. Mobile shopping is on the up and is pencilled to account for 70% of revenues in the 12 months ahead. Apparel is the leading product category, purchased by 69.5% of shoppers in 2015, followed by electronic items and beauty products on 62% and 52% respectively.

EMERGING

Indonesia

Spend: $3.6 billion in 2015
Growth: 17.3% (2014–2015)
Lowdown: Indonesia has one of the highest populations of internet users in the world – more than Spain and Italy combined – while its number of online shoppers increased 2.8 million in 2015. Although e-commerce suffers in Southeast Asia as a result of widespread fraud, AT Kearney suggests it could grow by up to 25% year on year, and could accelerate twice as fast as growth in the mature markets, swiftly narrowing the divide.

MATURE

Australia

Spend: $11 billion in 2015
Growth: 14.5% (2014-2015)
Lowdown: With a surface area the size of India and a population smaller than Texas, Australia is atypical, but not to be overlooked. In 2015 it ranked tenth for e-commerce worldwide by AT Kearney, with 63% of its citizens 'happy' to shop internationally. Australians are also a highly connected bunch, with an average of 3.1 devices per person and huge opportunities for social commerce.

Laying the FOUNDATIONS for Affiliate Expansion

While it seems logical, simple even, for an advertiser reaping success in its home market to begin buccaneering overseas in a bid to further its reach and audience, international expansion is anything but straightforward.

That said, the inherent architecture of affiliate marketing, one that revolves around relationships and local knowledge, can put the advertiser in better stead than some counterparts when they arrive at the decision to expand into new territories.

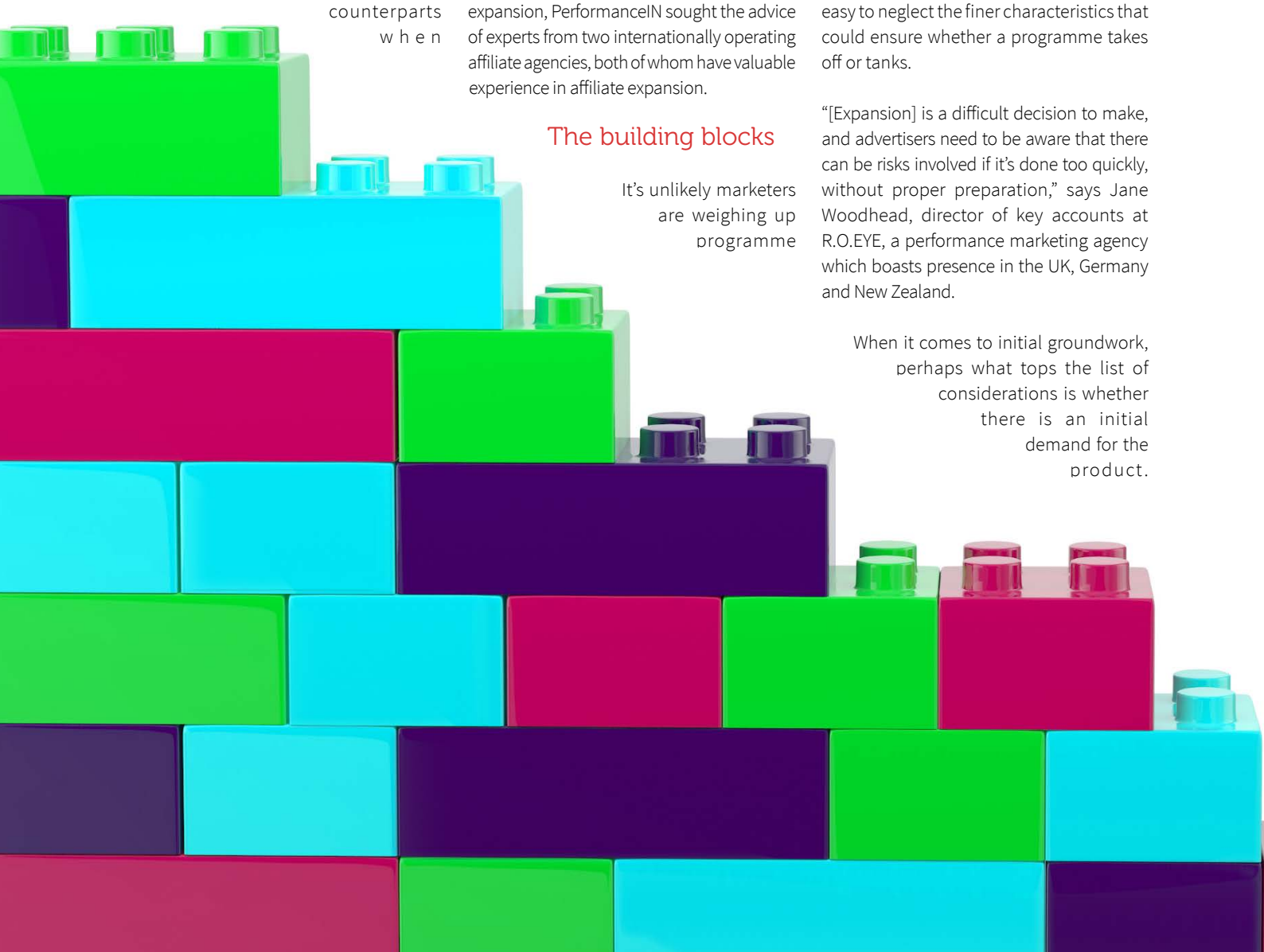
In order to get a grip on how affiliate marketers can make their first steps towards global expansion, PerformanceIN sought the advice of experts from two internationally operating affiliate agencies, both of whom have valuable experience in affiliate expansion.

