

The Effect of Halal Certification and Entrepreneurial Marketing on the Successful Small and Medium-sized Enterprises of Food Products

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ABSTRACT

This research aims to examine the effect of halal certification and entrepreneurial marketing on the successful small and medium-sized enterprises (SMEs) of processed food products and investigate the dominant factors affecting the successful business of food products. A quantitative method supported by Structural Equation Modeling Partial Least Square (SEM-PLS) is employed to conduct this research. Seventy-one respondents from SMEs actors of food products registered in the Institute for the Study of Food, Drugs, and Cosmetics of the Indonesian Ulema Council (LPPOM MUI) of Riau Province and had the halal certification became the research sample. They are selected using a purposive sampling technique. This research reveals that halal certification positively affects a successful enterprise, while entrepreneurial marketing, directly and indirectly, positively affect a successful business. In addition, entrepreneurial marketing positively affects halal certification. It interprets that halal certification and entrepreneurial marketing are the significant factors determining the successful enterprise of food products. Furthermore, the dominant factors affecting the successful business of processed food products are the certainty of material quality based on the halal concept and consumer preference (halal certification), the level of ability to weave the relation with government (entrepreneurial marketing), and marketing performance (successful business). So, halal certification and entrepreneurial marketing are the essential factors that have to be considered by entrepreneurs to achieve a successful enterprise of food products.

ABSTRAK

Penelitian ini bertujuan untuk menguji pengaruh sertifikasi halal dan pemasaran kewirausahaan terhadap keberhasilan usaha kecil dan menengah (UKM) produk makanan olahan dan menyelidiki faktor-faktor dominan yang mempengaruhi keberhasilan bisnis produk makanan. Metode kuantitatif yang didukung oleh Structural Equation Modeling Partial Least Square (SEM-PLS) digunakan untuk melakukan penelitian ini. Tujuh puluh satu responden dari pelaku UKM produk makanan yang terdaftar di Lembaga Pengkajian Pangan, Obat-obatan, dan Kosmetika Majelis Ulama Indonesia (LPPOM MUI) Provinsi Riau dan telah memiliki sertifikasi halal menjadi sampel penelitian. Mereka dipilih dengan menggunakan teknik purposive sampling. Penelitian ini mengungkapkan bahwa sertifikasi halal berpengaruh positif terhadap keberhasilan usaha, sementara pemasaran kewirausahaan, secara langsung dan tidak langsung, berpengaruh positif terhadap keberhasilan usaha. Selain itu, pemasaran kewirausahaan berpengaruh positif terhadap sertifikasi halal. Hal ini menginterpretasikan bahwa sertifikasi halal dan pemasaran kewirausahaan merupakan faktor signifikan yang menentukan keberhasilan usaha produk makanan. Selanjutnya, faktor dominan yang mempengaruhi keberhasilan usaha produk makanan olahan adalah kepastian kualitas bahan berdasarkan konsep halal dan preferensi konsumen (sertifikasi halal), tingkat kemampuan merajut relasi dengan pemerintah (pemasaran kewirausahaan), dan kinerja pemasaran (keberhasilan usaha). Jadi, sertifikasi halal dan pemasaran kewirausahaan merupakan faktor penting yang harus diperhatikan oleh para pengusaha untuk mencapai kesuksesan usaha produk makanan.

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1. INTRODUCTION

Indonesia is the country with the most Islamic population in the world. The awareness of consuming the halal product becomes a high market potential for producers to produce their halal products. Currently, the halal concept is not only related to religion but also business and trading. Halal product refers to products requiring Islamic law to prevent the forbidden products, either based on their substance or other than their substance (Burhanuddin, 2011). Al-Ghazali (2017) stated that something caused the food to be forbidden things such as wine and pigs. Halal food is fundamental to qualify the Islamic principle regarding the quality of halal food. Halal food's quality is hygienic, safe, healthy, and pure (Bakhri, 2020), in which the halal certification is one of the legal proofs to ensure the quality of halal food.

