

# Country-of-Origin Effect on Domestic Product Evaluation and Purchase Intention Relationship in India

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## Abstract

Globalization has paved the way to diminishing boundaries and increasing trade between countries. Consumers today have vast choices of products originating in both domestic boundaries as well as foreign countries. Yet, all foreign products are not viewed with the same pride and esteem. Products originating from different countries have different perceptions in the minds of consumers. The COO research has gained further importance in the current COVID-19 pandemic scenario, given the Government of India's wide-scale initiatives towards Atmanirbhar Bharat to make India more self-reliant, and the people of India are widely accepting such views. Few researchers have studied the COO effect on purchase preference for domestic vis-à-vis foreign products in India. The present study, therefore, investigated the country-of-origin effect on the relationship between the evaluation of domestic products and their purchase intention in the Indian context. The COO effect was investigated for the home country as well as a foreign country, that is, China. Understanding the country-of-origin effect of imported products vis-à-vis domestic products helps marketers plan their marketing strategies at both domestic and international levels.

**Keywords :** Country-of-origin effect, domestic product, purchase intention, India, China, business strategy

**JEL Classification Codes :** F2, M2, M3, O5

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Globalization has led to borderless trade resulting in increased movement in the flow of goods and services between countries worldwide. Consumers today have wide choices available, ranging from products manufactured domestically to those originating in foreign countries. Invasion of the domestic market with foreign products has provided a better deal to the customers in the form of availability of superior quality, attractive designs, and access to premium brands in the domestic market itself (Kinra, 2006). Yet, all foreign products are not viewed with the same pride and esteem. Products originating from different countries have different perceptions in the minds of consumers. Consequently, many brands prominently highlight their country-of-origin to stand out their brands from the competitive brands from other countries. Therefore, the study of the COO (country-of-origin) effect remains pertinent and relevant in the present times (Dmitrovic & Vida, 2010). Also, the understanding of the COO effect of imported products vis-à-vis domestic products helps marketers to plan out their marketing strategies at both domestic and international levels.

The relationship between the COO effect and domestic product evaluation and purchase intention for domestic products has been researched widely in international business in the context of different countries (Haque et al., 2015; Peterson & Jolibert, 1995; Verlegh & Steenkamp, 1999; Yassin & Baharun, 2010). It was observed that the majority of COO studies were conducted in Western countries, with very handful of research being carried out in

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developing countries like India, which is now being viewed as an attractive consumer market destination for global MNCs as well as being seen as a low-cost manufacturing hub because of initiatives like 'Make in India' of the Government of India (Gupta, 2021; India Brand Equity Foundation, 2020; Vernekar & Wadhwa, 2009). India's LPG policy of 1991 opened the gateways of our domestic market to multinational corporations (MNCs). Such economic reforms and the IT revolution have led to an increase in GDP, income level, and purchasing power of the people. The annual average GDP growth rate has been 6–7% since 2000 (International Monetary Fund, 2019). This has even led to a surge in demand for foreign products in the domestic market. With a GDP of \$3.05 trillion, India has become the world's fastest-growing major economy having a huge consumer market.

The COO research has gained further importance in the current COVID-19 pandemic scenario, especially concerning skepticism towards imports from China coupled with the Government of India's wide-scale initiatives towards Atmanirbhar Bharat to make India more self-reliant (Gupta, 2021; Vernekar & Wadhwa, 2009) and such views being widely accepted by the people of India. As this globalization trend continues, the COO occupies a prominent research area to investigate domestic and foreign product availability in a country and consumers' purchase preferences. Few researchers have studied the COO effect on purchase preferences for domestic vis-à-vis foreign products in the Indian context (Kinra, 2006; Thomas et al., 2020). The present study, therefore, investigates the COO effect on the relationship between the evaluation of domestic products and their purchase intention in the Indian context. This study attempts to add to the existing body of literature on COO research in a developing country, specifically India.