The building blocks

It's unlikely marketers are weighing up programme expansion overseas unless they're seeing some level of success within their home market. But complacency is an error; fruitful results at home are not to be interpreted as a quick-win elsewhere, and it's remarkably easy to neglect the finer characteristics that could ensure whether a programme takes off or tanks.

"[Expansion] is a difficult decision to make, and advertisers need to be aware that there can be risks involved if it's done too quickly, without proper preparation," says Jane Woodhead, director of key accounts at R.O.EYE, a performance marketing agency which boasts presence in the UK, Germany and New Zealand.

When it comes to initial groundwork, perhaps what tops the list of considerations is whether there is an initial demand for the product.



If there's no apparent opportunity from the get-go, it's unlikely to be a worthy endeavour.

On top of that, if the product lacks local brand recognition, marketers should be prepared for a slow start, and it may be a push to get certain publishers signed up. However, an affiliate marketing programme can help in the long term, so long as it gains support from a larger strategy and is used alongside other digital channels.

If a demand has been identified and marketers are ready to put the time in, next considerations range from the cultural and logistical to the legal, as each individual country will be mired in its own set of intricacies.

Companies that fail to address cultural differences in detail beforehand will inevitably face stumbling blocks in consumer adoption, but they will also have a hard time winning over local publishers. One way this can be overcome is by ensuring a member of the team is familiar with local customs and best practice.

Additionally, there is often a gulf divide in laws and regulations between markets; Woodhead argues that global expansion is never a 'one-size-fits-all' strategy, citing a case in point.

"The UK, for example, is heavily regulated in comparison to other markets. The IAB wrote and published the Voucher Code of Conduct in 2013 as a way of developing the success of the voucher code space, which ultimately led to increased confidence from the customer and the advertiser."

On the other hand, European marketers moving into the US may be struck by the country's state-specific tax laws, and a vastly different regulatory environment.

Partnering up

Without the right levels of resource and experience, managing an overseas affiliate programme in-house can be, unsurprisingly, fraught with pitfalls. One of the more common of these is when marketers don't spend time choosing partnerships wisely, says Robert Glazer, CEO of US-based affiliate agency Acceleration Partners.

