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## **A conceptual framework for value co-creation practices in C2C social commerce environment**

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### **Abstract**

*The concepts of value creation and co-creation have been widely discussed, yet the contribution that information and communication technologies (ICTs) can make in this area is under-researched. The objective of this study is to investigate the nature of value creation and co-creation practices in C2C social commerce highlighting the role of ICT in the practices. This research in progress paper outlines the development of a framework which will be used to investigate the relationship between ICT and value creation in the C2C social commerce environment. The framework concentrates on four key elements in the co-creation of value: the role of ICT; relationships; actors; and types of value. The framework has been developed based on an extensive literature review of relevant research in the areas of Marketing and Information Systems. The intention is to test the framework on C2C social commerce sites in South East Asia.*

### **Keywords**

Social commerce, virtual community, value co-creation.

### **INTRODUCTION**

In recent years, the usage of social media as an E-Commerce platform has become popular. This model is known as social commerce, and consists of online communities which combine social and commercial activities. It has been observed that C2C social commerce seems to be mushrooming in South East Asian countries, such as Malaysia, Singapore and Indonesia (Fletcher & Greenhill, 2009; Hassan et al., 2011; Lim, Diaz, & Dash; Quek, 2009; Wong, 2010). Although Fletcher and Greenhill (2009) note that there have been some issues with how sellers deal with customers in the C2C social commerce environment, such as use of inappropriate words, numerous C2C social commerce sites have been established since 2008. This indicates that some value is being created in this business environment which is worthy of further investigation.

A number of different factors lie behind the growth of C2C social commerce in South East Asia. Firstly, customers are hesitant to make online transactions using traditional E-Commerce shopping carts due to issues of trustworthiness and security (Thaw, Mahmood, & Dominic, 2009). According to Armesh, Salarzahi, Yaghoobi, and Nikbin (2010), many Malaysian customers are still reluctant to release payment card information to online merchants, fearing losing control over their bank account. In Malaysia C2C social commerce, customers normally use online banking or cash deposit machines to transfer the money to the sellers. This means the customers don't have to disclose their credit card information and can minimise the possibility of data theft. Secondly, Brandtzæg and Heim (2009) found that there are some factors which motivate people to engage with social networking sites. The factors include: (i) people with shared interests, (ii) experiences and needs, (iii) supportive and sociable relationships, (iv) strong social feelings of belonging, (v) a sense of shared identity (vi) user visibility, (vii) feedback channels, (viii) a large user population, (ix) low barriers for entering the community, and (x) accessibility and usability. We argue that these factors form some of the reasons why South East Asian customers engage with C2C social commerce. This is supported by Hanna, Rohm, and Crittenden (2011) who report that the technologies or platforms used for social commerce are one of the motivating factors for engaging in social commerce. The social media platforms are easy to access using not only computers but other mobile devices (i.e. mobile phones, tablets), hence making the sites easily accessible to both customers and sellers in C2C social commerce.

Researchers argue that online shopping sites using social media can result in value creation and co-creation for both customers and businesses (Grange & Benbasat, 2013; Kohler, Fueller, Matzler, & Stieger, 2011a; Kohler, Fueller, Stieger, & Matzler, 2011b). We believe that C2C social commerce also has the potential for value creation and co-creation. In the co-creation of value, customers are assumed to create value together with the organization (Pongsakornrungrungsilp & Schroeder, 2011). Co-creation of value is important as it utilizes customers' potential for demonstrating knowledge, co-constructing the service experience, utilizing expertise, highlighting the customer's point of view and improving the front-end process of identifying customers' needs and wants (Lusch & Vargo, 2006; Pongsakornrungrungsilp & Schroeder, 2011; Prahalad & Ramaswamy, 2004). The recognition of the role of the co-creation of value arose with the evolution of a new dominant logic in marketing; toward the service-dominant (S-D) logic, as opposed to the goods-dominant (G-D) logic.