## Literature Review

Globalization has paved the way to diminishing boundaries and increasing trade between countries with the continuous efforts of the World Trade Organization (WTO). COO as a concept has gained prominence to differentiate similar products in global trade through their association with the country. Country-of-origin (COO) refers to the country where the product is originally manufactured, and the COO effect refers to the perception of the people towards the products originating in different countries (Bilkey & Nes, 1982; Schooler, 1971). The seminal work of Schooler (1971) found significant differences in the evaluation of identical products except for their country of origin. Since then, the COO effect has been studied by researchers worldwide to investigate its effect on the evaluation of products and their purchase intention in different countries (Papadopoulos & Heslop, 1993; Verlegh & Steenkamp, 1999). These studies found that products originating from countries having positive perceptions and images are evaluated more favorably. Such a positive evaluation is found to be based on factors, that is, perceptions of quality and perceptions of the purchase value for products originating from a particular country (Joi Alex & Thomas, 2014; Kim & Chung, 1997; Yeong et al., 2007). This is because COO perception is found to be positively related to the economic development of the country, that is, products from developed countries (US, Germany, Japan, etc.) are generally perceived as superior in comparison to the products from developing and under-developed countries (India, China, Vietnam, Egypt, etc.) (Batra et al., 2000; Fetscherin & Toncar, 2010; Wang & Lamb, 1983; Yeong et al., 2007).

Added to this is another related aspect of consumer ethnocentrism which is found to mitigate any unfavorable image of the home country by its countrymen due to their patriotic and nationalist beliefs (Jain & Jain, 2010; Kaur & Kaur, 2014; Thomas et al., 2020). Accordingly, in such a situation, the COO effect has the tendency to positively evaluate the home country products more than imported products (Balabanis & Diamantopoulos, 2004). This positive COO perception of the home country magnifies if imports are from a country that was at war or border tensions with the domestic country (Jain & Jain, 2010). Studies revealed that many studies have been conducted on the relationship between COO and purchase intention for domestic and foreign products in developed countries (Bilkey & Nes, 1982; Balabanis & Diamantopoulos, 2004; Samiee, 1994). But limited studies are being

undertaken in emerging economies and specifically in India. So, the present study tries to fill this research gap by achieving the following research objectives:

- ☞ To study the relationship between the evaluation of domestic products and their purchase intention by Indian consumers.
- ☞ To study the influence of country-of-origin (home as well as foreign country) of a product on the above-mentioned relationship.

## **Proposed Model and Research Hypotheses**

Besides COO, the other two constructs used in the study are the evaluation of domestic products and purchase intention for domestic products.

### ***Evaluation of Domestic Products (EDP)***

The construct EDP explains the overall general quality perception for domestic products (Bawa, 2004; Klein et al., 1998; Samiee, 1994). The construct has also been referred to as judgment for domestic products in past studies. The domestic products were evaluated for their workmanship, quality, technological advancement, reliability, color, design, and value for money. Accordingly, the 6 - item scale proposed by Klein et al. (1998) was used after adapting it to the Indian context.