The Indonesian Ulama Council, known as MUI (2019), argued that halal certification is one of the tools for micro, small, and medium-sized enterprises (MSMEs) to increase the value of the resulting product. The halal certification of products represents the halal status of those products so that it provides serenity for consumers, mainly Islamic consumers (Hidayat & Siradj, 2015). In addition, by using the halal certification, MSMEs are challenged to apply the halal guarantee system. Consequently, it supports and improves the product quality of the business unit to become good products on consumer perception. Indonesia state law number 33 in 2014 regarding the halal product guarantee organizes the products that are goods or services related to food, drink, drugs, cosmetics, chemical, biological, and genetically engineered products, and goods used or utilized by people. It interprets that the law regarding the guarantee of halal products manages each incoming product that enters and circulates in Indonesian countries where products such as goods and services must have the halal certification, except they are forbidden products. It indicates that the halal certification can determine the entrepreneur's successful enterprise.

The marketing of small and medium-sized enterprises (SMEs) has a unique characteristic different from the conventional marketing generally applied by large companies, consisting of limited resources, special skills, and limited markets. Yang (2018) defined entrepreneurial marketing as a proactive manner in modifying and exploiting various opportunities to get and maintain the profitable consumer using an innovative approach to manage the risk, optimize the resource, and create value. It indicates that entrepreneurial marketing is vital to develop contemporary businesses in unpredictable conditions because entrepreneurship and marketing have the potency to complement each other. Vijaya & Irwansyah (2017) argued that entrepreneurial marketing is one of the predictable factors that have to be considered by the entrepreneur to obtain a successful business.

Several types of research related to halal certification, entrepreneurial marketing, and SMEs have been conducted by some researchers. Some pieces of literature studied the impact of halal certification on market performance, business growth, and social responsibility (Secinaro et al., 2021; Yusuf et al., 2016). Meanwhile, Giyanti & Indriastiningsih (2019) studied the effect of entrepreneur knowledge of SMEs in the food sector. On the other hand, Fard & Amiri (2018) studied the entrepreneurial marketing impact on small and medium enterprise performance of halal food. However, the studies focusing on halal certification and entrepreneurial marketing as the predictor factors to achieve the successful enterprise of food product's small and medium micro enterprises have not seen much research yet. Therefore, this research examines the effect of halal certification and entrepreneurial marketing on successful small and medium enterprises of food products. Moreover, this research is expected to support entrepreneurs to be successful in SMEs by having halal certification and entrepreneurial marketing skills.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

Successful Enterprise

Business success is a positive achievement of business entrepreneurship. Ratnasari (2017) argued that business success represents a condition in which it is more than others. Tupamahu et al. (2021) revealed that there are some performances that an entrepreneur has to have, such as innovation and marketing. In addition, Mangla et al. (2020) stated that operational performance is one of the factors of business success. Meanwhile, Secinaro et al. (2021) argued that finance is an essential factor for an entrepreneur to prepare to achieve a successful business. So, the entrepreneur must have several factors, such as innovative performance, market performance, operational performance, and financial performance, to achieve a successful enterprise.

Halal Certification

The food business is responsible for distributing food, mainly if the produced food causes disadvantages, either health problems or the death of people who consume it. People also need to get precise information about each food product packed before buying and consuming the food. Consequently, they need food certification, which explains that the food product is eligible to be consumed and is the halal certification. Hidayat & Siradj (2015) stated that halal certification is the official certification published by the government to justify that the food product is halal to be consumed. In addition, Chairunnisyah (2017) argued that halal certification is the written fatwa of the MUI stating the halal of products which is suitable to Islamic law. In the assessment process of food products to publish the halal certification, there are four factors considered by MUI that are raw material, production process, market function, and distribution and logistics (Bakhri, 2020; Khairunnisa et al., 2020).

Consequently, this study measures these factors as indicators representing halal certification. Halal certification is essential for successful MSMEs. The products of MSMEs certificated in halal have an immense opportunity to attract consumers. Chairunnisyah (2017) stated that mainly in Islamic countries, the label of halal certification on food products exceptionally decides the consumers to buy them. Moreover, Sigue & Biboum (2020) revealed that the halal label on the food product could increase the profit of SMEs actors. In addition, Wahyuni et al. (2020) showed that the halal label marked on the packaging of food products positively affects an increase in sales turnover. Hence, we hypothesize that:

H₁: Halal certification has a positive effect on a successful enterprise.