According to Tuunanen, Myers, and Cassab (2010), the shift from goods-orientation to service orientation has implications for IS researchers as it involves the design and development of digitized services, as well as the deployment of IS targeted to the consumers of these services. Thus, they argue that IS solution now needs to be designed and developed with the customers in mind rather than the users. This leads on to the concept of consumer information systems (CIS) which are defined as *systems that enable consumer value co-creation through the development and implementation of information technology enabled processes that integrate system value proposition with customer value drivers* (Tuunanen et al., 2010; Pg. 2).

Social commerce is defined in this research as an online selling and buying process using social media technologies and/or platforms, to facilitate the interactions between sellers and customers. Social commerce falls under CIS as it allows the co-creation of value with the use of Web 2.0 applications. As an ICT-enabled service, Web 2.0 allows users to customize the platform design for social commerce sites.

Grange and Benbasat (2013) claim that value creation and co-creation on platforms that combine different aspects of social commerce are understudied, particularly in the C2C environment. Although value creation and co-creation studies often discuss the process of value creation and co-creation, what seems to be lacking from this research area is the role of ICT in the process. Previous research (Grönroos & Voima, 2013); has yet to highlight the role of ICT in the value creation and co-creation processes.

To sum up, research on C2C social commerce, value creation, and virtual communities seems to lack an appropriate model. This view is supported by Grange and Benbasat (2009) who claim that despite the fact that research in social media has triggered a lot of attention, it lacks a coherent model due to its cross-disciplinary nature. This paper thus suggests a conceptual framework for value co-creation practices from the perspective of Information Systems targeting to address the area of C2C social commerce virtual communities. The conceptual framework will be used to answer the following research questions:

RQ1: How do C2C social commerce virtual communities create and co-create value?

Sub-Questions:

- i. What are the value creation and co-creation practices in C2C social commerce virtual communities?
- ii. What are the roles of actors in the virtual communities in order to create value?

RQ2: What are the roles of ICT in creating and co-creating value?

Sub-Questions:

- i. What are the types of technology used in order to create and co-create value?
- ii. How do these technologies used in the practices?
- iii. Do these technologies influence the practices? How?

RQ3: What are the types of value created by the C2C social commerce virtual communities?

## VALUE

Value is what the customers get from the buying and selling transaction. The concept of perceived value has gained a lot of attention from researchers (Sánchez-Fernández & Iniesta-Bonillo, 2007). One of the leading scholars of the theory of value, Holbrook (1994) defines value as the product of an evaluative or analytical judgment. It can be used to characterize a consumer's experience of interacting with some object in the same environment. While debate exists regarding a precise definition of value, the stance adopted in this paper is based on an argument by Babin, Darden, and Griffin (1994) who state that value is provided by the complete shopping experience, not only product acquisition. This is supported by Holbrook (1999) who defines value as a relativistic preference that can characterize consumer's experience of interacting with some object. This includes the interaction amongst the community in any particular environment.

When the concept of value was originally applied in marketing and business transactions, it was only concerned with monetary benefits (Anderson & Narus, 1998; Dodds & Monroe, 1985). Further research revealed that value

not only has financial aspects but also includes non-monetary aspects, for example emotional value and social rewards. Table 1 shows the types of value that are relevant to the C2C social commerce environment.

Table 1: Types of value

Type of value	Descriptions
Utilitarian Value, Extrinsic Value, Practical Value, Functional /instrumental value	Related to functional aspect such of the product/services consumed by the buyer (purpose or objectives, appropriateness of product or services, quality etc.)
Hedonic Value, Intrinsic Value, Emotional Value	Concerned with positive or negative feelings and/or emotion of buyers (Love, hate, joy).
Systemic Value, Logical Value	Logical or Rational aspect of the purchase
Self-Oriented Value, Symbolic or expressive value	For one self, self-expression (sentimental reason)
Social Value, Other oriented value	Satisfy community, social image