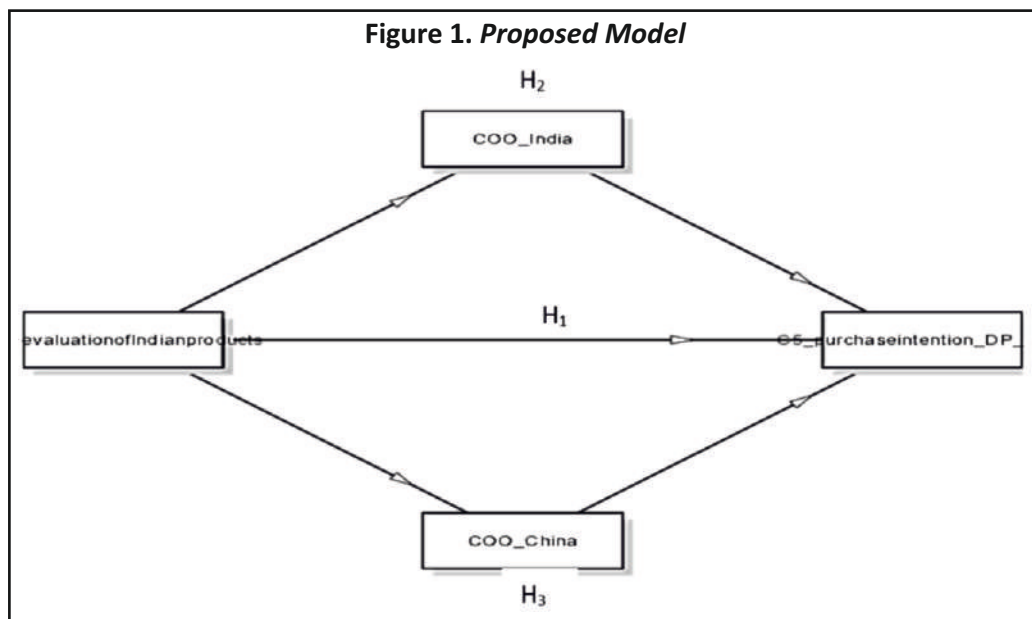
### ***Purchase Intention for Domestic Products (PIDP)***

The construct PIDP studies the extra efforts taken by people to buy home country products by looking at the labels or asking for such products only in retail stores (Balabanis & Diamantopoulos, 2004; Liefeld, 2004; Olsen et al., 1993; Verlegh & Steenkamp, 1999). Accordingly, a 4 - item scale proposed by Olsen et al. (1993) was adapted for the Indian context in the present study.

The country-of-origin effect (COO) for India and China was investigated for its mediating effect on the relationship between EDP and PIDP for Indian products. China is chosen as a country of comparison since it is another emerging economy with the widespread availability of Chinese products in the international and Indian markets. Even Indians prefer to buy Chinese products for their value-for-money offer (Ahmed & d'Astous, 2004). Yet, China is also a country with which India was at war in the past and shares tense border conflicts from time to time, which influences the decision to purchase Chinese products in light of patriotic and nationalistic sentiments. Further, the current COVID -19 pandemic situation also has a bearing on the purchase of domestic products over Chinese products (Krishnan, 2021). The present study investigates the direct relationship between the evaluation of domestic products and their purchase intention by Indians and the mediating effect of COO on this relationship, as exhibited in the model proposed for the study in Figure 1.

In light of the above discussion, the following hypotheses are proposed in the present study:

- ☞ **Ha<sub>1</sub>** : Evaluation of domestic products (EDP) is significantly positively related to the purchase intention of domestic products (PIDP) by Indian consumers.
- ☞ **Ha<sub>2</sub>** : COO (India) significantly mediates the relationship between evaluation and purchase intention for domestic products by Indian consumers.
- ☞ **Ha<sub>3</sub>** : COO (China) significantly mediates the relationship between evaluation and purchase intention for domestic products by Indian consumers.



## Research Methodology

The data for the present study were collected through a structured questionnaire; 450 respondents were contacted using convenience sampling by electronically mailing the survey questionnaire link to the respondents between August – October 2021. Despite the sincere efforts, a total of 314 complete survey questionnaires could be obtained, constituting a response rate of 69.8%. Section A of the questionnaire related to the demographic details of the respondents. Section B consisted of items for measuring different constructs used in the study. Each of these statements was to be rated by the respondents on a 7-point Likert scale ranging from 1 (means *strongly disagree*) to 7 (means *strongly agree*); 16 - item scales were used to measure the construct of COO India and COO China. They were modified and adapted from the scale proposed by Parameswaran and Pisharodi (1994) for general country image perception. EDP was measured on a 6 - item scale proposed by Klein et al. (1998), and PIDP was measured on a 4 - item scale proposed by Olsen et al. (1993). The data collected through survey questionnaires were analyzed using SPSS for descriptive statistics. The data were further tested for the proposed hypotheses using techniques like confirmatory factor analysis and path-mediation analysis.

