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Analyzing The Vendor Management and Cost Reduction Strategies in Procurement: A Case Study of Ericsson

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Abstract: *The study analyzes vendor management together with cost reduction approaches in procurement through a case study focused on Ericsson. The research base analyzes three theoretical views to build foundational understanding about optimizing vendor relationships which include Principal-Agent Theory and Transaction Cost Economics and Resource Dependence Theory. The paper analyzes performance-tracking methods combined with risk control techniques and data-based decision support mechanisms sustainability practices and supply chain management approaches. The Findings states that Ericsson achieves enhanced efficiency and resilience through its implementation of advanced analytics as well as proactive and reactive risk management systems and collaborative supplier relationships. The research acknowledges that successful cost savings efforts still face obstacles when trying to maintain sustainability alongside innovation. The discussion ends by giving academic and industrial stakeholders guidance about integrating procurement approaches for dynamic global markets.*

Keywords: Vendor Management, Cost Reduction Strategies, Procurement, Supply Chain Management, Ericsson, Risk Management, Sustainability, Data-Driven Decision-Making, Principal-Agent Theory, Transaction Cost Economics, Resource Dependence Theory, Supply Chain Resilience

I. INTRODUCTION

Organizations implement vendor management as their essential practice for modern procurement approaches because they need better supply chain operations that combine efficiency with cost-effectiveness. Vendor management enables organizations to build both enduring profitable supplier relationships and ideal procurement systems. Performance assessment stands as the main element of vendor management together with risk evaluation and communication systems and contractual procedures. These practices serve as essential success factors for organizations that want to succeed in the globalized market where they face demanding supply chain operations and changing market needs [1].

The telecommunications industry demands equivalent importance for cost reduction strategies because its competitive and dynamic marketplace remains active. The fast progress of technology leads organizations to continuously evaluate and enhance their procurement procedures because of price changes and market pressures. The supply chain remains free of service degradation while the company can uncover significant cost reduction opportunities without compromising quality. These strategies help the organization both increase their profits and adapt to customer requirements and market changes effectively [2].

Ericsson serves as an excellent platform to understand vendor management and cost reduction approaches due to its position as a global telecommunications industry leader. Ericsson implements sophisticated procurement systems to handle industry difficulties because they operate with multiple suppliers through their broad supply network. The company employs new technologies together with data analytics and sustainability integration supply chain risk management, and innovative approaches to achieve functional efficiency and resilience. The link between vendor performance goals and strategic targets at Ericsson makes this case suitable for understanding how vendor management

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relates to cost reduction in telecommunication industries [3]

A. Rationale of Study

The study developed its rationale because business processes including procurement have emerged and become more critical while global supply chains have grown complex. Organizations in telecommunication industries must depend on vendor management and cost reduction strategies as crucial weapons to advance through highly dynamic technical change and competition [4]. Research into procurement practices does exist but scholars lack agreement about a study which combines vendor management with cost efficiency and sustainability within an integrated real corporate setting. The research fills this gap by examining Ericsson because it leads telecommunications while maintaining robust supply chains which benefits academia and business practice.

The Objective of this study is to analyze vendor management practices of Ericsson to promote long-term partnerships and enhance operational efficiency, assess its cost reduction strategies to attain financial optimization and also investigate how these practices can be integrated with sustainability and risk management frameworks

B. Scope of the Study

The research examines vendor management methods from a key perspective along with cost reduction methods which relate to telecommunications industry procurement methods. The research centers its attention on data-based decision-making structures generated through advanced analytics of spend analysis and cost optimization systems [5]. This study also tests risk management practices by including practices that manage risks from either a proactive or reactive viewpoint to deal with supply chain disruptions. For example, sustainability is important as there is a growing number of business imperative encouraging integrating environmentally and socially responsible practices into supplier management [6]. Moreover, research is being carried out on supply chain optimization strategies like reducing lead time and aligning with suppliers for better efficiency and responsiveness. The scope of research is delimited by its subject of Ericsson's procurement framework. This entails examining the company's data driven tools, risk mitigating techniques and sustainability initiatives in connection with its vendor relationships. The study doesn't include other operations areas other than procurement or industries that are not related to ensure a focused and a detailed analysis of Ericsson's practices.