**VALUE CO-CREATION**

One of the Service-Dominant (S-D) Logic views of value co-creation is that the “customer is always a co-creator of value” (Payne, Storbacka, & Frow, 2008; Vargo & Lusch, 2004, 2008). Vargo and Lusch (2004) define it as the level of perceived value created by virtue of interactions, over and above the value derived from consuming the service itself, whilst Prahalad and Ramaswamy (2004) define it as a process by which both customers and sellers collaborate to create value, and customers are the co-creator. However, an alternative view of S-D logic suggests that “customer is a value creator” (Grönroos & Voima, 2013; Heinonen et al., 2010; Voima, Heinonen, & Strandvik, 2010). Heinonen et al. (2010) and Brown (2007) claim that S-D logic is not adequately customer-focused but rather represents the company-based view. Thus, scholars like Grönroos (2008); Peñaloza and Venkatesh (2006), Heinonen et al. (2010) and so on emphasize the customer’s perspective in S-D logic. The difference between these two views will be shown when discussing the models and frameworks in this area.

Using the traditional view of S-D logic, Payne et al. (2008) proposed a conceptual framework for value co-creation, which illustrates an interconnected set of processes and shows the recursive nature of co-creation. (Refer to Figure 1). The recursive process is shown by the arrows to and from customer learning, as well as arrows from and to organizational learning. Payne et al. (2008) claim that their framework has conceptualized key processes in managing value creation, thus contributing both theoretical and practical aspects to the value creation field. Although this study has contributed to both theoretical and practical perspectives, however, it has failed to include the actor’s role which is vital in the value co-creation research (Andreu, Sánchez, & Mele, 2010; Grönroos, 2011; Grönroos & Voima, 2013). Furthermore, the definition of value creation and value co-creation is also not well defined as there is still confusion over who creates the value and who co-creates it.

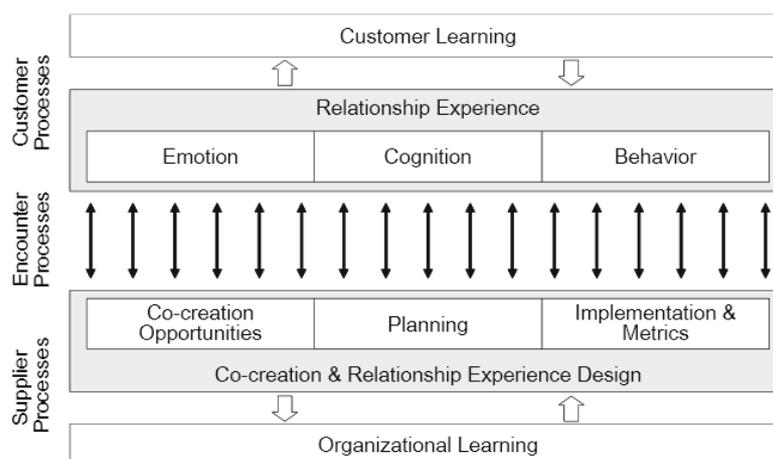


Figure 1: Conceptual framework for value co-creation (Pg. 86, Payne et. al, 2008)

Other scholars (Grönroos, 2008; Grönroos, 2011; Grönroos & Voima, 2013; Heinonen et al., 2010; Voima et al., 2010) have an alternative view of interpreting value co-creation in S-D logic. They claim that the statement ‘the

customer is always a co-creator of value' is misleading because under certain circumstances the service provider gets opportunities to co-create value together with its customers. This means that the sellers can also become co-creators. According to Grönroos and Voima (2013), in the traditional S-D logic view, consistent understanding of value and value co-creation is missing as it still implies that the firm is always the dominant partner in value creation. The alternative view considers that the customer can also dominate the value creation process and that when this happens, the seller will act as the co-creator. This supported by Heinonen et al. (2010) who claim that the traditional notion of S-D logic which considers the customer as having a passive role is out-dated. Hence, Grönroos and Voima (2013) developed the joint production process model, which is an extension of their previous work (Grönroos, 2011).