Entrepreneurial Marketing

Entrepreneurial marketing refers to the skill of entrepreneurs in promoting their business products to consumers. Moreover, Sarwoko & Nurfarida (2021) stated that entrepreneurial marketing is an integral part of any business strategy whereby it requires a proactive orientation, innovativeness, focus on customers, utilization of opportunity, risk management, and value creation in order for an interactive marketing approach to be successful. The food product with halal certification can be distributed to the consumer. In distributing to the consumer, entrepreneurial marketing is one of the efforts that the entrepreneur has to carry out. Elwisam & Lestari (2019) argued that marketing strategy is one factor that has to be considered in entrepreneurial marketing. The concept and method are also factors of entrepreneurial marketing (Dewanti, 2022). In addition, Vijaya & Irwansyah (2017) stated that marketing intelligence and risk tasking are the essential factors that the entrepreneur must understand in entrepreneurial marketing. It shows that some factors, such as strategy, concept, method, intelligence, and risk tasking, are essential in entrepreneurial marketing. Entrepreneurial marketing has a positive effect on successful enterprises. Several pieces of literature also stated that the entrepreneurial marketing strategy provides a positive effect on enhancing enterprise performance because one of the successful enterprise factors is business performance (Alqahtani et al., 2022; Chávez et al., 2019; Sadiku-Dushi et al., 2019).

The COVID-19 pandemic causes entrepreneurs to adapt to the change in customers' attitudes who mostly conduct online activities. In addition, some indicators of a successful enterprise, such as customer success, financial success, and substantial company success, are the marketing dimension which significantly affects each aspect of the successful enterprise (Alqahtani et al., 2022; Bucciari & Park, 2022; Bucciari et al., 2021; Dzogbenuku & Keelson, 2019; Morrish & Jones, 2020; Peterson, 2020; Sadiku-Dushi et al., 2019; Sigue & Biboum, 2020). These relevant researches prove that entrepreneurial marketing is crucial in getting successful small and medium micro-enterprises.

H₂: Entrepreneurial marketing has a positive effect on a successful enterprise.

Entrepreneurial marketing is related to a proactive and innovative business strategy to continuously strive to meet customer needs (Sarwoko & Nurfarida, 2021). One of the strategies to satisfy customer needs is product certification (Sudarmiatin et al., 2020). It means that the skills which have by entrepreneurs have in creating innovativeness in their business, utilizing opportunity, managing risk, focusing and making an interactive communication on customers, and promoting their business products to consumers becomes the primary consideration by the official institution such as MUI to give the halal certification. Focusing on innovation and being proactive in meeting customer needs through halal certification can improve the performance of small and medium enterprises (Hendijani Fard & Seyyed, 2018). Alqahtani (2022) also revealed that the awareness of small and medium enterprises on the ownership of halal certification affects the competitive performance of the small and medium enterprises because the enterprise uses a marketing concept approach. The halal industry can soar the income and quality of people's life through trading and investing and extend

the market for the halal product with various marketing pieces of knowledge (Karim et al., 2018; Khoerunnisa, 2016; Quoquab, 2020).

H₃: Entrepreneurial marketing has a positive effect on halal certification.

Figure 1 illustrates hypotheses developed in the Structural Equation Modelling. This figure also shows the indicators of each variable used.