## Data Analysis, Results, and Findings

### Sample Profiling

The analysis of the demographic profile of the respondents is presented in Table 1. There was almost an equal representation of males (52.9%) and females (47.1%) in our sample. The sample had more representation of unmarried (74.5%) in comparison to married (20.7%) respondents and singles (4.8%). This also corresponds to the occupation-based profiling of the respondents. The majority of the surveyed were students (69.1%) followed by employed (16.6%); other categories, like profession, business, retired, and housewives constituted 14.3% of the respondents. The majority of the respondents had educational qualifications up to graduation (78.7%) followed by post-graduation (11.1%) and professionals (10.2%). The respondents' classification based on family

**Table 1. Demographic Profile of the Respondents**

Demographic Variables	Categories	Frequency	Percentage
<b>Gender</b>	Male	166	52.9
	Female	148	47.1
	Total	314	100
<b>Marital Status</b>	Married	65	20.7
	Unmarried	234	74.5
	Single	15	4.8
	Total	314	100
<b>Educational Level</b>	Schooling	119	37.9
	Graduate	128	40.8
	Post-graduate	35	11.1
	Professional	32	10.2
	Total	314	100
<b>Occupation</b>	Student	217	69.1
	Employed	52	16.6
	Profession	19	6.1
	Business	10	3.1
	Retired	4	1.3
	House-wife	12	3.8
	Total	314	100
<b>Family Income</b>	< ₹ 25,000 pm	67	21.3
	₹ 25,001–40,000 pm	68	21.7
	₹ 40,001–70,000 pm	86	27.4
	> ₹ 70,000 pm	93	29.6
	Total	314	100

income revealed that there was more representation of middle-income groups (21.3% and 27.4%) followed by the high-income group (29.6%) and low-income group (20.1%).

### **Factor Analysis**

The constructs used in the study were factor-analyzed using confirmatory factor analysis. For each construct, the *p*-value is significant, confirming a significant correlation between the scale items. On applying the confirmatory factor analysis, scale items having factor loadings less than  $\pm 0.40$  were dropped to increase the robustness of the scale. The CFA was re-run, and the final CFA results are shown in Table 2. These factors are labeled as EDP (evaluation of domestic products), PIDP (purchase intention for domestic products), COO-India, and COO-China. All the items of the scale EDP and PIDP were retained. However, from the 16 - item scale used for constructs COO-India and COO-China, only eight and six items were retained finally to increase the robustness and reliability of the scale.

**Table 2. Factor Loading of Scale Items Using CFA**

Items	EDP*	PIDP*	COO* India	COO* China	No. of Items Retained in Construct
Indian products are carefully produced and have fine workmanship.	0.614				6
Indian products are generally of higher quality than similar products available from other countries.	0.655				
Indian products show a high degree of technological advancement.	0.497				
Indian products usually show a very clever use of color and design.	0.725				
Indian products are usually quite reliable and seem to last the desired length of time.	0.701				
Indian products are usually a good value of money.	0.732				
I will shop first at the retail stores that make special efforts to sell Indian products.		0.647			4
When I buy products, I will try as much as I can to buy Indian brands.		0.691			
I am always willing to buy Indian-made products.		0.531			
I am willing to take time to look at labels to know where the products have been made.		0.491			
Indian products have good style & appearance.			0.636		8
Indian products have a recognized brand image.			0.600		
Indian products are very durable.			0.598		
Indian products are known for good maintenance and service.			0.569		
Indian products offer a wide variety and choices.			0.529		
Indian products are technically advanced.			0.496		
Indian products are reasonably priced.			0.486		
Indian products are reliable.			0.479		
Indian products are known for bad performance.			-0.408		6
Indian products are known for bad workmanship.			-0.402		
Chinese products provide good maintenance and service.				0.719	
Chinese products are very durable.				0.719	
Chinese products have a recognized brand image.				0.699	
Chinese products are reliable.				0.679	
Chinese products are known for bad performance.				-0.624	
Chinese products are heavily advertised.				0.569	
Chinese products are expensive.				0.543	-0.465
Chinese products are cheap imitations.				-0.465	

**Note.** \* Scale items for constructs EDP, PIDP, & COO adapted from the works of Klein et al. (1998), Olsen et al. (1993), and Parameswaran and Pisharodi (1994), respectively.

