## The Role of Service Quality, Employee Satisfaction and Loyalty on the Effective Human Resource Management in the Pharmacies in Thailand: Mediating Role of Customer Satisfaction

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Article History:Submitted: 10.01.2020Revised: 13.02.2020ABSTRACTThe primary aim of the study is to examine the role of service quality,<br/>employee satisfaction and loyalty on the effective human resource<br/>management (HRM) in the pharmacies in Thailand. The secondary aim<br/>of this article is to identify the mediating role of customer satisfaction<br/>and loyalty, employee satisfaction and loyalty the effective HRM in the pharmacies in Thailand. The data were<br/>gathered from the HR employees that are working for theThailand positively. These findings give the<br/>making authorities that they should in<br/>employee's satisfaction and loyalty that of<br/>HRM and also enhance the company's per-<br/>Effective HRM, Pharmacies in Thailand.

implementation of HR policies in the organization. The findings exposed that positive and significant link among the service quality, employee satisfaction and loyalty on the effective HRM in the pharmacies in Thailand. The results also uncovered that the customer satisfaction mediates the relationship among the service quality, employee satisfaction and loyalty on the effective HRM in the pharmacies in

# Thailand positively. These findings give the guideline to the regulation making authorities that they should increase their focus on the employee's satisfaction and loyalty that enhance the effectiveness of HRM and also enhance the company's performance. **Keywords:** Service Quality, Employee Satisfaction and Loyalty, Effective HRM, Pharmacies in Thailand **Correspondence:** Oraphan Decha College of Innovation and Management Suan Sunandha Rajabhat University, Bangkok, Thailand **E**-mail: oraphan.de@ssru.ac.th **DOI:** 10.5530/srp.2020.3.01

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Accepted: 03.03.2020

### INTRODUCTION

In the category of most productive sector in Bangkok, pharmacy. The past few years have shown tourism as an emerging potential sector of the Bangkok's economy (Hussain, Mosa, & Omran, 2018). It covers more than 17% of GNP. Since its spanning in all regions of the country, it has become an ideal choice to reap the benefits of investment in different parts of the country. Past years have also shown an increase in investments in this area, whether it's foreign or domestic investment. Pharmacy industry which is considered as the major part of tourism, is growing quickly and is the main part, having more than 14000 employees, which constitutes more than 37% of the total employees of the whole tourism industry. In spite of all this, Bangkok's pharmacy industry is faced with a number of challenges which are produced by the ever-changing nature of the environment and unstable external factors. Studies have shown that among many other factors, loyalty, satisfaction of customers and quality of the service are the most important factors influencing the overall performance of the pharmacy industry (Hussain, Musa, & Omran, 2019). Tortorella and Fogliatto (2014) have given a way to assess the HRM practices affect that a company that belongs to the automotive parts manufacturing with the help of case study. Zhai, Liu, and Fellows (2013) have carried out investigation in relation to the practices of HR and also structural equation modelling has been used to learn about the performance of firms the construction industry of China. The results provide a support to the learning of organization by way of a mediating construct of HR performs and its relationship with the performance of organization. As per

Longmore and Ronnie (2014) they have discovered the main performs related to HR that create an effect on the doctors in South Africa's medical complex with the help of using n questionnaire which is open ended for the purpose of gathering data from 75 doctors. As per the outcomes it was shown that the practices of HR which proved to be most important included the payment of salaries timely and in accurate way. Management in relation to documentation and communication, the respect and value for doctors was shown by the staff of HR and also conference's reimbursement and request for special leave. A study has been carried out by Trunk Širca, Babnik, and Breznik (2013) in relation to HRM's climate role in the attitude of employees with the help of establishing a link between the climate of HRM's perception in relation to the satisfaction of job, involvement of job and supposed performance of the organization. 574 employees sample was used to test the model. These employees were chosen the sector of manufacturing (Hussain, Musa, & Omran, 2018). The examination of relationship that exist among the loyalties of employees, quality of service, satisfaction of customers, loyalty of customers and profitability of firm has been made by Yee, Yeung, and Cheng (2010) also, the contextual factors that create an influence on the relationship have been examined for the purpose of which a sample of 210 highcontact service shops in Hong Kong was chosen and was conducted with the help of Structural Equation Modelling (SEM)