C. Significance of the Study

The study adds important academic value to procurement and supply chain management research through its examination of vendor management along with cost reduction approaches within a real corporate environment. Existing research becomes complete through this study which combines practical procurement actions with key elements of risk management and sustainability and advanced analytics. Research findings generate better comprehension about how Ericsson along with other global corporations handle current procurement difficulties while fulfilling strategic objectives. The research delivers operational recommendations that benefit three groups of industry professionals: procurement managers, supply chain specialists, and vendors. The research helps decision-makers implement strategies which build stronger vendor connections while finding cost optimization solutions and sustainable practices. The understanding of corporate expectations by vendors helps them create stronger partnerships through proper alignment of their practices. The research delivers strategic guidance to organizations that want to achieve an equilibrium between procurement costs and process sustainability and business resilience [7].

D. Structure of the Paper

The paper consists of various defined sections. The Introduction section presents study background details before establishing its rationale and objectives and demonstrating its significance to the review. The Theoretical Perspectives in Procurement section presents fundamental concepts which form the basis of vendor management and cost optimization approaches. Both the Vendor Management Practices and Cost Reduction Strategies sections present essential themes and practices that relate to procurement functions. The evaluation of Procurement risks explores strategies that build resilience alongside disruption learning methods and digital tool utilization. The research findings

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receive critical assessment in the Discussion as they present industry-related and research implications. The paper culminates in the Conclusion section which condenses key findings while offering suggestions for next-generation practices and research approaches.

II. THEORITICAL PERSPECTIVE

Vendor management is a strategic function aimed to coordinate the buyers and the suppliers in such a way as to minimize the operational costs and achieve the organizational objectives. A foundation of theory from the area of procurement and supply chain management is provided on vendor relationships, their dynamics and strategies for optimizing them. The Principal-Agent theory, Transaction Cost Economics and Resource Dependence Theory are key theories that provide different insights into how vendor relationships are managed in modern procurement practices.

A. Principal-Agent Theory in Vendor Relationships

During procurement, the Principal-Agent Theory studies how the buyer serves as principal while the vendor acts as agent, as shown in Figure 1. The theory highlights problems that occur because agents typically understand their work better than their principals understand their activities. The mismatch of information between buyer and vendor during procurement enables moral hazard and adverse selection which damages trust and operational performance. The buyer remains unaware of vendor performance shortcomings because the vendor does not share complete information about underperformance events. To reduce these risks management should implement performance tracking systems together with clear contractual obligations and transparent communication practices. Performance-based contracts with incentive alignment help the vendor perform according to what the principal wants to achieve. The theory finds its most applicable use in managing vendor relationships that require sophisticated management of critical components or IT systems [8].

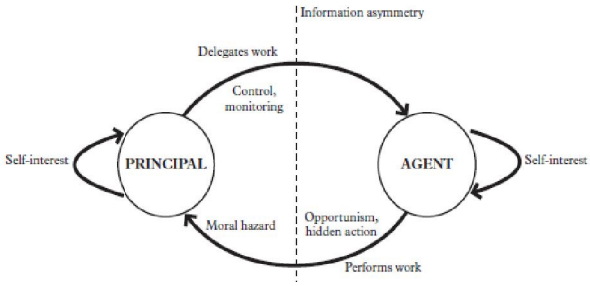

Fig. 1. Principal Agent Theory[9]

B. Transaction Cost Economics and Supplier Management

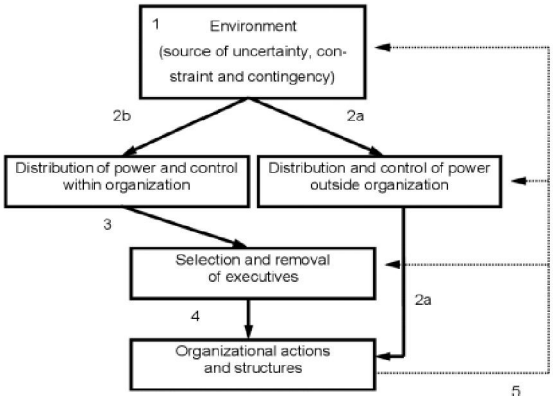

Fig. 2. Resource Dependence Theory[10]

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Transaction Cost Economics (TCE) evaluates the expenses that come from contract negotiation as well as monitoring and enforcement duties between suppliers and buyers, as shown in Figure 2. Organizations need to undertake a thorough assessment between internal (insourcing) and external (outsourcing) transaction conduct according to TCE principles. High transaction costs due to vendor-specific investments or numerous negotiations may make it necessary to handle specific operations within the organization. TCE teaches vendor management teams to cut costs by creating long-term agreements and forming strategic supplier relationships and exploiting larger purchase quantities. The procurement platforms set up by Ericsson reduce transaction costs through their efficient supplier interaction systems that delete repetitive processes. The evaluation of TCE emphasizes the requirement to minimize dependence on sole vendors though the method alerts companies to utilize risk assessment protocols for risk management [11].