### **Reliability and Validity**

The reliability of the scales was measured through Cronbach's alpha. A value of more than 0.70 suggests internal

consistency in the constructs (Hair et al., 2010; Nunnally, 1978). The reliability coefficients of all four constructs are more than the recommended value of 0.70, as shown in Table 3. The validity of the measurement model is evaluated by examining composite reliability (CR) and average variance extracted (AVE). Composite reliability (CR) is calculated for every construct and then compared with the cut-off value of 0.60, which is found to be higher for all scales used in the study. It is also recommended that AVE should be higher than the minimum threshold of 0.50 (Fornell & Larcker, 1981). However, Fornell and Larcker (1981) also concluded that the construct holds convergent validity if AVE is less than 0.50, but composite reliability is higher than 0.6. As seen in Table 3, the values of CR for all constructs are higher than 0.60 and thus point to the adequate convergent validity of the scales used in the study. This suggests that the scale can be used to perform the model fit analysis.

### **CFA Model Fit Results**

Model fitness was tested for the proposed model with the retained scale items using confirmatory factor analysis. The main fit indices, that is,  $\chi^2$ , CFI, RMSEA, SRMR, are tested to evaluate model fitness. Table 4 presents the results of CFA. The model fit value of  $\chi^2$ , CFI, RMSEA, and SRMR are within the recommended limits. The fit indices of the structural model are  $\chi^2 = 2.263$ , CFI = 0.901, RMSEA = 0.061, and SRMR = 0.057. The fit indices indicate that the structural model has adequate goodness of fit to the data. After getting satisfactory results for the measurement model, the constructs are examined through the mediation model for testing the hypothesized relationships.

### **Mediation Model**

The full mediation model is run to test the hypothesized relationships. The results of the full mediation model are presented in Table 5. It can be seen from the analysis results that the direct relationship between EDP and PIDP for

**Table 3. Reliability & Validity Analysis**

Constructs	Total No. of Items Retained	No. of Items Dropped	Cronbach's Alpha Reliability	CR	AVE
Evaluation of Domestic Products (EDP)_India	6	nil	0.83	0.819	0.534
Purchase Intention for Domestic Products (PIDP)_India	4	nil	0.76	0.701	0.455
COO (country-of-origin effect) India	8	8	0.71	0.776	0.405
COO (country-of-origin effect) China	6	10	0.78	0.712	0.504

**Table 4. CFA Results for the Model Fitness**

Fit Statistics	Recommended Value (Hair et al., 1998)	Model Fit Value
$\chi^2/df$	1–3	2.263 (accepted)
CFI (Comparative fit index-goodness of fit)	> 0.9–1	0.901 (acceptable)
RMSEA (Root mean square error of approximation)	< 0.08	0.061 (accepted)
SRMR (Standardized root mean square residual)	< 0.08	0.057 (accepted)



**Table 5. Full Mediation Model**

Type	Effect	SE	B	Z	P
Indirect	Evaluation of Indian products $\Rightarrow$ COO India $\Rightarrow$	0.016	-0.044	-2.47	0.013
Full	Purchase intention for DP (India)				
Effect	Evaluation of Indian products $\Rightarrow$ COO China $\Rightarrow$	0.013	0.029	2.077	0.038
	Purchase intention for DP (India)				
Indirect	Evaluation of Indian products $\Rightarrow$ COO India	0.034	-0.270	-4.98	< 0.001*
Part	COO India $\Rightarrow$ Purchase intention for DP (India)	0.083	0.163	2.851	0.004
Effect	Evaluation of Indian products $\Rightarrow$ COO China	0.048	0.212	3.837	< 0.001*
	COO China $\Rightarrow$ Purchase intention for DP (India)	0.058	0.13	2.471	0.013
Direct	Evaluation of Indian products $\Rightarrow$ Purchase intention for DP (India)	0.053	0.044	0.755	0.451

