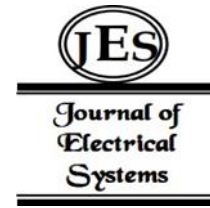


¹ Jeanne Ellyawati² Yenny Yosevha Br
Tarigan

The Effect of Materialism on Compulsive Buying Behavior: An Empirical Study of Paylater Users in E-Commerce



Abstract: - The development of information and communication technology in e-commerce has given rise to online credit payment (paylater) as an alternative online payment method. The presence of paylater in the online business world enables consumers to access and purchase products non-cash, which undoubtedly impacts consumer purchasing power. This study analyzes the effect of materialism on paylater, impulsive buying behavior, and compulsive buying behavior. Data was collected through a structured questionnaire using a cross-sectional survey research design, employing the purposive sampling method. The criteria for the sample recruited in this study were young adult customers who had used the paylater application more than once during the last six months. The sample consisted of 276 respondents, and the data was processed using the PLS-SEM program. The study results show that materialism positively affects paylater, impulsive buying, and compulsive buying. Meanwhile, paylater has a positive impact on impulsive buying behavior and compulsive buying behavior. Furthermore, the study findings indicate that impulsive buying behavior positively affects compulsive buying behavior.

Keywords: materialism, paylater, impulsive buying behaviour, compulsive buying behavior.

I. INTRODUCTION

The online business world has responded to the current leap in information and communication technology advances to offer company products and maximize their business. The shift in consumer behavior in shopping from traditional to online shopping continues to be driven by companies from time to time. The shop application must always be updated and augmented facilities according to needs, making it as easy to use as possible and easier for consumers to access. User-friendly applications can influence consumers in shopping and, in turn, can lead to changes in consumerism patterns in society [1]. To support the success of online marketing, marketers also augment other facilities, such as payment methods. Previously, online payment systems could only be made in cash. Now with the presence of paylater, consumers can enjoy purchasing goods online in installments/credit or non-cash. Augmenting of paylater facilities to e-commerce as an alternative payment system is expected to increase consumers' attractiveness to shopping online [2].

E-commerce service providers have played an active role in increasing their role through alternative paylater payment methods in e-commerce, such as SPaylater (Shopee), GoPaylater (Toko Pedia & Gojek), Dana Paylater, Kredivo, Traveloka Paylater, and so on. Compared to credit cards, paylater in e-commerce is more accessible for consumers regarding requirements, registration, data verification, and usage, and, of course, helps manage consumer finances [3].

Paylater can be said to be a gift for a consumerist and materialistic society. Previous studies stated that the presence of paylater in online marketing received a positive response from consumers, this is proven by the increase in the number of paylater since its launch [4]. According to DailySocial, Paylater contributed 2.9% of total global e-commerce transactions in 2021 and is projected to increase to 5.3% in 2025 [5]. As Kredivo said, 17% of its customers in Indonesia use the paylater payment method [5].

It cannot be denied that almost everyone from all levels of society currently has a communication device such as a smartphone, tablet, laptop, or others. The COVID-19 pandemic forces people to have these communication tools for academic and daily life needs. Along with high market demand, especially smartphones, technology is also increasingly user-friendly. Many young consumers become materialistic, shop to support their appearance, buy

¹ Universitas Atma Jaya Yogyakarta, Yogyakarta, Indonesia. j.ellyawati@uajy.ac.id

² Universitas Atma Jaya Yogyakarta, Yogyakarta, Indonesia. yennyyosevhaa15@gmail.com

* Corresponding Author Email: cysy@bicol-u.edu.ph

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products without a plan, and spend more than necessary, so they tend to become compulsive [6]. Meanwhile, materialism is more related to luxury, not just wanting products but also having them to satisfy themselves [2].

In their study, Müller et al. [7] stated that compulsive buying is formed because of shopping habits that often exceed needs. Apart from that, there is also a desire to shop excessively as compensation to relieve sadness, stress, and so on [8]. Meanwhile, impulsive buying is defined as consumer spending without planning, generally triggered by emotional stimulation due to stimuli from marketers, a supportive market situation, and consumers' lack of consideration in shopping [9]. The many stimuli marketers offer give rise to consumers' desire to obtain the product. On the other hand, for some low-income consumers, an offer of online credit using paylater is the right solution for shopping.