The investigation has been conducted by Shrestha, Gautam, and Bawa (2012) to identify the impact that is created on the quality of service, satisfaction of customers, and the

performance in Bangkok Pharmacy. Confirmatory Factor Analysis (CFA) and SEM has been utilized by (Yi et al., 2010) for the purpose of analyzing the casual relationship that exist between the quality of service, satisfaction of customers, loyalty of customers and also for examining the mediator effects in relation to the satisfaction of customer sand their trust. The relationship between satisfaction of employee and satisfaction of customers have been investigated by Chi and Gursoy (2009) also the impact they impose upon the financial performance of a company's hospitality which works by making utilize framework for service profit chain. In addition to this, an examination of intermediating role of satisfaction of customers in relation to the indirect relationship that exist between the financial performance and satisfaction of employees at three- and four-star pharmacy have been discussed. An examination has been done by (Abdullah, Salamatinia, Mootabadi, & Bhatia, 2009) in relation to the link that is there between the satisfaction of employees and their loyalties with the help of establishing (Hussain et al., 2012).

TABLE 1. Growth Rate of Pharmacy				
Sectors Growth rate per year				
Services	5.4%			
Food	5%			
Textiles	4.4%			
Metal	7%			
Electronics	5.6%			
Chemist and pharmacy	11%			

In Klang Valley in Malaysia by developing the profit chains providing services. It also assesses the impact of HRM practices that are innovative and have an impact of change process which has been consulted with the help of 69 Indians organizations (Hussain, Musa, et al., 2018). Gržinić (2007) conducted a test in order to see the importance of pharmacy industry's quality of service from both the theoretical standpoint. As per the test conducted between the relationship that exist in Austrian company's employees in relation to the trust in management and trust in peers, satisfaction and employee's loyalty with the help of SEM using Partial Least Squares. Significant attention to research has been gained by focusing and testing the factors that create an effect on the performance of business in Bangkok. For instance, an examination has been conducted by, Al-Refaie, Tahat, and Bata (2014) to look for the impact that is there on the management of customer relationship on the performance of banks and on the equality of relationship maintained between the customer and the bank. Al-Refaie et al. (2014) have carried out studies in relation to the influences on whole creative preservation, entire value administration and practices of Six Sigma on the performances in Bangkok. Al-Refaie, Ko, and Li (2012) have carried out investigations establishing link in the capabilities and satisfaction of customers in pharmacy of Bangkok, Al-Refaie et al. (2012) have carried out examination on the possessions of ISO 9001 documentation and KAAE on Bangkok firm's presentation. Another research has been conducted by AI-Refaie et al. (2012) to work on the aspects that create an effect on the gratification of customers and repurchase in Telecom Companies of Bangkok. For this purpose, to carry out investigation structural model has been applied to assess the impact on satisfaction of patient and their intention of revisiting hospital of Bangkok (Riaz, Arif, Nisar, Ali, & Sajjad, 2018). Al-Refaie et al. (2012) have carried out investigation to know the effects of practices in relation to quality management on innovation and satisfaction of customers. Again, very less research is directed to work on the factors that create an impact on performance of pharmacy in

Bangkok and conduct investigation to work on the connection amid them. Al-Rousan and Mohamed (2010) have conducted examination in relation to the impact of service quality of tourism in five-star pharmacy of Bangkok. For this purpose, a questionnaire which was selfadministered was used in command to assess the supposed value of tourism of the guest at pharmacy at three branches of Bangkok's Marriott pharmacy. Al-Refaie et al. (2012) have conducted examination of the aspects that establish link between the capabilities and satisfaction of customers in managing relationships with customers in pharmacy of Bangkok. The goal of this investigation is to conduct examination of the contacts that exist amid the quality of service, practices of HRM, satisfaction of employees, customer's loyalty and their satisfaction and conduct examination of their impact on the performance of pharmacy of Bangkok. The research's result holds major importance for the managers of the pharmacy to set the priority in relation to the main factors that can determine the impact on performance of pharmacy and helps in to plan improvements for future that will help in making pharmacy more competitive, The rest of the research has got the following sequence: Section2 which talks about the theoretical background, Section 3 talks about the demonstration of the procedure of data gathering and examination. Section 4 talks about the experimental outcomes of structural models and their measurement.

# LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

HRM is the key approach for the management of employees, and in order to stay competitive in the business environment HRM practices are considered important (Kerdpitak & Jermsittiparsert, 2020a, 2020b). This can be done by strategically using workforce keeping In View the cultural and structural areas of the business closely. The functions of HRM consists of many activities, including recruitment and training of employees, performance measurement and reward systems. It was found in a study conducted by. That familiarity of employees with the HRM is very important and it can be very useful for making customers' perception positive. Gardner, Wright, and Moynihan (2011). If the service is good, customers become loyal and it can ultimately lead towards increased overall performance of the business, especially for an industry like pharmacy industry, quality of the service matters a lot.

### ${\sf HRM}$ Practices, Worker's and Customer's Satisfaction

Employees are highly satisfied when HRM practices are effectively applied to an organization, because employees get positive response and reward or promotion for performing well. The satisfaction of employees is a state that involves high pleasure and also generates positive state that is usually the result of good assessment of the occupation and also good involvements of the worker (Arabatzis & Siriattakul, Grigoroudis, 2010; Saengchai, & Jermsittiparsert, 2019). Therefore, it aids in achieving customers satisfaction in result, which means that employees perform well and become committed toward their work or task and help achieving loyal customers. This increases organization's performance, boost revenues. Allen, Vincent, Alsop, Ismail-zadeh, and Flecker (2003) Employee loyalty is an important indication which resources that workers have commitment to the group victory and at the employees working have a belief that working for the specific association is the finest selection for them so, they plan to remain within the organization, also stops searching for any alternative employment and stop responding to any job offers being made to them. The loyalty of employees increases as a result of more satisfaction being experienced by these individuals in relation to the job they perform and as a result they take care of the customers. Pugh, Dietz, Wiley, and Brooks (2002) one of the main and greatest significant motorists of superiority, satisfaction of customers and productivity is the satisfaction of employees and their loyalty. However, satisfaction of the customer is the emotional reply given by the customer to the supposed gap that is there between the former experience and expectations in relation to the product an organizational swell the real experience of performance after making an interaction with any organization or any consumer. As per Baldinger and Rubinson (1996); J. Bowen and Shoemaker (1998) the customer s who are loyal and are satisfied are the one who are difficult to get swayed by the any low price offerings being made by the competitors. In actual, the employees who are satisfied with their place of work, motivated results in producing the customers who are satisfied and they also result in increasing the revenue as well of profitability of the organization (Pugh et al., 2002). Therefore, hypothesis can be developed that

H1: There is an optimistic link amid customer satisfaction and an effective HRM.

H2: There's an optimistic connection amid employee satisfaction and an effective HRM.

Satisfaction ultimately becomes loyalty because loyal employees will work harder for their organization, will be dedicated toward their organization's success. For this they will continue to work harder for improving their service. If the quality of the service is improved, organizations will be reaping the benefits of having satisfied customers and

increased revenues. Jackson, Schuler, and Rivero (1989) Keeping in view this, hypothesis is developed. The employees that are more satisfied it is highly likely that the provision of services by them will be of better quality which will be with the help of organizational citizenship behaviors Yoon and Suh (2003) and it is likely that these will have more involvement in the organizations in which they are employed and will have more dedication in relation to ensuring that they deliver the services that are high in quality. Thereof the quality of service provided by employees has a huge impact on the satisfaction of employees. Yee et al. (2010) revealed that the perception of job satisfaction by employees has got an association with the quality of service provided. In addition to this the employees who work in the service sector and also possess high level of job satisfaction will have a strong appearance with the customer and will have more balance appearance to the customer and will find the environment more pleasurable and thus all these will lead to a positive influence on the customer level of satisfaction. Furthermore, service workers with a tall level of job consummation will seem to the purchaser additional composed and satisfied with their situation, which principals to optimistic effect on the level of purchaser gratification.

As we have discussed earlier customers satisfaction is a key factor in the hospitality industry and is one of the most dominant themes. It is achieved through experience with the help of service and also influenced by the supposed quality of service (Anderson, Fornell, & Lehmann, 1994). Customers often can judge service quickly as they might have experienced different services before. Therefore, it's worth noticing that a superior service wins customer. The judgment of customer in relation to a product or service provided is the key driver that will help and lead to the final step that is the customer satisfaction (de Oliveira et al., 2013), thus consequently it results in affecting the intentions related to behaviors of repurchases.

H3: Service quality and effective HRM are positively related.