**Note.** \*significant at the 0.05 level.

Indian products is found to be insignificant, thus rejecting hypothesis  $H_{a1}$ . This implies that mediators COO-India and COO-China mediate the relationship between EDP and PIDP.

The indirect full mediation effect for mediators, COO-India and COO-China, on the proposed relationship (EDP  $\rightarrow$  PIDP) is found to be insignificant. But, the indirect part mediation effect of COO-India and COO-China on the relationship between EDP and PIDP is found to be significant ( $p$ -value < 0.001 for COO-India and COO-China). Therefore, hypotheses  $H_{a2}$  and  $H_{a3}$  are supported by the mediation results, that is, COO-India and COO-China significantly mediate the relationship between EDP and PIDP. To know the extent of the observed significant mediation effect, the mediation path effect is performed on the data.

### Path Mediation Analysis

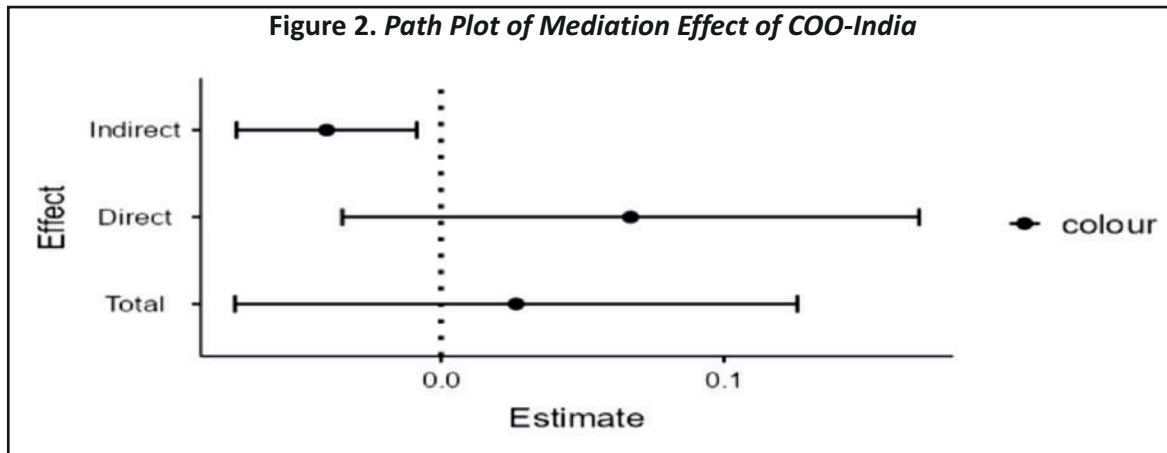
The path mediation analysis gauges the percentage of mediation effect of the observed mediator on the proposed relationship. The path mediation analysis was performed individually for the two mediators in this study, that is, COO-India and COO-China. The results of the path mediation effect of COO-India are presented in Table 6 and Figure 2. The results indicate a significant mediation effect of COO-India on the relationship between EDP and PIDP ( $p$ -value < 0.001), as indicated even by full mediation model results (refer to Table 5). Path mediation analysis also reveals that COO-India mediates 37.7% of the relationship between EDP and PIDP. Thus, COO-India significantly partially mediates the proposed relationship.

The results of the path mediation effect of COO-China are presented in Table 7 and Figure 3. The results indicate a significant mediation effect of COO-China on the relationship between EDP and PIDP ( $p$ -value < 0.001), as even supported by the results of the full mediation effect model (refer to Table 5). Path mediation analysis reveals that COO-China mediates 97.58% of the relationship between EDP and PIDP. Thus, COO-China significantly fully mediates the proposed relationship.