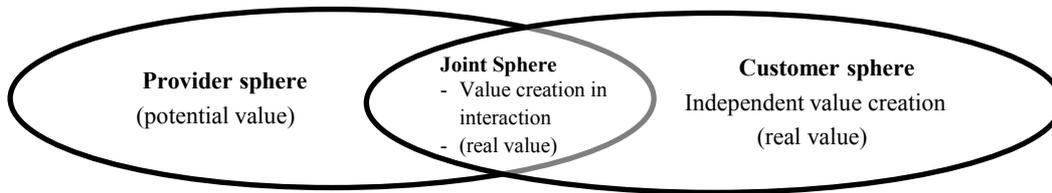


Figure 2: Value creation spheres model

Figure 2 shows the value creation spheres model from the value creation perspective which includes (i) provider sphere, (ii) joint sphere, and (iii) customer sphere. The roles of provider and customer changes in each sphere are shown in Table 2.

Table 2: Roles of actors in the sphere model from a value creation perspective  
(Adopted from Gronroos and Voima, 2013)

Sphere	Customer's role	Provider's role
Provider sphere	None	Value facilitator
Customer Sphere	Value creator/co-creator	Co-creator
Joint Sphere	Value creator	Value facilitator

The explanations for the roles of actors are as follows:

- (i) Provider sphere: In this sphere, provider plays a role as value facilitator, where the providers are in-charge in this sphere and generates potential value for the customer.
- (ii) Joint sphere: In the joint sphere, both customers and providers will be in-charge of the value creation process through interaction. At this level, customers act as both value creators and value co-creators, whilst the provider is a value creator.
- (iii) Customer sphere: In the customer sphere, the customer acts as value creator and the firm acts as value facilitator. At this stage, there is no involvement in value creation or value co-creation by the firm.

This framework fills some gaps in previous work by Payne et al. (2008). Firstly, the sphere model includes the process of value co-creation which according to Payne et al. (2008) is crucial in order to manage the value co-creation practices. Secondly, this framework together with others highlights the importance of actor's role (Andreu et al., 2010; Grönroos, 2008; Grönroos, 2011) which is missing in Payne's work. Grönroos and Voima (2013) claim that by focusing on the roles of customer and firm, it is easier to identify the spheres in which value is actually created, how it is created and by whom. The identification of the actor's role is comprehensive and can be used as a foundation for the investigation of the value creation and co-creation practices in C2C social commerce virtual communities. Secondly, customer learning and experience can be observed and explored in the joint sphere. Customer experience and learning (Payne et al., 2013; Grönroos, 2011; Grönroos & Voima, 2013) together with the goals and the attitudes of the customers are some of the most important attributes that can influence the behaviour of the customer (Watson et al., 1995). The behaviour of the customers will then in turn influence the value creation process (Voima et al., 2011; Grönroos & Voima, 2013). Thirdly, the sphere model also includes related attributes that are not considered in other scholar's work. This includes the classifications of value into potential value and real value. Grönroos and Voima (2013) discuss the changing state of value from potential value in the provider sphere to real value (value-in-use) in the joint sphere. What is meant by these changes is that the provider will perform activities that can facilitate the co-creation of value in the joint sphere. There are scholars (Grönroos, 2008; Vargo, Maglio, & Akaka, 2008) who discuss value-in-use or real value but they do not include potential value in the framework. Grönroos and Voima (2013) place potential value in provider sphere. According to them, resources or the role of goods acts as a carrier for value due to the fact that

value is neither created nor co-created in the providers' sphere. Thus it is not considered as real value. This proposed study believes that potential value is an important concept as it is related to the concept of value of goods and services.