### Employee Satisfaction and Loyalty

Sasser, Schlesinger, and Heskett (1997) have given study as per which it can be revealed that there exist I a positive relationship between the satisfaction of employee and the loyalty that is practiced by him towards the organization. Increasing the level of satisfaction that employee poses will result in making employee more participative and with this it can provide help to both the employee as well as employer making both of them loyal towards the organization.

Employee satisfaction trigger them to participate more actively in business activities and push them towards loyalty (Marique, Stinglhamber, Desmette, Caesens, & De Zanet, 2012).

H4: Loyalty of employees are positively related with effective HRM.

The satisfaction of customers is the most important key and in most of the cases is considered as precursor to the loyalty behavior (D. E. Bowen & Ostroff, 2004). Similarly, when the customers are satisfied, they are more likely to become loyal. So once when the customer becomes loyal it is necessary that they will not only result in repurchasing of service but will also spread the positive word of mouth in relation to the eservice provided. As a result, in case of any less service than perceived they can let it go. They become more tolerant towards the service. When employees are satisfied with their work environment, they become loyal and work toward customers retention, they become patient to their customers, resulting in loyal customers (Bennett & Bove, 2002). Loyal customers end up with building good ties with the ones who are loyal to the organization

### Customer Satisfaction and Pharmacy Performance

Since today's environment is extremely competitive, it has become need of the time to retain customers. Only superior and quality service can assure satisfied customers (Åmo & Kolvereid, 2005). It can pave the path toward maximum profits. With similar aspect the industry in which the pharmacy relate is also highly competitive. Therefore it is necessary for the organization to maximize and focus fully on both the satisfaction of customers, The higher level of satisfaction of customers increases the profitability through purchases made in high level, fall in sensitivity to the price, generation of positive worked of moth and along with less likelihood of switching from one brand to another (Yu & Egri, 2005).

For an industry like pharmacy industry, satisfaction of customers is very important, as customer will communicate and spread to other people, what they have experienced or what they perceive about a particular thing or a service. So, it can affect pharmacy business directly or indirectly.

### Employee Satisfaction and Pharmacy Performance

Satisfied employee, work hard toward their performance and make the service up to mark. They help retain customers and loyalty of customers is also increased (Cooke & Saini, 2010). Since customer satisfaction is the main aim of the business, as it leads towards higher financial performance of the business. Therefore, the increased satisfaction of employees is responsible for a significant role in helping pharmacy to achieve the financial goals of the organizations (Guchait & Cho, 2010). The pharmacy that focus on providing higher level of satisfaction will later on result in providing a better experience to serve the need of customers (Lawal, 2011). As per the experience of expert and as shown by the studies conducted previously Matzler and Renzl (2006) ;Yi et al. (2010) ; Som (2008); Yee et al. (2010), all of the factors along with the measures related to them as well as questions gets higher interior steadiness. The dimensional model describes relatives amid the experiential and ignored construct. The additional assessment is for the organizational prototypical, which describes relations amongst unnoticed variables. Therefore, it stipulates the means by which specific dormant paradigm, straight or circuitously reason fluctuations in the standards of convinced another latent paradigm in the archetypal. This is because when employees are motivated, they will want to work hard comparison with the ones who are not satisfied H5: Customer satisfaction plays a mediating role between

employee's satisfaction and effective HRM in the pharmacies in Thailand.

H6: Customer satisfaction plays a mediating role between service quality and effective HRM in the pharmacies in Thailand.

H7: Customer satisfaction plays a mediating role between employee's loyalty and effective HRM in the pharmacies in Thailand.

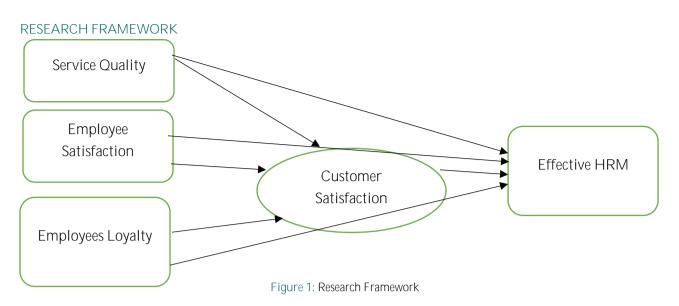
### Research Methods

The main aim of the study is to examine the role of service quality, employee satisfaction and loyalty on the effective HRM in the pharmacies in Thailand. The secondary aim of this article is to identify the mediating role of customer satisfaction on the link of the service quality, employee satisfaction and loyalty on the effective HRM in the pharmacies in Thailand. The data were gathered from the HR employees that are working for the implementation of HR policies in the organization. The 740 questionnaires were distributed to the respondents and out of them only 520 responses were returned that is approximately 70.27 percent rate of response.