This study adopts a study conducted by Pradhan et al. [10]. The difference between this study and previous studies is that this study uses a paylater object, while the object of the previous study was a credit card. Paylater was chosen as the object of this study because paylater administration is easier to apply than credit card. So paylater is increasingly shifting the use of credit cards. The phenomenon of rapid paylater growth in Indonesia can be seen from IDScore, which recorded that the transaction value as of April 2023 increased 61.3% annually (yoy). In the same period, paylater contracts were almost three times higher than credit cards [11]. Paylater usage in 2024 is predicted to double compared to quarter 1-2022 [12]. Apart from that, the potential for the paylater market in Indonesia is still wide open [13]. This can be seen from the existence of 47 million Indonesians who have underbank status. The term underbank is a bank customer who already has an account at the bank but has not provided a credit loan facility application [12]. The research setting was conducted in Yogyakarta, Indonesia. The subjects of this research were Generations X, Y, and Z, while the subjects of the previous study were students studying an executive education program at a business school in India.

This study examines the influence of materialism on paylater, impulsive buying behavior, and compulsive buying behavior. Furthermore, this study also tested the effect of paylater use on impulsive buying and compulsive buying behavior. Finally, this study verifies the influence of impulsive buying behavior on compulsive buying behavior.

II. THEORETICAL BACKGROUND AND HYPOTHESIS DEVELOPMENT

A. *Definition*

Materialism

Materialism is defined as a view of human life that prioritizes ownership of goods or wealth to exclude other things. Consumers who tend to overvalue material things and shop more than they need are categorized as people with high materialistic values [14]. Materialism is a trait that emphasizes ownership as the core of individual identity attributions to interpret success [15]. Meanwhile, materialism is the consumer's tendency to shop excessively because this action is considered a means of obtaining praise [16].

Materialism tends to have negative consequences. Materialistic individuals tend to spend their money without control and desire to buy products continuously, for example, luxury/ branded products that are lacking or not even needed. As a result, this behavior leads to the accumulation of increasingly high debt. Materialism causes consumers to live with large debts due to the availability of non-cash payments and low-interest loans [17].

Another thing that needs attention is that predictions state that the future trends and materials will be displaced by experience. In his book *Stuffocation*, Wallman predicts that the future trend is not material, but experiences will be more likely to make humans happy, and people will shift from materialism to experiences [17]. Second, with the current development of information and communication technology, especially the internet and social media, various data and information are increasingly easy to obtain. However, consumer awareness of needs should encourage consumers to refrain from buying and prefer to consume more carefully [18].

Paylater

Today's technological developments make it easier for consumers to shop. Various applications or systems that appear in digital marketing were deliberately created by marketers to make it easier for consumers to shop, including how to pay. To attract buyers, marketers often offer credit or non-cash payment methods.

Financial technology (fintech) exists as a manifestation of technological developments in financial services. This new technology in the financial sector changes conventional payment methods with new payment methods using internet technology. With fintech, payments that previously could only be made manually at the time of the transaction now can be made online and in real-time [19].

One of fintech's features used by marketers in online marketing is paylater. Paylater's function differs from a credit card, built with the motto "Buy now, pay later." Paylater is like a double-edged sword. On the one side, paylater creates opportunities for individuals to purchase products they may not otherwise be able to afford. Conversely, it might be a stumbling block if individuals cannot exercise control over their spending [20].

Paylater facilities can be available on e-commerce such as Tokopedia, Traveloka, Kredivo, and so on. Ahmadi and Ardiansari [21] stated that the convenience of shopping pampers its users. However, the negative impact of such behavior can lead consumers to lose control of their shopping habits, thereby increasing their consumptive tendencies. Furthermore, consumptive individuals overlook additional expenses, such as credit interest charges, exacerbating their financial burdens.

Impulsive buying

Impulsive buying is defined as buying without planning. This is due to pressure within himself and environmental factors [4];[15]. Previous studies state that a person is said to make an impulsive buying when that person buys a product without consideration based on needs and acts beyond his or her control [17]. Previous study stated that impulsive buying behavior arises due to sudden and automatic urges from within himself. Impulsive buyers shop spontaneously by discovering product information [22]. Factors influencing impulse buying include demographic factors, such as gender, age, income, and ethnicity [23];[24]. Previous study found that based on age groups, it was found that the millennial group tended to shop impulsively compared to other age groups [25].