"It's essential to understand no single network or platform is a global leader in every market. Salespeople often tell you what you want to hear and many companies have turned over management of their global affiliate presence either to a single network or agency, only to later realise their considerable limitations outside of the primary market."

> "Ensure a member of the team is familiar with local customs and best practice.

The same goes for agencies; no single agency has a market-leading affiliate practice in more than one region, and while many can boast a global footprint, programmes are regularly staffed by specialists in other channels, resulting in implementation that lacks quality and proactivity.

Glazer also points out that the technologies a programme uses will carry advantages or disadvantages within certain markets, citing the US and Europe again as examples.

"European networks typically include programme management services along with their technology platform services with the objective of helping the merchant grow their programme and increase the overall fee level."

Large European agencies will also tend to have well-developed and established affiliate management practices, adds Glazer, while full-service networks in the US and Canada will often charge additional fees for programme management services. Large marketing agencies in the US may not even have an affiliate practice.

The final piece of the partnership puzzle concerns the people that help the channel tick: the publishers. Once an advertiser has identified what their options are and have built out a profile for each affiliate. Glazer recommends sorting them into one of three tiered categories.

"It is wise to start with top-tier publishers as this is where the likely volume is, moving down through to the mid-tier and long tail."

However, Glazer urges that just because a publisher is prolific in one market, it does not necessarily mean that they'll be as 'big' elsewhere.

"Speak with your publishers if you are not sure whether they are active in foreign markets as you may also find out that they also have expansion in their pipeline," Glazer adds.

If that list becomes exhausted, it may be time for some hard publisher recruitment, with tools such as comScore or SimilarWeb coming in use for unfamiliar markets, while getting on the ground at industry events in a specific area could be the most effective, up-front approach.

Once an advertiser has found those partners, it's a case of optimising them through testing and learning, while keeping their relationships watertight.

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Navigating Nuances: How to Expand with Care

Ask any affiliate marketing specialist or advertiser about global expansion and seldom will they fail to work in two crucial words: be careful.

Anyone with an ounce of knowledge about expanding out of a home territory should recognise some of the disclaimers that come with doing so. Nevertheless, it's only in hearing about what could potentially go wrong that this message becomes all the more important.

Every market has its nuances which can work for and against the advertiser planning on selling there. As well as the usual pointers on tax and legislation for retailers in foreign markets, cultural and behavioural differences come into play – again, working very much for certain retailers, and very much against others.

The right fit

While at least some of the points brought up when considering whether a market is right for a retailer will be a matter of opinion, a segment of these will be a little more cut and dry. Take the difficulties experienced by US companies in China, for example, where deeply ingrained market characteristics work against some advertisers.

"US companies require payment using a credit card, which is a standard in the West," outlines Robert Glazer, founder and CEO of affiliate agency Acceleration Partners.

"However, the local Chinese competitors understand that many Chinese do not like to use credit cards online – either because they don't have one or they have security concerns and pay cash on delivery."

Plenty of product-related mismatches also exist in the current market. A luxury retailer will encounter obvious struggles in trying to sell to nations with low average basket values, while markets like Russia are tricky for 'experiential brands', who attempt to sell to an audience that views the internet as a way of gaining information, rather than products.

It's not all bad news, though. Often there is a need for consumers to be greeted with attractive pricing when deciding to take a gamble with a foreign brand they don't know. In some cases this is actually quite easy, due to a perfect match of market conditions. Kevin Edwards, global client strategy director at Affiliate Window, has seen plenty of good pairings from the activity of retailers on his network.

"The Nordics is an interesting one as we associate goods and services in this region as being expensive. If a UK retailer can offer an extensive product range that is also hard to source locally at low prices, with free or very cheap delivery, this can be revelatory.

"Another favourite example is the UK cycling industry, which has carved out a market-leading range of retail specialists. To countries like Japan and Australia where these products can be expensive, those that offer compelling delivery options have made huge strides."

Across the borders

Where affiliate managers are concerned, very specific barriers greet them as well – as outlined by Ollie Jones, VP sales & partnerships at retargeting specialist Yieldify.