3. RESEARCH METHOD

This research examines the effect of halal certification and entrepreneurial marketing on the successful small and medium enterprises of food products and investigates the dominant factors of those latent variables. A quantitative method was employed to carry out this research. Overall, there were three steps to conducting this study that were: (1) designing and validating the instrument, (2) administering the instrument to respondents, and (3) analyzing the data. Firstly, we designed and validated the instrument. The instruments containing statements representing the variables such as halal certification, entrepreneurial marketing, and successful enterprise had been designed and validated theoretically by two experts in Islamic economics. Secondly, we administered the instrument to the respondent. This research involved 71 entrepreneurs' small and medium micro enterprises of food products of 317 total entrepreneurs who had the halal certification in the Riau Province; they were selected by using convenience sampling technique because they are cooperative and easy to access as the respondents. The valid questionnaire was administered to the selected entrepreneurs from 2021 to 2022, supported by the Google form application. Thirdly, we analyzed the data. Likert's scale was used to measure the response of respondents in which each statement can be measured on a scale from 1 (very disagree) to 5 (very agree) (Boone & Boone, 2012). Structural Equation Model-Partial Least Square (SEM-PLS) was used to analyze the data (Hair Jr et al., 2021; Mike & Cheung, 2015). Hair Jr et al. (2019) argued that the minimum sample size recommended for analyzing the data using SEM-PLS was from 30 to 100 respondents. It interpreted that SEM-PLS was suitable to utilize in this research. The normal data was required to analyze the data using SEM-PLS (de Gois et al., 2020). Consequently, the t-test was conducted to examine the effect of halal certification and entrepreneurial marketing on the successful small and medium enterprises of food products (Fay & Proschan, 2010). All calculations and analyses of the data employed the smart-PLS software.