### Measures

The prime variable of the article like effective HRM (EHRM) has eight items in its measurement while the predictors like service quality (SQ) has six items in its measurement, employee satisfaction (ES) has ten items in its measurement and employee loyalty (EL) has eight items in its measurement. Additionally, the mediator like customer satisfaction (CS) has six items in its measurement.

### Oraphan Dechi et al / The Role of Service Quality, Employee Satisfaction and Loyalty on the Effective Human Resource Management in the Pharmacies in Thailand: Mediating Role of Customer Satisfaction



### Findings

The findings consists the reliability as well as the convergent validity of the constructs along with the path analysis for

hypotheses testing. The findings revealed that the convergent validity regarding the correlation among the items is valid because all the measures meet the standard criteria. Table 2 show the convergent validity given below:

	TABLE 2. Convergent Validity						
Constructs	Items	Loadings	Alpha	CR	AVE		
Effective HRM	EHRM1	0.705	0.849	0.884	0.523		
	EHRM10	0.782					
	EHRM2	0.822					
	EHRM3	0.631					
	EHRM5	0.626					
	EHRM6	0.680					
	EHRM8	0.789					
Service Quality	SQ1	0.748	0.857	0.893	0.582		
	SQ2	0.742					
	SQ3	0.781					
	SQ4	0.804					
	SQ5	0.743					
	SQ6	0.758					
Employee Satisfaction	ES1	0.838	0.883	0.911	0.631		
	ES2	0.834					
	ES4	0.793					
	ES6	0.666					
	ES7	0.792					
	ES8	0.828					
Employee Loyalty	EL1	0.792	0.896	0.918	0.587		
	EL2	0.843					
	EL3	0.497					
	EL4	0.812					
	EL5	0.722					
	EL6	0.776					
	EL7	0.828					
	EL8	0.800					
Customer Satisfaction	CS1	0.892	0.806	0.859	0.553		
	CS2	0.812					

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Oraphan Dechi et al / The Role of Service Quality, Employee Satisfaction and Loyalty on the Effective Human Resource
Management in the Pharmacies in Thailand: Mediating Role of Customer Satisfaction

CS4	0.677
CS5	0.648
CS6	0.657
	-

The findings revealed that the discriminant validity regarding the correlation among the constructs is valid

because all the measures meet the standard criteria. Table 3 show the discriminant validity given below:

TABLE 3. Fornell Larcker						
	EHRM	SQ	ES	EL	CS	
EHRM	0.723					
SQ	0.723	0.763				
ES	0.575	0.686	0.794			
EL	0.548	0.514	0.388	0.766		
CS	0.686	0.484	0.476	0.516	0.744	

The findings exposed that the discriminant validity concerning the correlation among the constructs is valid

because all the measures meet the standard criteria. Table 4 show the discriminant validity given below:

	EHRM	SQ	ES	EL	CS
EHRM1	0.705	0.392	0.426	0.303	0.372
EHRM10	0.782	0.559	0.426	0.373	0.462
EHRM2	0.822	0.485	0.343	0.401	0.430
EHRM3	0.631	0.341	0.349	0.325	0.314
EHRM5	0.626	0.429	0.369	0.406	0.323
EHRM6	0.680	0.613	0.480	0.443	0.639
EHRM8	0.789	0.686	0.471	0.468	0.730
SQ1	0.496	0.748	0.665	0.354	0.441
SQ2	0.635	0.742	0.423	0.464	0.656
SQ3	0.508	0.781	0.639	0.397	0.413
SQ4	0.532	0.804	0.659	0.355	0.489
SQ5	0.518	0.743	0.362	0.376	0.738
SQ6	0.589	0.758	0.429	0.389	0.800
ES1	0.438	0.506	0.838	0.288	0.326
ES2	0.392	0.496	0.834	0.286	0.336
ES4	0.511	0.604	0.793	0.292	0.444
ES6	0.430	0.512	0.666	0.313	0.418
ES7	0.336	0.401	0.792	0.224	0.252
ES8	0.559	0.664	0.828	0.399	0.431
EL1	0.351	0.240	0.175	0.792	0.298
EL2	0.504	0.484	0.411	0.843	0.480
EL3	0.246	0.274	0.244	0.497	0.262
EL4	0.478	0.478	0.358	0.812	0.460
EL5	0.437	0.466	0.368	0.722	0.396
EL6	0.438	0.464	0.300	0.776	0.384
EL7	0.424	0.362	0.252	0.828	0.429
EL8	0.410	0.306	0.217	0.800	0.390
CS1	0.695	0.732	0.446	0.499	0.892
CS2	0.639	0.589	0.364	0.521	0.812
CS4	0.398	0.649	0.344	0.269	0.677
CS5	0.289	0.408	0.252	0.200	0.648
CS6	0.335	0.486	0.334	0.273	0.657