"Difficulties crop up in almost every market for affiliate managers, which need to be negotiated with care," Jones states.

"Restrictions on data security and user privacy within mainland Europe are becoming increasingly strict and you don't want to find yourself on the wrong side of a fine. If your programme is centred around lead generation, you need to be sure that you are gathering the data using legal methods."

From Edwards' perspective, there is a lot to be said about the nuances experienced by affiliate programme managers – especially for UK professionals attempting to take a programme into the US, where far fewer legislative barriers are in force.

"Toolbars and downloadable software are commonplace and there are no universal standards about how voucher codes should be represented on site. This presents obvious challenges to a UK market that has created a set of standards that do not translate across borders."

Edwards highlights that affiliate agencies typically play a greater role in the US: carrying out several tasks that, to a UK affiliate manager, would usually come under the network's remit.

Payment models deserve a similar level of scrutiny, as while some advertisers will prefer to go safely about their business with a CPA metric, publishers in the foreign market may prefer terms that don't require them to drive sales.

For the nitty gritty, Glazer's words about communicating with people in the countries he's examined reaffirm points about treading carefully.

"Translating core marketing messages into the local language and targeting the right inventory may seem simple but you could run into challenges if your concept doesn't translate well... In Japan for example, affiliates and customers respond better to banner ads instead of text links. It's important to know your market well prior to diving in."

> Every market has its nuances which can work for and against the advertiser.

The advertiser's view

The advertiser-to-advertiser to advertiser runs along similar lines to the guidance handed by those who have seen brands rise and fall in foreign markets.

From the opinion of Katie Mulvaney, global affiliate and online partnerships specialist at fashion brand REISS, it pays to be careful even after the decision to launch in a country.

"Opening up shipping to foreign markets is a good place to start to assess demand. If the demand is strong, I believe it's important for advertisers to invest in localised websites to service these markets.

"The advertiser must educate themselves about consumer buying behaviour and culture, and when it comes to affiliate marketing, the advertisers must also educate themselves about publishers, payment models, and networks, to identify if affiliate marketing will work for their business."

There is a hoard of reasons why expansion is one of the most natural steps for a business that has already taken off on home soil. And while research should in no way represent a pitfall, there is a necessity to take heed of advice such as the above.

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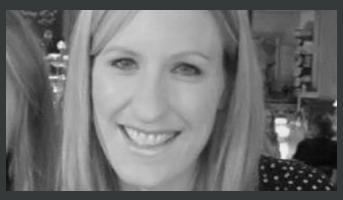

Jane Woodhead
Director, Key Accounts
R.O.EYE

Matthew Wool
General Manager
Acceleration Partners

Kevin Edwards
Global Client Strategy Director
Affiliate Window

Client FAQs: They Asked, We Delivered

While launching an affiliate programme in a new market requires a forensic level of research, negotiations with a crowd of partners and enough manpower to make things work, the journey often starts with a batch of run-of-the-mill answers to some frequently asked questions.

It's understandable that advertisers need to take on board the words of experienced pros before they plunge into such a big decision. Even if affiliate marketing is cost-effective by nature, the initial hit from dedicating resources to launching in a new market is evident, and needs justification at the earliest opportunity.

To help cultivate the ground for others to tread, we asked our advertisers what they wanted to know, gathered the experts that were in the best place to offer advice, and here are the results.

Do I need to boast physical presence in a new market to launch my affiliate programme there?

Jane Woodhead, R.O.EYE: It's my belief that an affiliate programme can effectively be managed without the company having a physical presence in that market. For example, if a UK team are expanding into other markets globally then they can do this using their UK office as a base.

There are of course some practical considerations that enter the equation, including time zones and language requirements. Setting up calls with transatlantic publishers will be more difficult for UK teams due to the time difference, while the recruitment of publishers in non-English speaking countries will be extremely challenging if no one in the team speaks another language.

What is the likely timescale for launching my existing affiliate programme into a new market?