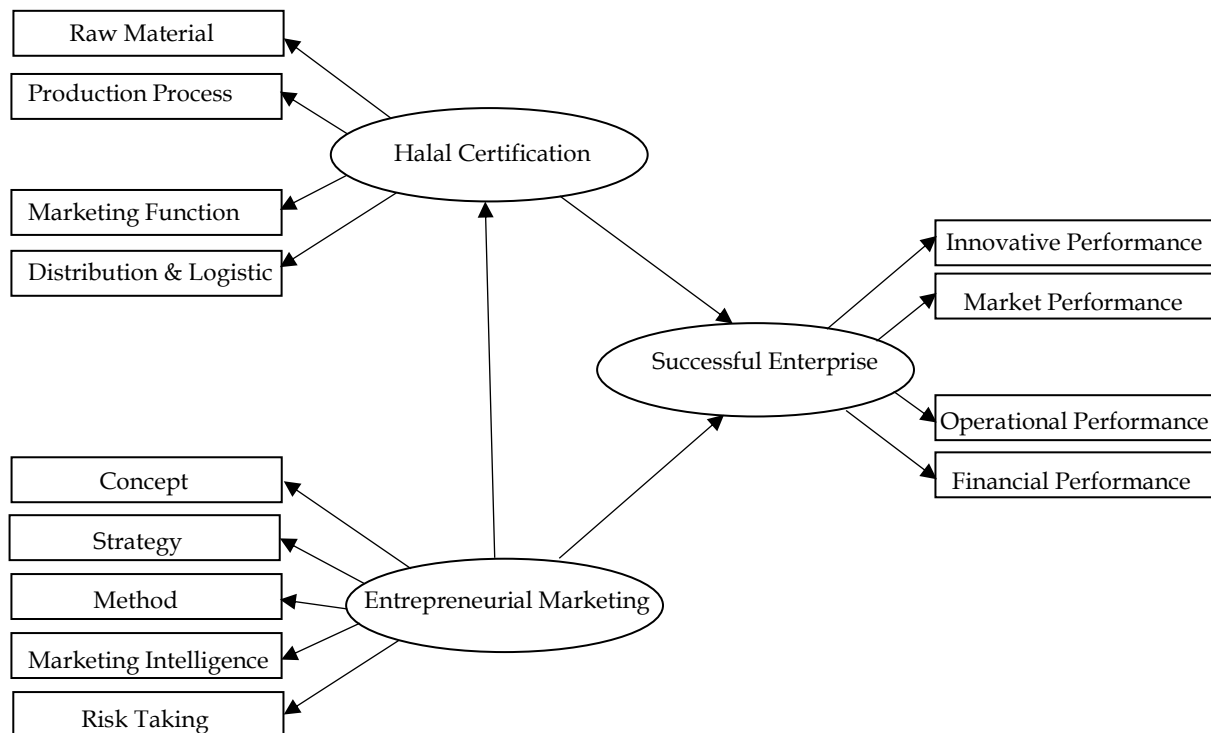


Figure 1. The Research Model

4. DATA ANALYSIS AND DISCUSSION

Data Analysis

The normality test results using the Shapiro-Wilk test showed that the significant value of each statement of the indicator's latent variables was more than 0.05. It interprets that the data of every statement of the indicator's latent variables were distributed normally. Consequently, the multicollinearity test was conducted by Regression test considering tolerance value and VIF (Gall et al., 1984). The results of multicollinearity using the Regression test are presented in Table 1.

De Gois et al. (2020) revealed that variables have no multicollinearity if the tolerance value is more than 0.10 and the value of VIF is less than 10. Table 1 shows that the tolerance value of every latent variable was more than 0.10, and the value of the VIF of every latent variable was less than 10. It indicates that there is no multicollinearity among latent variables.

The analysis results of the research's SEM related to the effect of halal certification and entrepreneurial marketing on the successful enterprise are shown in Appendices. Mike and Cheung (2015) revealed that if the value of the loading factor of every latent variable is more than 0.6, then the indicator is valid and eligible to be used. The result shows that the value of the loading factor of every statement and each indicator's latent variable was more than 0.6. It interprets that every statement and each indicator's latent variable were valid and eligible to be employed in this research. Furthermore, the reliability test on the model was used to prove the accuracy and consistency of the instrument in measuring the variable. The reliability test was conducted by measuring the composite reliability.

Table 1. Multicollinearity test

Model	Collinearity Statistics	
	Tolerance	VIF
Halal Certification	0.872	1.147
Entrepreneurial Marketing	0.923	1.084
Successful Enterprise	0.810	1.235

Table 2. Results of construct validity testing

Variable	Dimension	Items	Loading Factor	Conclusion
Business Success	Financial Performance	KK1	0.897	Valid
		KK2	0.889	Valid
	Operational Performance	OP1	0.939	Valid
		OP2	0.947	Valid
	Innovative Performance	KI1	0.869	Valid
		KI2	0.828	Valid
		KI3	0.912	Valid
	Market Performance	KPI1	0.902	Valid
		KPI2	0.929	Valid
		KPI3	0.946	Valid
Halal Food Certification	Raw Material	RM2	0.828	Valid
		RM3	0.782	Valid
		RM4	0.891	Valid
	Production Process	PP2	0.838	Valid
		PP3	0.722	Valid
		PP4	0.884	Valid
	Market Function	FP1	0.817	Valid
		FP2	0.928	Valid
		FP3	0.814	Valid
	Distribution & Logistic	DL1	0.869	Valid
		DL2	0.817	Valid
		DL3	0.830	Valid

Table 2. (continued)

Variable	Dimension	Items	Loading Factor	Conclusion
Entrepreneurial Marketing	Concept	KO2	0.906	Valid
		KO3	0.851	Valid
	Strategy	ST1	0.853	Valid
		ST2	0.840	Valid
	Methods	ME1	0.936	Valid
		ME2	0.939	Valid
	Market Intelligence	IP1	0.875	Valid
		IP2	0.833	Valid
		IP4	0.777	Valid
	Risk Taking	RT1	0.915	Valid
		RT2	0.899	Valid

The average variance extracted (AVE) and composite reliability (CR) of the measurement model are shown in Table 3. This table shows that the value of AVE for each latent variable was more than 0.05. It means that the variable of halal certification, entrepreneurial marketing, and successful enterprise can explain the variance of its indicators well (Mike & Cheung, 2015). In addition, Table 3 shows that the composite reliability value for every latent variable was more than 0.7. It interprets that all latent variables have been consistent (Mike & Cheung, 2015).

The evaluation of discriminant validity using the value of the Fornell-Larcker criterion is shown in Table 4. This table shows that the outer loading from each latent variable was more than the cross-loading for every latent variable. It means that the discriminant validity of the research's SEM has qualified the requirement (Mike & Cheung, 2015). Consequently, the research's SEM presented in Appendices has been fit and suitable.