C. Resource Dependence Theory and Strategic Vendor Partnerships

RDT demonstrates that organizations need external resources and suppliers maintain an interconnected relationship with their environment. RDT identifies vendor management as a critical organizational function because organizations need external resources to function efficiently. The main objectives of proper procurement management include both reducing dependency risks and maintaining access to necessary resources. Strategic vendor partnerships serve as a principal implementation method of RDT within procurement operations. Ericsson, together with other organizations, reaches their supply chain objectives through strong supplier relationships, which enables them to acquire crucial materials, reduce costs, and gain innovative solutions. Various businesses combine efforts by sharing details with each other while mutually investing in technological advancement and sustainable project execution. The supplier base diversification strategy in RDT enables organizations to have balanced dependence which protects them from disruptions while preserving their bargaining strength [12].

III. VENDOR MANAGEMENT PRACTICES

A. Performance Tracking and Relationship Building

Vendor management core practices require performance tracking since organizations determine supplier performance compliance through this system. Performance evaluation of vendors depends on key performance indicators (KPIs) to measure delivery timelines and product quality alongside cost compliance. Organizations conduct vendor scorecard assessments and scheduled evaluations to recognize supplier deficiencies which activates appropriate response measures. Relationship building receives support from performance tracking because suppliers and buyers develop trust and understand each other better. Long-term partnerships enable stakeholders to obtain mutual advantages that enhance operational coordination and minimize costs while yielding new innovative solutions [13]. Ericsson develops open communication systems and team-based problem-solving methods to connect supplier capabilities with organizational goals for better operational results and supply chain dependability [14]

B. Risk Assessment & Mitigation Strategies

Organizations need to identify threats during vendor risk assessment which includes supply chain disruptions as well as supplier financial issues and geopolitical challenges. The proactive management of risks consists of maintaining multiple suppliers and establishing backup procedures, and conducting scheduled evaluations of suppliers. Ericsson implements proactive measures and reactive approaches to reduce their risks. The company maintains active financial oversight of vendors tracks location dependencies in advance and uses its established supply chain risk management (SCRM) procedures to handle disruptions. During the Fukushima incident Ericsson demonstrated strong risk management practices through its ability to quickly evaluate supplier effects and reorganize operations to minimize disruptions [15].

C. Communication & Collaboration

Organizational success requires both strong communication and teamwork to synchronize vendor work with business targets. The delivery of precise information to suppliers allows them to understand the details of their contracts and performance expectations and compliance needs. The collaborative approach creates opportunities for joint problem-

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solving and innovation which allows companies and suppliers to work together on challenges and opportunities [16]. Ericsson implements open communication systems through formal and informal channels which help vendors stay aligned and resolve problems without delay. Participative solutions development and sustainability projects help businesses create enduring value through strengthened relationships between them and their suppliers [17].

IV. COST REDUCTION STRATEGIES

A. Data Driven Framework for Spend Analysis

Organizations can locate cost-saving opportunities by implementing data-driven frameworks that analyze spending data extensively and make predictions. Companies use advanced analytics to analyze procurement patterns and detect inefficiencies along with demand forecasting. The procurement process at Ericsson improves through data-based tools that allow teams to find high-cost areas and to manage supplier contracts more efficiently. Real-time decision-making capabilities through these frameworks enable the company to change its operations according to market changes without sacrificing cost efficiency. Organizations seeking to implement these frameworks must allocate resources to buy analytics tools as well as skilled personnel even though the initial expenses may deter some organizations from implementation [18]

B. Supply Chain Cost (SCC) Models and Efficiency Metrics

Supply Chain Cost (SCC) models serve as an organized methodology to analyze procurement expenses and operational efficiency aspects. Multiple elements consisting of transportation systems together with inventory storage needs and supplier expenses are components that these supply chain models evaluate. Efficiency metrics, together with Supply Chain Cost analysis, provide organizations with complete supply chain performance assessments [19]. The application of Supply Chain Cost models by Ericsson enables the company to discover cost reduction opportunities that maintain service quality measures. Regional supply hubs deploy to minimize lead times and their accompanying costs which optimizes general operational performance. The cost reduction approach maintains compatibility with customer service goals to prevent delivery of substandard service due to cost optimization measures. So, for cutting-edge products and "project" orders, Ericsson uses a centralized supply chain, whereas, for regular products, it uses a network of regional hubs. While hub-based cost-efficient supply chains use cheaper shipments by sea, centralized responsive supply chains still use expensive air transportation, which has been shown in Figure 3 [20].