**Table 6. Mediation Effect of COO India**

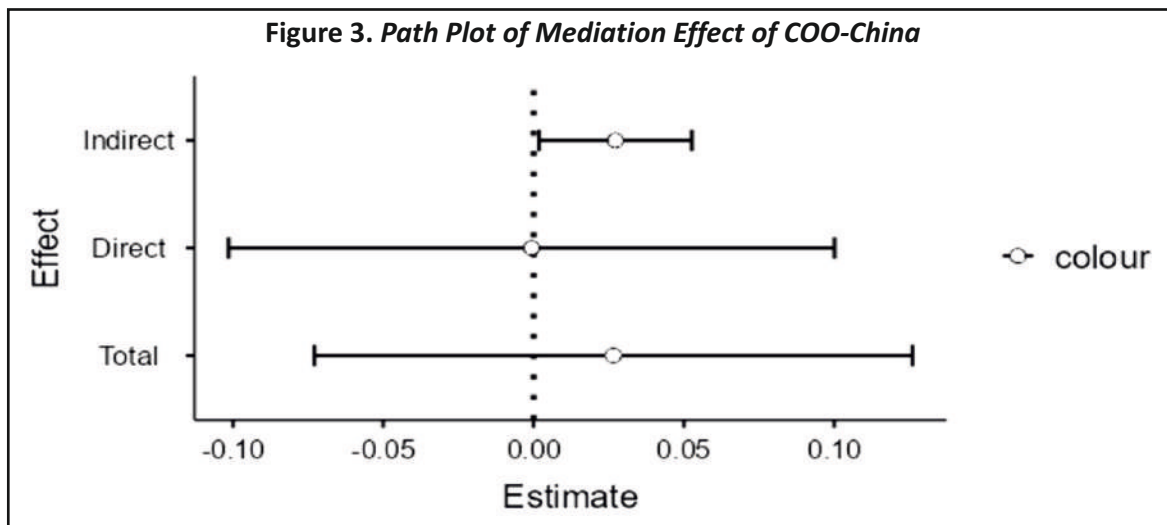
Effect	Path	SE	Z	P	% Mediation
Indirect Effect	EDP_India $\rightarrow$ COO India	0.034	4.98	< 0.001	37.7
	COO India $\rightarrow$ PIDP_India	0.083	2.88	0.004	
Direct Effect	EDP_India $\rightarrow$ PIDP_India	0.052	1.29	0.198	62.3





**Table 7. Mediation Effect of COO China**

Effect	Path	SE	Z	P	% Mediation
Indirect Effect	EDP_India → COO China	0.048	3.837	<0.001	97.58
	COO China → PIDP_India	0.059	2.502	0.012	
Direct Effect	EDP_India → PIDP_India	0.051	0.013	0.990	2.42



## Discussion and Conclusion

The analysis of data of this study has revealed interesting findings of the COO effect on purchase decisions by consumers in the Indian context. As far as the direct relationship between the constructs EDP and PIDP is concerned, EDP is not found to be significantly associated with PIDP in India. However, this relationship becomes significant when mediated by the COO effect for a specific country. Thus, the indirect effect that has been accounted for through the mediation effect of COO variables makes the investigated relationship between EDP

and PIDP in the Indian context significant. Two countries chosen to study the COO effect in the current research are India and China. The reasons for choosing China as another country besides India to study the mediation effect of COO are: both countries are developing countries, where one is the home country (India) and slowly becoming the world manufacturing hub, the other is a foreign country (China) with a wide availability of its products in India and is also the present manufacturing hub for both international brands and its country brands. In this context, it becomes essential to study the impact of the home country COO (India) over the competitive foreign country COO (China).