The inner model is the analysis describing and predicting the relationship among latent variables. Firstly, the structural model is measured using R-square, Q-square predictive relevance, and goodness of fit (Mike & Cheung, 2015). The results of measurement items are shown in Table 5.

Table 5 shows that the value of R-square for the variable of halal certification was 0.321, which means that the variable of halal certification can be explained by the variable of entrepreneurial marketing as big as 32.10%. In addition, the value of R-square for the variable of the successful enterprise was 0.526, which interprets that the variable of successful enterprise can be explained by the variable of halal certification and entrepreneurial marketing as big as 52.60%. Furthermore, the value of predictive relevance Q-square was 0.678, which means that the research's SEM can explain the studied phenomenon as big as 67.80%. Then, the value of goodness of fit was 0.282, and it interprets that the goodness of fit of this research's SEM categorizes as high.

Table 3. Average Variance Extracted (AVE) and Composite Reliability (CR)

Latent Variables	Composite Reliability	Average Variance Extracted
Halal Certification	0.880	0.785
Entrepreneurial Marketing	0.918	0.556
Successful Enterprise	0.919	0.656

Table 4. The Results of discriminant validity

Latent Variables	Halal Certification	Entrepreneurial Marketing	Successful Enterprise
Halal Certification	0.886		
Entrepreneurial Marketing	0.567	0.746	
Successful Enterprise	0.421	0.725	0.810

Table 5. The measurement of the structural model

Measurement Items	R-square	Q-square predictive relevance	Goodness of fit
Halal Certification	0.321		
Entrepreneurial Marketing	0.526	0.678	0.282

The value of the t-table with $\alpha = 0.05$ was 1.667. Table 6 shows that each t-statistics for every hypothesis was more than the t-table. It means that the halal certification significantly positively affects the successful enterprise. In addition, entrepreneurial marketing significantly positively affects the successful enterprise. Entrepreneurial marketing also significantly has a positive effect on halal certification. Thus, halal certification and entrepreneurial marketing significantly positively affect the successful enterprise.

Discussion

The results show a positive effect of halal certification on successful enterprises. It means that the halal certification positively affects the successful enterprise. This result is due to factors such as belief and religious commitment affecting the consumers' loyalty (Hidayat & Siradj, 2015). In addition, food products certified by halal status become one of the requirements to enter the modern market, such as hypermarkets and supermarkets. The halal certification must be applied in the food industry because it ensures that Islamic practices are included in safety and cleanliness in the food production process. It can help enterprise growth, mainly in the most Islamic country (Yusuf et al., 2016). Sigue & Biboum (2020) revealed that the halal label on the food product could increase the obtained profit of the entrepreneurs in the MSMEs category. In addition, Wahyuni et al. (2020) showed that the halal label marked on the packaging of food products positively affects an increase in sales turnover.

Furthermore, some pieces of the literature revealed that halal certification positively affects the successful enterprise of halal-certified companies (Khoo et al., 2020; Mansur et al., 2022; Secinaro et al., 2021). Some relevant research also showed that halal certification has a significant positive relationship with operational performance (Haleem et al., 2019; Katuk et al., 2020; Nurani et al., 2022; Tseng et al., 2022). These proofs strengthen the fact that halal certification is the certification type of food safety as the halal guarantee tool (Calder, 2020; Demirci et al., 2016; Latino et al., 2022; Muneeza & Mustapha, 2020; Russell & Wilson, 2022). Therefore, halal certification is essential to achieving the success of SMEs.