Compulsive buying

Compulsive buying describes addictive shopping behavior (shopaholic) and tends to be uncontrolled [17];[15]. Individuals who tend to behave excessively impulsively are said to have compulsive buying behavior [15]. Consumers who shop often do so because they want to overcome emotions and stress [10]. A past study found that psychological factors such as materialism values and impulsive buying can influence compulsive buying behavior [4]. Furthermore, it stated that impulse buying generally happens as compensation for life disappointments experienced to treat feelings of sadness, restlessness, or loneliness.

B. Hypothesis Development

Materialism affect paylater

Previous study on credit card use among 422 executive business school students in India found that materialistic individuals tend to compete and compare themselves with members of reference groups constantly and seek more material possessions [10]. In other words, there is a tendency for materialistic individuals to increasingly buy impulsively. It is also stated that the desire to achieve social status through material possessions increases spending and wasteful use of credit cards

Past studies on the economy in Iceland stated that materialism is related to spending and debt and is related to various indicators of financial well-being [18]. The easy availability of non-cash/credit payments through online payments encourages materialistic individuals to shop even if they don't have enough money. A strong desire to have the desired product makes individuals buy it without having to think about having money in hand [26].

H1: Materialism affect paylater use

Paylater affect impulsive buying

Non-cash payment methods are often used to complement certain lifestyle preferences. Credit (such as paylaters and credit cards) can provide a source of emergency funds in times of need [20]. A previous study regarding the use of credit cards and their impact on impulse buying found that consumers tend to make unplanned purchases and buy products beyond their needs [10].

Impulsive buying on e-commerce platforms is shopping online without prior planning, usually because it is attracted by the existing market situation and verbal and non-verbal social cues [9]. An attractive store environment and the presence of other people around can stimulate impulsive buying [27]. Quality and good web design, signals, reviews, and visual appeal can influence impulse purchases [28]. Impulsive buying also often occurs due to tempting seller offers such as cashback, discounts, special prices, and other appeals from sellers [24].

Impulsive buying is an action carried out spontaneously, tends to be sudden, and not planned because it is triggered by stimulation in the market environment. Consumers who are not financially ready but are driven by a strong desire to own the products offered by the shop will be encouraged to use easy and fast methods such as paylater facilities.

H2: Paylater tends to affect impulsive buying.

Materialism affect compulsive buying

A past study stated that materialistic individuals tend to be less satisfied with their purchases, leading to compulsive shopping [20]. Along with the development of e-commerce and various online product offerings, materialism and compulsive buying have also increased. A study conducted by Eroğlu and Kocatürk [17] found that consumers who make compulsive purchases in online marketing are influenced by materialism. Previous studies found a tendency to increase materialism values will increase the number of compulsive buying online [17]. According to Richins and Dawson [29], the materialism approach consists of three factors: the centrality of acquisition, the pursuit of happiness, and ownership, which will determine success. The study findings state that these three materialism factors significantly influence online compulsive buying. Materialism can increase consumer purchasing behavior to increase self-esteem and fulfill their needs.

H3: Materialism tends to affect compulsive buying.

Materialism and its influence on impulsive buying

According to the literature, materialist orientation acts as a mechanism for undesirable emotional states [27]. It is further said that in order to gain recognition of social status and power in their environment, materialistic consumers tend to be positive towards impulse buying. By owning luxury products, consumers will feel that their social status has risen and consider themselves more respected in their community. So it is not surprising that to fulfill their desires, consumers make excessive spending and even buy beyond their financial capabilities [24]. Apart from that, materialistic consumers often feel depressed when their desire to buy a product is not fulfilled. This kind of emotional pressure drives them to make impulse purchases [30]. This impulsive purchase can be used as an antidote to reduce consumer boredom and stress [31].

H4: Materialism tends to affect impulsive buying.

Paylater affect compulsive buying

Paylater's presence has excited online marketing platforms. Consumers who desire or need a product but have limited funds can take advantage of this facility. However, the availability of paylater facilities on internet marketing platforms has often encouraged consumers to spend beyond their financial capabilities. Consumers are often encouraged to vent their intentions and force themselves to buy the products displayed in the shop. Various attractive product offers often make consumers desire to own them and make them unable to control themselves [24]. This results in the excessive use of funds beyond the limits of financial capabilities and ultimately results in the misuse of paylaters [6]. Eroğlu and Kocatürk [17] stated that one's emotional function is the main factor causing compulsive buying. Consumers often feel unable to regulate their emotions when shopping, however shopping activities can relieve stress [32].