## ROLES OF ICT IN VALUE CO-CREATION

This research in progress argues that ICT technologies are capable of influencing value creation and co-creation practices. This is supported by Grange and Benbasat (2009) who argue that there are four ICT capabilities for digitally-enabled social networks, namely (i) building and sustaining the network, (ii) observing the network, (iii) extracting resources, and (iv) disseminating information. Thus, the technology used in C2C social commerce virtual communities to create value will be explored and included when researching value co-creating practices.

Having said that it needs to be recognised that in digitally-enabled social networks like C2C social commerce, studying ICT is a challenging task (Grange & Benbasat, 2009). The technologies used in the virtual communities are based on the sellers and buyers' choice so there may be a very broad and varied range of technologies in use. Scholars (Dey & Abowd, 2000; Forlizzi & Battarbee, 2004; Orlikowski, Yates, Okamura, & Fujimoto, 1995; Yi & Hwang, 2003) argue that the context of system use is important as it is very likely to affect the user experience. According to (Tuunanen et al., 2010), consumers are likely to relate the services they use and they may create and/or alter their identities in real and virtual lives. We argue that in C2C social commerce environment, the context of system use is likely to influence customer experience in the environment. It may also influence their behaviour in interacting with other community members. This is supported by earlier work by Forlizzi and Battarbee who claim that an experience with the system often inspires emotional and behavioural changes in the person interacting with that system. Many researchers (Gronroos and Voima, 2013; Payne et al., 2008) highlight customer experience and learning, together with the goals and the attitudes of the customers as amongst the most important attributes that influence the value creation process. This shows that the context of system use is an important element that needs extra attention in the value creation and co-creation process. Hence, we strongly suggest that there is a need to integrate the context of system use in exploring value co-creation practices.

On the other hand, according to Wirtz, Schilke, and Ullrich (2010), a business model reflects the operational and output systems which captures the way business creates value. They discuss how Web 2.0 technology impacts on the creation of value in the business environment. We argue that this is relevant for the C2C social commerce business model. Wirtz et al. (2010) propose four broad factors as being fundamental to the Web 2.0 phenomenon in e-commerce. Table 3 shows the factors and sub-factors; and their relationship with ICT context in C2C social commerce environment.

Table 3: Relationship between factors of Web 2.0 phenomenon with the C2C social commerce context

Factors	Sub-factors	Context in C2C social commerce
Social Networking	<ul style="list-style-type: none"> <li>- Social identity</li> <li>- Social trust</li> <li>- Virtual word of mouths</li> <li>- Increasing consumer power</li> </ul>	<ul style="list-style-type: none"> <li>- Communication devices used in the environment:                             <ul style="list-style-type: none"> <li>• Personal computer</li> <li>• Tablet</li> <li>• Smart phone</li> </ul> </li> <li>- Applications:                             <ul style="list-style-type: none"> <li>• Widgets</li> <li>• Smart phone apps</li> </ul> </li> </ul>
Interaction Orientation	<ul style="list-style-type: none"> <li>- Customer centricity</li> <li>- Interaction customization</li> <li>- Customer response</li> <li>- Cooperative value generation</li> </ul>	
Personalization/Customization	<ul style="list-style-type: none"> <li>- Personal customization</li> <li>- Group customization</li> <li>- Social customization</li> </ul>	<ul style="list-style-type: none"> <li>- How design and content of C2C social commerce sites and virtual communities influence value creation and co-creation practices?</li> <li>- Potential co-creation practices                             <ul style="list-style-type: none"> <li>• Personalized design</li> <li>• Content development</li> </ul> </li> </ul>
User added value	<ul style="list-style-type: none"> <li>- User generated content</li> <li>- User generated creativity</li> <li>- User generated innovation</li> <li>- User generated revenue orientation</li> </ul>	

In order to understand the context of system use and its influence on value creation and co-creation practices, this study will consider the following: (i) communication devices and applications used in the environment, and (ii) design and contents of the C2C social commerce sites and associated virtual communities. For example, individual sellers who sell products using blogs will customize their design based on the needs of their blog shops. Their decisions about the design may impact how the customers use the social commerce site and

eventually influence the customers' experience. This is supported by Tuunanen et al. (2010) who claim that design for CIS requires that more attention should be paid to promoting value creation during the customers' actual experience. In addition, potential ICT value creation and co-creation may include design and content development involving the customer which could potentially strengthen the relationship between seller and buyer leading to further customer engagement and involvement in future value creation and co-creation practices.