The results exposed that the discriminant validity about the correlation among the constructs is valid because all the

measures meet the standard criteria. Table 5 show the discriminant validity given below:

TABLE 5. HTMT Ratio						
	EHRM	SQ	ES	EL	CS	
EHRM						
SQ	0.803					
ES	0.636	0.777				
EL	0.605	0.573	0.419			
CS	0.713	0.906	0.537	0.545		

The analysis show that the beta has positive sign that means positive link among the service quality, employee satisfaction and loyalty and effective HRM. In addition, tstatistics meet the standard criteria of 1.64 and probability values also meet the standard criteria of lower than 0.05 that shows significant association among the service quality, employee satisfaction and loyalty and effective HRM. In addition, customer satisfaction also mediates the link among the service quality, employee satisfaction and loyalty and effective HRM. Table 6 shoe the path analysis.

TABLE 6. Path Analysis						
	Beta	S.D.	t-values	p-values	L.L.	U.L.
SQ -> EHRM	0.307	0.098	3.115	0.001	0.143	0.459
ES -> EHRM	0.169	0.063	2.694	0.004	0.075	0.280
SQ -> CS	0.383	0.039	9.860	0.000	0.322	0.449
CS -> EHRM	0.202	0.053	3.772	0.000	0.107	0.286
ES -> CS	0.084	0.046	1.807	0.036	0.002	0.157
CS -> EHRM	0.245	0.071	3.471	0.000	0.122	0.356
EL -> CS	0.566	0.004	15.616	0.000	0.511	0.627
SQ -> CS -> EHRM	0.117	0.038	3.096	0.001	0.055	0.176
ES -> CS -> EHRM	0.128	0.069	1.855	0.002	0.000	0.062
EL -> CS -> EHRM	0.173	0.055	3.151	0.001	0.082	0.251

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### DISCUSSION AND CONCLUSIONS

The main aim of the study is to inspect the role of service quality, employee satisfaction and loyalty on the effective HRM in the pharmacies in Thailand. The secondary aim of this article is to identify the mediating role of customer satisfaction on the link of the service quality, employee satisfaction and loyalty on the effective HRM in the pharmacies in Thailand. The findings exposed that positive and significant link among the service quality, employee satisfaction and loyalty on the effective HRM in the pharmacies in Thailand. The pharmacies of Thailand have enough services gualities and high employee satisfaction along with loyalty that enhance the effectiveness of the HRM that ultimately improve the pharmacy performances. The results also uncovered that the customer satisfaction mediates the relationship among the service quality, employee satisfaction and loyalty on the effective HRM in the pharmacies in Thailand positively. The customer satisfaction is the key element that enhance the satisfaction and loyalty of the employee which improve the effectiveness of HRM. These findings give the guideline to the regulation making authorities that they should increase their focus on the employee's satisfaction and loyalty that enhance the effectiveness of HRM and also enhance the company's performance.

The present study reach at the conclusion that the pharmacies of Thailand have enough services qualities and high employee satisfaction along with loyalty that enhance the effectiveness of the HRM that ultimately improve the pharmacy performances. It also included in the conclusion that the customer satisfaction is the key element that enhance the satisfaction and loyalty of the employee which improve the effectiveness of HRM. The present study has few directions and limitations. The current literature implemented only on the pharmacy business and prospective studies should add other businesses.

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