H5: Paylater use tends to affect compulsive buying

Impulsive buying affect compulsive buying

Impulsive buying is an unplanned purchase and also a purchase based on suggestion. Content on social media and attractive store displays can motivate consumers to make purchases suddenly, without thinking, which is a natural urge to make unplanned purchases [17]. Previous studies stated that several factors encourage impulse buying, such as store design, lighting, size, and atmosphere [33]. Impulse buying occurs because consumers fail to manage their emotions based on their desire to shop [30]. Meanwhile, impulsive buying carried out continuously or with high

intensity is called compulsive buying [15]. Compulsive buying is often considered a psychological disorder or emotional disorder, such as obsession, impulse, and overemphasizing negative feelings. Compulsive behavior harms consumers [30]; [15].

H6: Impulsive buying tends to affect compulsive buying

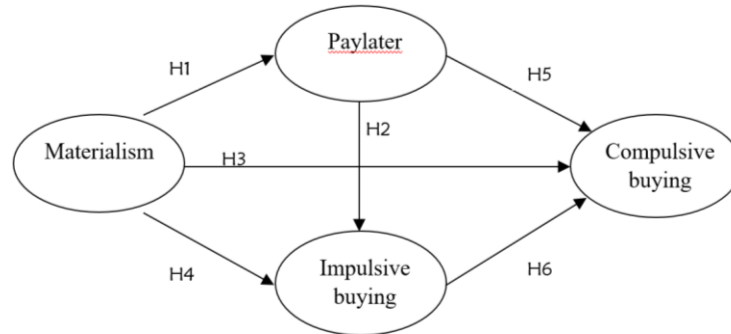


Fig. 1 Research Model

III. METHODOLOGY

A. Research Procedure

The research instrument was adapted from Pradhan et al. [10]. After being translated into Bahasa, the questionnaire was tested for face and content validity. A pilot study was conducted by distributing questionnaires to 30 respondents. Validity and reliability testing were performed using the SPSS program. Once all research instruments were confirmed to be valid and reliable, they were distributed to all respondents.

B. Sample and Data Collection Methods

The research design uses a cross-sectional survey. Data was collected through a structured questionnaire. Questionnaires were distributed online using the Google Form application via social media WhatsApp, Instagram, and Facebook. The sampling method used was purposive sampling. The respondents recruited for this study include young adult (Generation X, Y, and Z), ranging in age from 17 to 50 years. The participants in this study must be users of e-commerce applications and have used paylater services at least once in the last six months. The number of respondents recruited in this study was 276. The research instrument was measured using a 5-point Likert scale, from strongly disagree (score 1) to strongly agree (score 5). Hypothesis verification is carried out using Smart-PLS.

IV. RESULTS AND DISCUSSION

A. Respondent Characteristics

We use descriptive statistic to explain the characteristics of respondents. Most respondents were women (66.7%) and aged between 17 years and 30 years (82.2%). Judging from the average monthly income, most respondents earned between IDR 2,000,000 to IDR 5,000,000 (55.8%). The most commonly purchased product is fashion (50.7%). Most consumers have used paylater for the last six months (51.4%), and the frequency of using it (number of transactions) is as many as six times (48.9%).

B. Outer Model Measurement

Before being distributed to all respondents, the research instrument was validated to obtain a valid and reliable measurement [34];[35]. Data were processed using the SEM-PLS statistical program version 3.2.9 with a 95% of confidence level. This program has two types of validity tests: convergent validity and discriminant validity tests. A construct is said to have convergent validity if it has an average variance extracted (AVE) value of at least more than 0.5 for each variable and, in general, has a loading factor of >0.7 [36]. The Average Variance Extracted (AVE) value is used to measure the accuracy of each indicator [37].

Based on the outer model test, the AVE values range from 0.891 to 0.937 ($AVE > 0.5$). Therefore, we can conclude that all research instruments have met the requirements for convergent validity. Meanwhile, a construct is declared

to have discriminant validity if the cross-loading value of each indicator for each variable is different from the indicators of other variables and is grouped into that variable [36].

The study shows a cross-loading value for each variable greater than 0.7. The Fornell-Larcker criterion value meets the validity of the indicator; this can be seen from the AVE root value, which is greater than the AVE root value of the other variables. This shows that the discriminant validity of the indicator is met. The reliability test can be seen from Cronbach's alpha and composite reliability values. The rule of thumb states that a construct is said to be reliable if it has a Cronbach's alpha value greater than 0.6 and a composite reliability value greater than 0.7 [36]. Judging from the results shows that Cronbach's alpha value for each variable is greater than 0.6, and the composite reliability value is greater than 0.7. Thus, all variables in this study can be stated meet reliable criteria.