Our study will investigate the value co-creation practices in CIS, particularly the C2C social commerce environment which will highlight the role of ICT in the practices. The motivation behind this study is comes from Tuunanen et al. (2010) who claim that in the service process experience, customer participation in service production, and customer goals and outcomes is a challenge to consumers' value drivers. They proposed a framework for value co-creation in CIS which includes two sections, (i) system value propositions, and (ii) customer value drivers. System value proposition consist of (i) social nature of use, (ii) construction of identities, and (iii) the context of use, whilst customer value drivers consist of (i) customer participation in service production, (ii) the service process experience, and (iii) customer goals and outcomes associated with system use. They suggest that further studies should be done to understand the social nature of CIS use and how and when user participation should occur in relation to value co-creation in CIS. This study will try to address this problem.

In addition, there is lack of research that explores the role of ICT in value creation and co-creation. We aim to investigate the contribution of information technology to the growth of value creation and co-creation practices in C2C social commerce virtual communities.

### VALUE CREATION AND CO-CREATION PRACTICES IN C2C SOCIAL COMMERCE ENVIRONMENT

A previous study shows that there are four thematic groups of activities which are involved in creating value in brand communities, namely (i) social networking, (ii) impression management, (iii) community engagement, and (iv) brand use (Schau, Muñiz, & Arnould, 2009), table 4 shows the practices by the thematic group:

Table 4: Value co-creation practices in Brand Community (Adapted from Schau et al., 2009)

<b>Social Networking</b>	<b>Impression Management</b>	<b>Community Engagement</b>	<b>Brand Use</b>
Welcoming Empathizing Governing	Evangelizing Justifying	Staking Milestoning Badging	Grooming Customizing Commoditizing

Schau's study focuses on specific types of community which may share some common practices with C2C social commerce communities. Looking closely at Schau's findings, it can be seen that relationships may exist between the value creation practices in the study and the types of value. For example, Schau et al. (2009) found that social networking group practices include: (i) welcoming, (ii) empathizing and (iii) governing the new members of the community. These practices are related to social value, expressive value and intrinsic value. However the specific type of value is not covered in their research. Establishing the relationship between the practices and type of value is crucial as this study aims to investigate how value creation practices apply to social commerce. Another limitation of Schau et al. (2009) is that, it only considers brand communities, thus the practices covered in this particular community include brand use which might not be relevant to other community practices. Refining understanding of value-creating practices in other communities can give useful insights to value co-creation research. Furthermore, other type of practices may also occur in C2C social commerce virtual communities. Despite the limitations of this study, this proposed research suggests that these practices, except for brand use, are relevant activities that are based on the interactions process in value co-creation. Thus, value co-creation practices will be included in the proposed conceptual framework.

Other than the practices listed by Schau et al. (2009), we argue that in the C2C social commerce environment, there are certain value creation practices based on information systems. For example, co-creation involving system development could happen in a C2C social commerce setting. This could include the design of the sites and content development. We argue that there would be some level of user involvement in this particular matter, which could include (i) ideas, (ii) feedback, (iii) authoring (originating content), (iv) content designer, and so on. This is supported by previous studies by Sanders and Stappers (2008); Ramaswamy (2008), and Oh and Teo (2010). For example, in his study, Ramaswamy (2004) highlighted the Nike case study where Nike provided software tools for local soccer teams and professional leagues to co-design and customize soccer boots. This co-creation practice was made available through their website. Thus, we argue that there are certain practices that are related to technologies which are as yet unexplored. We believe that there are series of activities likely to