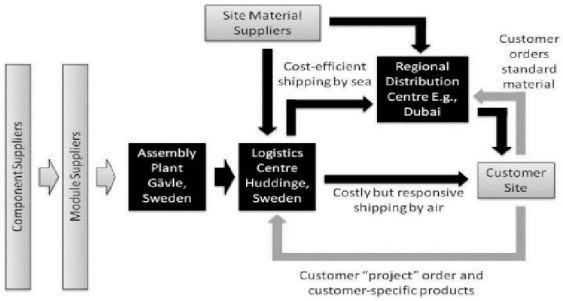

Fig. 3. Ericsson's Supply Chain [20]

V. RISK MANAGEMENT IN PROCUREMENT

Risk management serves as an essential element for successful procurement approaches within the telecommunications sector because of its established supply chain complexity. The process anticipates risks that threaten operations and supplier relations while minimizing potential costs. Through Ericsson's procurement framework proactive and reactive risk management strategies unite with technological solutions along with organizational learning to boost organizational resilience.

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A. Proactive and Reactive Strategies for Supply Chain Resilience

Proactive actions identify potential risks to prevent their occurrence. Ericsson follows an extensive risk assessment procedure which evaluates all supply chain vulnerabilities that include financial uncertainty and geopolitical risks alongside supplier dependency factors. The company takes preventive action through supplier base diversification and creates backup sourcing methods along with building strong partnerships with essential vendors. Organizations that use reactive strategies need to respond immediately to disruptions in a productive way. Ericsson's response to the Fukushima earthquake in 2011 serves as a notable example. Through its established supply chain risk management (SCRM) procedures the company evaluated the situation and reached suppliers to implement preventive measures that prevented substantial disruptions. Ericsson constructed a resilient supply chain through the unification of proactive risk identification techniques with reactive response methods which allows it to manage unexpected challenges [21]

B. Learning from Disruptions: Case Studies at Ericsson

Organizations can utilize disruptions to acquire beneficial knowledge which helps them improve their risk management approaches. The supply chain disruptions at Ericsson prompted the development of improved resilience capabilities because the company learned systematically. Ericsson studied COVID-19 disruption effects on worldwide lockdowns to establish digital communication methods for supplier relationship preservation. Past disruption analysis at Ericsson provides guidance for its adaptive capability development framework. The company uses Critical Incident Techniques (CIT) together with other learning frameworks to continuously improve its processes through which they reduce exposure to potential future risks [22] The cyclic nature of this learning system delivers essential benefits for solving operational weaknesses as well as significant strategic problems.

C. Digital Tools for Risk Monitoring

Modern risk management depends heavily on digital tools because they give immediate feedback that benefits decision-making processes. Through advanced analytics Ericsson maintains supplier monitoring platforms with risk assessment software to detect potential disruptions across their operations. These digital solutions help the company track supplier performance while evaluating political risks and economic challenges as well as conduct simulations to predict future results. Predictive analytics enables Ericsson to predict market demand shifts therefore the company prepares its supply chain against potential disruptions. Digital dashboards integrated throughout the system provide essential information to executives who can respond quickly to developing dangers because they constantly receive updated insights [23]. Investment in technology maintenance together with employee training along with protection measures for sensitive supply chain information becomes essential because of digital tool dependency.

VI. LITERATURE REVIEW

Norrman and Wieland (2020) conduct an extensive evaluation of the risk management practices in Ericsson's supply chain operations. Their research demonstrates how proactive responses combined with reactive measures to tackle the Fukushima incident allow Ericsson to preserve operational flow during disruptive events. Through its use of IT systems and cross-team coordination Ericsson shows strong preparedness abilities because its SCRM framework has reached a high level of maturity. The study depends mainly on qualitative methods of investigation but this approach might reduce its ability to demonstrate consistency across different industrial operational structures. The research fails to explore how companies manage cost reductions when implementing these practices since this remains essential for firms that want both financial effectiveness and resilience [21].