After this, another result shows that entrepreneurial marketing positively affects successful enterprises. Several pieces of literature also stated that the entrepreneurial marketing strategy provides a positive effect on enhancing enterprise performance because one of the successful enterprise factors is business performance (Adel et al., 2020; Alqahtani & Uslay, 2020; Sadiku-Dushi et al., 2019); Arfably et al., 2016; Rusminah et al., 2019). The COVID-19 pandemic causes entrepreneurs to adapt to the change in customers' attitudes who mostly conduct online activities. In addition, some indicators of a successful enterprise, such as customer success, financial success, and substantial company success, are the marketing dimension which significantly affects each aspect of the successful enterprise (Alqahtani et al., 2022; Buccieri & Park, 2022; Buccieri et al., 2021; Dzogbenuku & Keelson, 2019; Morrish & Jones, 2020; Peterson, 2020; Sadiku-Dushi et al., 2019; Sigue & Biboum, 2020). These relevant researches prove that entrepreneurial marketing is crucial in achieving the success of SMEs.

This research also reveals that entrepreneurial marketing positively affects halal certification. It means that the awareness of entrepreneurs distributing the halal product enhances the producers' awareness to mark the halal-certified food product. It can be triggered by the awareness of SMEs that the ownership of halal certification affects the competitive performance of SMEs (Alqahtani et al., 2022). Focusing on innovation and being proactive in meeting customer needs through halal certification can improve the performance of SMEs (Hendijani Fard & Seyyed, 2018). The halal industry can soar the income and quality of people's life through trading and investing and extend the market for the halal product with various marketing pieces of knowledge (Karim et al., 2018; Khoerunnisa, 2016; Quoquab, 2020). Therefore, SMEs must take the chance to be proactive in producing halal products because it can be competitive for SMEs to the extent of their business locally or globally.

Table 6. The Results of hypothesis testing

Effect	Path Coefficient	Coefficient	t-statistics	Conclusion
Direct Effect	HC \rightarrow SE	0.567	5.561	Accepted H ₁
	EM \rightarrow SE	0.717	4.778	Accepted H ₂
	EM \rightarrow HC	0.014	1.719	Accepted H ₃
Indirect Effect	EM \rightarrow SE	0.008	1862	Accepted H ₂

Note: HC (halal certification); EM (entrepreneurial marketing); SE (successful enterprise)

The indicator reflecting the strongest interrelation of the variable of halal certification was the material quality based on the halal concept and consumer preference, in which these indicators had a loading factor of as many as 0.891. It shows that the material quality based on the halal concept and consumer preference are the most dominant indicator in describing halal certification. It also can describe reflecting the variable of halal certification. Consequently, it is applied well to enhance the successful SMEs of food products. Furthermore, the indicator reflecting the strongest interrelation in describing entrepreneurial marketing was the level of ability to weave the relation with the government in which it had a loading factor as many as 0.850. It can reflect entrepreneurial marketing if applied well to enhance the successful SMEs of food products. Next, the indicator of the successful enterprise variable with the strongest interrelation was the market performance, with a loading factor of as many as 0.947. It can also describe reflecting the successful enterprise to enhance the successful SMEs of food products.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

This research provides valuable insights that halal certification significantly positively affects the success of SMEs. In addition, entrepreneurial marketing directly and partially positively affects the success of SMEs. Furthermore, entrepreneurial marketing significantly has a positive effect on halal certification. Entrepreneurial marketing also positively affects the success of SMEs mediated by halal certification. Subsequently, the dominant indicator of the variable of halal certification is the material quality based on the halal concept and consumer preference. At the same time, entrepreneurial marketing has the dominant factor: the ability to weave a relationship with the government. In addition, the dominant factor of a successful enterprise is market performance. This study implies that food producers must ensure that their products have been certified as halal because the consumers in Indonesia, especially most Islamic people, consider the food products to have the halal certification. In addition, they must have sufficient entrepreneurial marketing skills in announcing their food products so that the consumers are interested in them.

This research has various scopes limiting the studied matter. For further relevant research, other researchers should deepen and add the reference related to the halal certification for another necessity. It is due to the halal certification not only representing halal-certified food products but also having the opportunity to be new marketing of food and drink products which can enhance the confidence interval of Islamic consumers in purchasing food products. The label of halal certification on the packaging shows consumers that the product has been certified as halal, published by MUI. In addition, the optimization of halal certification for entrepreneurs of SMEs aims to respond to market needs and achieve a successful enterprise.

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Appendices: Result of Model