**Relationship:** According to Grönroos & Voima (2013), value is co-created during the interaction process. This is supported by Grönroos (2011), Payne et al (2008), Andreu et al. (2010), Pongsakornrungrasit & Schroeder (2011). When buyer and seller interact, they form a relationship and exchange resources to create value. This proposed study argues that the nature of value co-creation practices can be seen from either the direct interaction process or outside interaction. The properties of Web 2.0 social media technologies, such as content sharing (i.e.: blog) and social networking (i.e.: Facebook) may lead to some specific practices in the C2C social commerce virtual communities. For example, the design of C2C social commerce sites or its virtual space and content development are the practices that are likely to happen in C2C social commerce.

**Type of value:** This study argues that, for every value creation and value co-creation practices, there must be a particular type of value created.

## DISCUSSION

We have proposed a framework for value creation and co-creation in C2C social commerce which includes four main themes (i) Roles of ICT, (ii) Actors, (iii) Relationships, and (iv) Types of value. The framework has yet to be tested and was developed based on the literature review of related topics. The preliminary conceptual framework has laid a foundation for representing the richness and complexity of the theories and models discussed before.

This proposed study will be conducted from the view of interpretive paradigm. Qualitative research will be carried out in order to answer the research questions. Case study research with multiple case design has been chosen as this strategy is suitable for the exploration, classification and hypothesis development stages of the knowledge building process. This means, the phenomenon of the C2C social commerce will be examined in a natural setting and no experimental controls or manipulation will be involved. The proposed conceptual framework will be used as a guideline for exploration before the collection of data.

Some issues that might be faced during the implementation of this proposed study include (i) concerns regarding bias, since the sample is limited to a small group of key informants, chosen non-randomly; (ii) the interview technique makes replication difficult. Invariably variations occur during the interview procedure, and results may be at least somewhat dependent upon the setting of the interview and the characteristics of the interviewer. This might lead to generalizability issues; (iii) some of the participants from Malaysia might prefer to be interviewed in their first language which could potentially lead to the loss of data during the translation. Poorly translated data could mean that different meanings are placed on what is said by participants. Steps could be taken to address these concerns by using techniques such as netnography to provide some triangulation to confirm findings from interviews.

## CONCLUSION

This paper is motivated by the emergence of service science and the Web 2.0 phenomenon, both of these components seemed to be intertwined together in the C2C social commerce environment. The expected major contribution to theory is the conceptualization of value co-creation practices in C2C social commerce virtual communities reflecting the gaps identified in the literature review. The expected outcome of this research will be a value creation practices framework which will be integrated with IS elements. The framework is hoped to help researchers to address the various value co-creation practices especially from the IS point of view, for example design issues and content development. Furthermore, discussions resulting from this proposed study will stimulate other researchers to explore further in this area; encouraging knowledge sharing and evolution, especially in the area of digital services. The influence of technology to the value co-creation practices can be used as a starting point to re-evaluate the IS development method for digital services. In future, it can be used to understand the user acceptance of customer information system. In addition, the framework can also be utilized to address design issues in digital services. The context of use, which is another expected contribution of this research can help to tackle the choice of IS technologies to be integrated with social commerce sites. .

From the marketing point of view, the framework can be used to more fully understand the issue of customer engagement and loyalty to a particular social commerce site. By understanding the nature of value co-creation in social commerce, and how that value is created, providers (sellers) can understand the opportunities and challenges created by the actors in the C2C social commerce. This focus on customer value should lead to new and better services for customers, opening up a broader customer base. The findings may also be used as guidance to individuals regarding the formulation of appropriate business strategies, plans and decision making, which would ultimately enhance operating performances in the C2C social commerce environment. This can be achieved by educating the C2C social commerce communities on the major factors that can lead to the willingness of customers to proceed with a transaction. It will help them to utilize IS technologies to create value for their potential customers.

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