Pettersson and Segerstedt (2013) developed a systematic approach for evaluating supply chain cost modifications that specifically evaluates Ericsson's operational model. This research demonstrates why comprehensive evaluation requires merging supply chain cost (SCC) models with client service measurements to evaluate financial and service-based operational performance. A five-step procedure enables thorough evaluation of changes during both the planning stage and after implementation which directly supports Ericsson's business operations. The pre-2011 data basis in this study creates limitations since Ericsson implemented advanced digital tools and real-time analytics systems after the research period. The framework fails to deliver sufficient solutions concerning the evolving nature of supply chain ecosystems

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because it only focuses on cost effectiveness as its primary priority [24].

The research of Lorenzo and Díaz (2011) shows how SAP B2B enterprise systems helped Ericsson achieve process transformations in procurement while reducing costs and enhancing supplier network operation. This long-term research demonstrates enterprise systems can use market fluctuations as leverage for operational adjustments. Through integration systems companies present maximal procurement efficiency combined with lower maverick spending and enhanced supplier network consolidation. The research proves that technological solutions boost operations but it fails to address crucial aspects such as system update difficulties and user training requirements along with supplier integration issues needed for sustained benefits. The study presents advantages of global supplier network visibility but does not explore its effects on vendor loyalty and cost negotiation processes [25].

Milton and Schou (2024) establish a framework which explains how organizational learning enables supply chain resilience development. The study presents communication and collaboration and experiential learning as foundational elements of resilience that offer Ericsson and other organizations specific guidelines to improve their supply chain flexibility. The research successfully establishes a meaningful relationship between disruptions and resilience but it fails to include quantitative data to prove the wide-ranging application of its findings. The investigation focuses on resilience capabilities as its main subject but fails to merge these capabilities with cost-related analysis. The combination of learning practice investments with cost-saving initiatives should help organizations understand the dual impact of resilience on operations and finances [26].

Xu (2022) examines Ericsson's supplier development practices by focusing on sustainability implementation throughout different stages of product lifecycles. The research demonstrates that sustainable approaches for supplier design, along with recruitment and evaluation, directly benefit corporate objectives and environmental outcomes. The research focuses on strategic sustainability-supplier development linkages yet its qualitative nature restricts its use in extensive data-based decision processes. The research shows how sustainability works together with cost reduction but fails to provide clear solutions for the trade-offs which include sustainability implementation expenses and supplier goal alignment with Ericsson's sustainability targets [27].

The research by Larsson and Stenberg (2016) examines how Ericsson applied supply chain optimization by shortening lead times while enhancing service levels. The researchers proposed two key operational strategies that Ericsson should adopt based on their analysis which involve implementing supply hubs across regions combined with maintaining two supply chain networks. The study exclusively focuses on improving lead times and enhancing service levels which restricts its ability to address complete cost reduction approaches and supplier relationship development. Some challenges in managing international supply chains between regions with differing structural frameworks and enforcement rules exist beyond operational efficiency considerations. The proposed solutions would benefit from including cost analysis as well as feedback from vendors to achieve a complete supply chain optimization framework [28]

Eriksson (2010) investigates how Ericsson uses call-off production with Kanban systems to optimize inventory control while shortening lead times. The research examines kanban methods through a traditional electronic system assessment that demonstrates how efficient material flow management creates cost-saving possibilities. The research successfully proves the practical usage of these models but fails to show how these models connect with procurement strategies including cost negotiations and supplier engagement. The research omits evaluation of how kanban systems affect both long-term vendor partnerships and supportive measures for strategic cost reduction programs [29].

The Summary of all these previously published articles are as shown in Table I below:

TABLE 1: SUMMARY OF RELATED WORK

Author Name	Purpose	Methodology	Findings
Norrman & Wieland (2020)	To explore Ericsson's supply chain risk management (SCRM) practices, focusing on resilience.	Longitudinal exploratory case study analyzing both proactive and reactive SCRM strategies.	Highlighted Ericsson's proactive use of IT and cross-functional collaboration to mitigate supply chain risks.