The results of the data analysis reveal that COO-India only partially mediates the EDP → PIDP relationship. This indicates that the COO effect in India is an influencing factor in making purchase decisions by Indians, even though the consumers in India may not evaluate the domestic product highly. Thus, the COO effect in India needs to be further leveraged through country branding advertisements and promotions both at the domestic and international levels.

The results also indicate that COO-China fully mediates the EDP → PIDP relationship. This indicates that the COO effect of China strengthens the EDP and PIDP relationship. Thus, our country's import policy should prominently display the 'Made in China' label on imports from China to further the demand and sales of Indian manufactured products in the domestic territory. The above discussions highlight that the COO is an important consideration while making purchase decisions in the Indian context, especially for the products that are both domestically manufactured as well as imported from a foreign country and sold within the domestic boundary.

## **Theoretical and Managerial Implications**

The present research contributes to the existing literature on country-of-origin studies. The majority of the past studies on COO were undertaken in Western countries, on specific brands, or concerning different product categories. There is a dearth of COO studies in the Indian context that also model the relationship between constructs used in the present study. Further, the study is largely based on responses from the young population in India, who, by nature, are assumed to be more accepting and open to foreign products. But the results of this study show that today, even the purchase preference of youth is influenced by COO information cue. This research not only investigates the relationship between the evaluation of domestic products and their purchase intention by Indian consumers, but also studies the mediating effect of COO on this relationship. Though the direct effect is found to be insignificant, the two mediation effects, that is, COO-India and COO-China, are found to be significant. COO-India partially mediates, and COO-China fully mediates the relationship between the evaluation of domestic products and their purchase intention.

The findings of this study call for a policy strategy by the government to build a positive country-of-origin image for India to cash on positive sentiments of Indians towards the 'Made in India' label. The study is in tandem with the Government of India's current policy initiatives like Atmanirbhar Bharat, Make in India, etc. The COO effect in India needs to be further leveraged to reap its full benefits by the manufacturers and businesses. This can be ensured by building popular domestic brands in India, displaying prominently the 'Made in India' labels on domestically manufactured products, and even engaging in domestic branding, that is, 'India as a brand.' Similarly, making the COO label mandatory and prominently visible on imports will dampen the demand for imports (especially imports from China) and push up demand for domestic products, especially when facing stiff competition from a country like China in our domestic territory. Thus, our country's import policy should prominently display the 'Made in China' label on imports from China to further the demand and sales of Indian manufactured products.

This study is also relevant for domestic companies to build powerful, strong domestic brands and couple it with proper display of the 'Made in India' labels on products to increase their domestic market share vis-à-vis imports.

The above discussion highlights that the COO is an important consideration while making purchase decisions in Indians.

## **Limitations of the Study and Scope for Future Research**

Though this study contributes to the existing literature on country-of-origin studies, yet there are certain limitations of the present that can be addressed by future researchers. Firstly, the sample was collected through a convenience sampling approach. Also, the majority of the respondents belonged to the student category, which can be diversified in future research to have a broad representation of different strata of the population. Secondly, the study investigated the country-of-origin effect for just one foreign country, that is, China, besides the home country (India). Future studies can examine the COO effect of other foreign countries whose products are widely available in India. Thirdly, future studies can examine the COO effect regarding different product categories. Demand for necessary products like medicines and medical supplies may not be affected despite their origin being in a foreign country. However, for non-essential products, the COO effect may hold. Lastly, the COO effect has not been investigated for demographic differences, that is, gender-wise, age-wise, income-wise, and education-wise, as there can be variation in product preferences for the COO effect demographically among Indians. Future researchers can also investigate this aspect.

## **Author's Contribution**

Dr. Reetika Jain conceived the idea and developed qualitative and quantitative designs to undertake the empirical study. She is the sole author and worked on the analysis and writing of the paper.

## **Conflict of Interest**

The author certifies that she has no affiliations with or involvement in any organization or entity with any financial or non-financial interest in the subject matter or materials discussed in this manuscript.

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