C. Inner Model Measurement

The inner model (structural model) test is to evaluate the goodness of fit of the research model. Structural model testing was carried out to see the relationship between latent variables by identify at the R-Square and Q-Square values of the research model. The research model improves if the R-square value is close to one [37].

Hypothesis verification is carried out using the bootstrapping method. With a 95% of confidence level, the t-value=1.96 and p-value=0.05. An independent variable is said to significantly affect the dependent variable if the t-test value is greater than the t-table value and the p-value is smaller than 0.05 [37].

The R^2 value is used to measure goodness of fit model and as a coefficient of determination that shows the magnitude of the influence of exogenous latent variables on endogenous latent variables. If the R^2 value >0.75 is stated strong, the R^2 value >0.50 is stated moderate, and the R^2 value >0.25 is stated weak [37]. Based on the results of data processing, the R^2 value obtained shows that the R^2 value for compulsive buying is 0.774. This can be interpreted that the compulsive buying variable is explained by the materialism, paylater, and impulsive buying variables by 77.4% (moderate). Furthermore, the R^2 value for the impulsive buying variable is 0.632. This can be interpreted that the impulsive buying variable was successfully explained by the materialism and paylater variables with an accuracy value of 63.2%. The R^2 value for the paylater variable is 0.343. This can be interpreted that the paylater variable is explained by the materialism variable, with an accuracy of 34.3% (weak).

Hypothesis test results show that materialism has a positive and significant effect on paylater ($\beta=0.586$; t-stat=15.555; $p<0.05$). Thus, it can be interpreted that hypothesis H1 is supported. Paylater has a positive and significant effect on impulse buying ($\beta=0.537$; t-stat=11.486; $p<0.05$). This can be interpreted that hypothesis H2 is supported. Materialism has a positive and significant effect on compulsive buying ($\beta=0.212$; t-stat=5.174; $p<0.05$). Thus it can be said that hypothesis H3 is supported. Materialism has a positive and significant effect on impulse buying ($\beta=0.351$; t-stat=6.088; $p<0.05$). Thus it can be said that hypothesis H4 is supported. Paylater has a positive and significant effect on compulsive buying ($\beta=0.415$; t-stat=9.456; $p<0.05$). This can be stated that the hypothesis H5 is supported. Impulse buying has a positive and significant effect on compulsive buying ($\beta=0.361$; t-stat=7.198; $p<0.05$). This shows that hypothesis H6 is supported.

Therefore, the higher the consumer's materialism, the more likely the increment of paylater, impulsive, and compulsive buying. Meanwhile, if the use of paylater increases, impulsive and compulsive buying will also tend to increase. Impulsive buying is proven to influence compulsive buying.

D. Discussion

The study found that materialistic consumers achieve their social status through material possessions, such as purchasing luxury goods, goods for pleasure and self-satisfaction, and goods that can impress other people. Materialistic consumers tend to lead to higher paylater usage. The results of this study are in line with previous studies conducted by Pradhan et al. [10] that materialism has a significant positive effect on students' use of paylaters in India. A previous study conducted by Dittmar [18] also found that materialism significantly predict the use of paylater.

Besides influencing the use of paylater, this study also found that materialism positively influences impulsive and compulsive buying behavior. Consumers who have materialistic characteristics such as admiring expensive goods, wanting to have things that other people don't have, and wanting to buy things so that other people admire them will use paylater to fulfill these desires. The existence of paylater offers on e-commerce also triggers its use and

leads to impulsive buying behavior. Uncontrolled impulsive buying behavior eventually leads to compulsive buying behavior.

This study is in line with previous studies conducted by Pradhan et al. [10]. The study found that materialistic individuals constantly compete with each other, compare themselves with other individuals of a higher social level, strive to get what they want, and often buy on impulse. This study is also in line with several studies conducted by previous researchers. The study conducted in Brazil found that materialism influences the compulsive buying of credit card users [26]. Other past study stated that materialism has an indirect effect on compulsive buying [38].

The study findings are not in line with previous studies conducted by Pradhan et al. [10] where the study findings show that credit card use has no effect on compulsive buying, but materialism and credit card use affect impulsive buying behavior. Materialism and credit card use do not directly influence compulsive buying but through impulsive buying as mediators. This explains that materialism and the use of credit cards tend to lead to impulsive buying behavior. However, to become compulsive, a consumer should first experience the impulsive buying stage. This study is also in line with the study conducted by Darrat et al. [38] where the study stated that there is a materialistic tendency to use paylater to encourage impulsive buying and ultimately trigger compulsive buying behavior.