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Pettersson & Segerstedt (2013)	To evaluate cost savings in Ericsson's supply chain using a Supply Chain Cost (SCC) model.	Framework-based analysis with five steps combining SCC and customer service metrics.	Demonstrated the effectiveness of SCC in evaluating and improving supply chain changes for cost efficiency.
Lorenzo & Díaz (2011)	To study the deployment of SAP B2B procurement and its role in organizational change at Ericsson.	Longitudinal case study analyzing SAP B2B implementation at local, regional, and global levels.	Found SAP B2B enabled cost reduction, supplier network optimization, and adaptability to market changes.
Milton & Schou (2024)	To develop a framework linking learning from supply chain disruptions to resilience capabilities.	Qualitative study using the Critical Incident Technique and in-depth interviews with supply chain employees.	Identified communication, collaboration, and experiential learning as key enablers of supply chain resilience.
Xu (2022)	To investigate sustainability integration in supplier development practices at Ericsson.	Single-case qualitative study with multiple interviews, supported by primary and secondary data.	Showed sustainability is integrated into all supplier development lifecycle stages, enhancing alignment and efficiency.
Larsson & Stenberg (2016)	To improve lead times and service levels in Ericsson's supply chain.	Case study with a focus on restructuring supply chains using interviews and analysis of operational data.	Proposed dual supply chain arrangements with regional hubs to reduce lead times and enhance service levels.
Eriksson (2010)	To analyze Ericsson's call-off production using traditional and electronic kanban systems.	Single-case study using interviews, observations, and data analysis at Ericsson's plant.	Found electronic kanban improves inventory management but may obscure stock issues compared to traditional kanban.

VI. DISCUSSION

The vendor management methods used by Ericsson show direct alignment with essential vendor management theories. The company uses performance monitoring systems together with incentive contracts to minimize information asymmetry risks according to Principle-Agent Theory. Ericsson implements Transaction Cost Economic principles through its centralized procurement system and long-term relationship management approach that reduces costs but protects operational adaptability. The company follows Resource Dependence Theory through its creation of essential resource access networks with key suppliers and diverse supply partnerships to minimize resource dependency risks. Organizations encounter various obstacles when they use theoretical frameworks for their operations. Market volatility demands essential negotiation of cost efficiency against vendor relationship resilience because both factors impact procurement decision-making. Research needs to develop methods that help organizations adapt their procurement practices to new challenges that appear.

Ericsson achieves novel business prospects by implementing data analytics solutions to advance its procurement operations through technology. The analytical structures enable the company to uncover operational weaknesses, enhance contracts, and preserve procurement choices for business objective fulfillment. Extensive use of analytical systems poses problems with technology accessibility and scalability that primarily affect organizations with limited resources and smaller businesses. Companies need to develop both technological frameworks and qualified workforce investments to execute data-driven initiatives despite achieving lower costs. Organizations must make critical operational choices either toward present expense control or future technological development. Businesses require strategic solutions to unite these tools sustainably since they should not give up innovations or vendor collaboration to maintain their cost reduction objectives.

Ericsson demonstrates supplier development practices that reveal how businesses can unite cost management practices

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with corporate social responsibility (CSR). The evaluation process combining sustainability metrics supports the development of enduring supplier relationships that enhance corporate recognition. The search for harmony between social responsibility and business value requires organizations to spend money on sustainable materials and process development at the beginning of implementation although these expenditures bring no short-term financial advantages. Supply chain risk management strategies hold great importance because cost optimization at Ericsson depends upon resilient supply chains. Operational flexibility became possible for the company because it learned valuable lessons from situations such as Fukushima earthquake and the COVID-19 pandemic. Achieving optimal balance demands continuous improvement of strategies to prevent compromise of sustainability and resilience during cost reduction efforts.

The procurement processes at Ericsson act as educational material for all industry participants. Organizational aims that require integration with operational approaches stem from data analytics together with risk reduction and sustainability requirements. Procurement managers who apply equivalent frameworks can achieve operational efficiency as well as resilience while building stronger vendor relationships. The collected data reveals essential gaps that need further research investigation. Strategic partnerships and digital practices at Ericsson experience obstacles in their expansion across different market environments. The examination should incorporate studies about how these strategies can be applied by businesses of different scales coming from various market areas.

VII. CONCLUSION

The vendor management and cost reduction strategies at Ericsson present an all-encompassing framework that combines data-oriented policies with risk control methods together with sustainability considerations. Supply chain resilience has been enhanced through proactive and reactive strategies at the company which together promote long-term vendor relationships through collaborative innovation. Although Ericsson achieved many successes they still face the fundamental challenge of maintaining a balance between cost efficiency and sustainability with operational flexibility. Through constant procurement practice optimization and appropriate use of innovative technologies, Ericsson establishes industry-best standards for supply chain success among businesses operating in complex worldwide markets.

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