Matthew Wool, Acceleration Partners: It usually takes online retailers longer than they expect to get established in a new market. You can avoid delays by spending a significant amount of time up front analysing local spending habits, how much effort will be required to market your products or services, compliance and regulatory requirements, and which affiliate partners will have the most impact.

In our experience it usually takes at least six months to have a programme fully operational in a new region.

How should I go about aligning goals for my programme before it goes live?

Matthew Wool, Acceleration Partners: If managed properly, affiliate marketing can bring in up to 5-15% of online revenue. Most pitfalls can be avoided if your affiliate programme is developed with an effective marketing strategy from the outset.

Ask yourself, is your goal to drive incremental sales, increase overall revenue or work with long-tail affiliates to attract a niche audience? Each of these objectives requires a different approach. Merchants looking for incremental sales would focus on gaining new customers so their strategy would involve working with new and innovative publishers as well as content bloggers. If the goal is to drive an increase in overall revenue, then the merchant would focus on reach and the strategy would centre on working with coupon and loyalty affiliates.

If a new market is a similar size to the one we're active in now, will we see similar results?

Kevin Edwards, Affiliate Window: Not necessarily. For instance, the UK affiliate market proportionally dwarfs many other European countries and the availability of local affiliates will vary according to the territory.

It's important to make a distinction between local market specialist affiliates and those with a global reach. The latter may offer the opportunity to scale quickly.

The affiliate mix can also be significantly different. For example, the level of voucher and cashback proliferation in some territories is different but also adheres to different standards. Whilst the UK has a semblance of standards around these affiliate types (albeit patchily implemented), others don't, so trying to implement global compliance standards may present a challenge.

I want to launch in the US but Canada also seems appealing. Do I need two separate programmes?

Jane Woodhead, R.O.EYE: It is easy to think that because those markets are close to each other geographically they would be similar, but this is a risky pre-conception. A good example of the differences can be found with laws between each country, particularly in regards to the online gambling industry. The US has a complicated legal structure when it comes to online gambling programmes as laws vary between states.

Matthew Wool, Acceleration Partners: Plenty of merchants choose to manage Canadian affiliates through their US programme. For merchants that do want a separate Canadian programme – relevant primarily for those who have a large demand in Canada or a separate Canadian shopping cart – options do exist. All of the major networks and SaaS platforms allow for separate Canadian programmes. However, unless there is a compelling business reason to deal with separate networks, it may be best for companies just starting with affiliate or coming to the US and Canada from elsewhere to cover both countries with a single programme.

We've spent years building a content-focused programme, with little use of incentives, inside our home market. What are my chances of replicating this strategy in another country and language?

Jane Woodhead, R.O.EYE: Thorough market research needs to be conducted for that market and programme before any strategy can be replicated or devised. Speaking very generally, UK consumers are used to buying financial services products online, and therefore have confidence in buying these products even from an advertiser with low brand awareness. In a market where consumer behaviour does not mirror this, that confidence will not be there. Therefore that market will find that incentive sites are necessary in moving a customer from consideration to purchase.

Kevin Edwards, Affiliate Window: There's no easy answer to this one. Often people look for the shortcuts and automation within the affiliate channel and the fact is that much of the channel depends on people expending their energies into building long-term, sustainable relationships.

For advertisers well-known in the UK but with little brand awareness in their new target markets, a content strategy may actually be a sensible approach if the product they offer has a distinct USP. Some of the major successes we've seen with UK programmes expanding overseas have been as a result of a focus not on their brand but their strengths in product range, price and delivery options.

Can Affiliate Rev the Engine for a New Market Launch?

A way from marketing circles, when listing the retailer's basic tools for international expansion, it's not often that an affiliate programme rears its head in amongst the recommendations on research, experts, logistics and other such necessities. Yet, if that same retailer was told of an acquisition method that would only cost money if they made a sale, they'd surely be eager to investigate.

Quantity and quality

Getting an affiliate programme running in a foreign territory may not bear the same importance as long-term financial wins like negotiating favourable rates on shipping, or getting hold of an experienced market expert to help get things off the ground. However, there is an undeniable logic that makes affiliate marketing compelling as a launch medium, and it's not all down to cost.