The study found that paylater users have an influence on impulsive buying. The findings reveal that paylater users tend to shop impulsively. This study supports past research [39];[28] who found a positive influence on the use of e-wallet on impulse buying. There is a tendency for consumers to shop impulsively and buy more products than needed when there is a paylater payment option. This study also confirms study conducted by Sari [28]. A study conducted on consumers who use paylater in e-commerce in Indonesia found that paylater users influence impulsive buying behavior.

V. CONCLUSION

The study findings show that high materialism in society encourages consumers to increase the use of paylater, increasing impulse buying and compulsive buying. Materialistic consumers like buying luxury goods, branded goods, goods for pleasure and self-satisfaction, and goods that can impress others to increase their social status. In this way, materialistic individuals tend to fulfill their desires using paylater because they will get anything and more varied goods according to their desires without having funds.

Materialistic consumers tend to lead to higher paylater usage. The availability of paylater facilities in e-commerce will trigger the use of these facilities to have products that may not even be needed. Sometimes they also want to fulfill their desire to be admired by others and to satisfy themselves. This kind of behavior leads to impulsive behavior. Thus, paylater tends to cause impulsive shopping. This study also found that materialism positively and significantly affects compulsive buying. This means that people with a materialistic nature can also lead to compulsive buying behavior, namely uncontrolled product buying behavior, without considering the consequences.

The existence of paylater facilities can help consumers to have the products they need without having to have cash at the moment. However, pay later can also be used to fulfill other needs that are not currently needed yet or to buy products to please themselves. This encourages consumers to behave impulsively.

This research confirms previous findings, that high paylater use leads to impulsive and compulsive buying behavior. The existence of paylater facilities encourages consumers to make extra purchases; the desire to shop is unplanned, suddenly, and shopping creates consumer happiness and self-satisfaction.

A. Managerial implication

This study also proves that paylater encourages consumers to do impulse and even compulsive buying. With the presence of paylater, it will be a problem for consumers who find it difficult to control spending to buy the goods they want. Consumers will find it easier to buy products even though they may not need them because they can purchase products with non-cash. If this continues to happen, it can cause consumers to behave compulsively, especially if every e-commerce offers alternative purchases in installments, such as paylater, to attract buyers.

A past study stated that individuals who involuntarily think about their credit limits or are generally worried about money holdings tend to make impulse purchases, resulting in risky debt behavior [40]. While another study found that depression in consumers tends to lead to compulsive buying [38]. The lesson that can be learned from this study

is that consumers need to be extra careful about paylater offers because buyers can be trapped in uncontrolled consumptive purchases. As a result, consumers will purchase desired goods without control, and they may be unable to pay their debts, further harming the company. This will also hurt consumers and society in general. To prevent this, marketers must be able to educate consumers so that they are responsible for the debts they have incurred. E-commerce companies should also provide measurable limits so that consumers do not fall into impulsive or even compulsive behavior.

This study also found that the majority of paylater users are young age groups with an income of less than five million IDR per month, and the majority of transactions are used to purchase fashion. This means that paylater is mostly used by lower middle economic level who may have a low level of ability to pay debts. For future marketing strategies, marketers need to consider targeting market segments with higher economic levels.

Based on respondent characteristic data, two-thirds of paylater customers are women. In other words, the market segment of paylater users is mostly women. Therefore, marketers should target female customers with marketing strategies directed at this segment and map what products they like and their purchasing behavior.

Taking advantage of materialistic Indonesian consumers, the presence of paylater is the right online purchasing solution. However, even though paylater has now succeeded in becoming a supporting facility for leading Internet marketing platforms, companies need to monitor future technological developments and prepare marketing strategies that are more attractive to consumers. Payment systems must be designed to be easier but adhere to the precautionary principle to avoid or minimize the negative impacts of debt. Supported by a user-friendly application display and attractive marketing programs, it is hoped that consumers will remain loyal to marketers.

B. Future Research

Future research should consider to include other variables, such as experience, cultural factors and family and environmental influences, for more comprehensive research. This study also cannot be generalized because the sample size is still very limited, and the subjects studied are also limited to the young generation. To generalize the theory, a larger and more diverse sample is needed.

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