Should the advertiser steer down the network route, at the forefront of affiliate marketing's 'case for inclusion' is its ability to connect to a high volume of incredibly useful partners at a rapid pace.

Engaging in affiliate activity means engaging with the people that make it tick: in this sense, the publishers who have been actively selling to, communicating and engaging with the retailer's target audience, meaning there are few better people to be consulting with.

Through working with an affiliate network, connecting up to thousands of these groups is simple, and the selling can start right away.

"The sheer speed at which the affiliate channel can be mobilised, across 100s or 1000s of websites, is unprecedented," comments James Maley, enterprise account director at global retargeting group Yieldify, alluding to the benefits in building scale.

But it's not only the volume of experts that comes with launching a programme in an uncharted area – it's the quality that comes with it.

"A new affiliate programme can call upon local publishers, who own digital assets embedded in the market. Other channels usually rely on an agency that cannot be an expert in every market, so as long as brand guidelines are enforced, the affiliate programme provides a very cost-effective approach to getting started."

With the in-market expertise comes the profile, as connecting to multiple affiliates acts as a steady builder of awareness. It's a technique picked up on by Matthew Wool, general manager at affiliate expansion specialist Acceleration Partners.

"Affiliate programmes are effective for creating brand awareness and gaining incremental new customers," he states. "It can help expand your presence in a new market through affiliates that already have their own websites, audiences and followers."

There is also a lot to be said for the types of people that affiliates engage with. They vie for attention in a highly competitive space; an environment where publishers simply cannot afford to produce editorial, serve offers or deliver a service which isn't in line with their target audience. If they're good at any one of those, they will introduce that specific audience to the advertisers on their sites.

"Consumers who click on a link to your website are likely to be very targeted," Wool adds, "and with a lot of people writing about your products, your brand will have more recognition."

Ready to launch?

Using their competing affiliate partners as a gauge, an advertiser can expand whilst benchmarking themselves against those around them. At the other end of the scale, this can even teach them a thing or two about how not to position themselves. Yet, even with everything seeming to add up, there is a surcharge for companies that wish to expand and truly launch their affiliate activity at the same time.

"Affiliate marketing can be more cost effective than other digital channels, but the cost of expanding into a new market will vary by company," Wool highlights.

"If you have an existing affiliate programme in your home market and high brand recognition in the new market, your costs may be low. By contrast, if you do not currently have an affiliate programme in your native country and have low brand recognition, it will be more expensive as it will require a bigger investment to get your affiliate programme off the ground."

That soon becomes an important caveat for companies looking to test the waters in a new nation. It's a point which reverts back to affiliate's omission on the retailer's 'essential' toolkit – the lack of a steady foundation and knowledge of the channel forcing it out as a 'nice-to-have' method of customer acquisition, over a cost-effective way of getting things moving.

Whether or not the short-term cost outweighs the eventual gain is a decision only the retailer can make.

The bigger picture

In PerformanceIN's roundtable discussion with Acceleration Partners, it was clear to see the passion towards why affiliate marketing deserves a stage in the route to expansion. Whether it's the luxury of paying only for sales in some corners, or the ability to get in front of a huge amount of prospective customers in a very small space of time, affiliate is a channel primed for retailers who want to tread carefully away from their home soil.

That said, there is little suggestion that it can – and should – act as a one-stop shop for all things customer acquisition. A multi-channeled approach can reel in other methods, leading to attributes in building awareness (display), a community (social media) and data (email) – all the elements of good, impressionable marketing.

Even so, there is a lot to be taken from the words of Maley when considering the impact of having affiliate work alongside the wider marketing mix.

"In many cases brands will spend a lot of the budget on 'above-the-line' campaigns, especially when launching in a new market, which in turn result in spikes of online traffic around radio and TV advertising.

"That's all well and good, but it would be a shame to not also invest in your most cost-effective channel to aid with the conversion."

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