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## Factors Influencing Foreign Products Purchase Intention of Mongolian Consumers

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# Factors Influencing Foreign Products Purchase Intention of Mongolian Consumers

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## Abstract

The current study examines how ethnocentrism influences the relationship between country image, product image, quality, and purchase intention for foreign goods. It is necessary to explore and analyze the connection between consumer ethnocentrism and purchase intention to develop marketing strategies that influence consumers' purchasing decisions. Accordingly, this article develops the research model to determine the impact of specific product determinants on consumer purchase intention towards foreign products. An online survey was carried out to reach the research objective. Four hundred effective questionnaires were analyzed using SPSS 23 and Smart PLS 3.3. The results showed that foreign product quality and image have a significant positive impact on consumers' intentions to buy foreign goods. Furthermore, consumer ethnocentrism significantly moderates product quality and purchase intention relationships. The study's findings could help marketers develop effective marketing techniques while also being helpful to academics and consumers in general.

*Keywords:* Product quality, Product image, Country image, Ethnocentrism, Mongolia

## 1. Introduction

The expansion of the market economy, the ongoing process of globalization, the advancement of information technology, and the rise in the standard of living all increase people's desire to purchase goods from other countries. Customers have greater access than ever before. In times of intense market competition, companies are interested in strengthening their position in the domestic market. The relationship between domestic organizations and their customers has long been a focus of attention in both the business and academic worlds.

Researchers worldwide have recently concentrated on determining what significantly affects customers' purchase intention of foreign goods. Numerous studies have been conducted worldwide to determine what motivates people to buy foreign goods (Haque, Sabbir and Haque 2011).

Producers in developing countries are increasingly worried about their products, because their

markets are being "flooded" by large quantities of foreign goods. It therefore raises questions about consumer behavior in developed countries; It is possible to see how ethnocentrism affects their buying behavior, how they choose foreign products, and what influences this choice (Kamaruddin et al. 2002). Another aspect of consumer ethnocentrism is whether the consumer's willingness to purchase foreign products increases or decreases depending on the consumer's level of ethnocentrism. Although many studies have found that Ethnocentrism has a negative effect (Gantulga and Ganbold 2022), we believe that depending on the product image and quality, this relationship may be positive.

In some cases, even if the quality and image of the product were good, the outcome would not be sold in a particular country. Therefore, we aimed to test whether this result correlated with the ethnocentrism level.

Studies conducted in one country cannot be easily generalized to another country under the same conditions. This is because customers' purchasing preferences differ by country (Sohail and Sahin

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2010). It is necessary to conduct research in multiple countries to discover which aspects influence consumers' tendency to purchase foreign products. It will be possible to develop and implement marketing programs that can motivate and influence consumers by studying and determining the factors influencing the consumer's decision to buy foreign goods. On the other hand, domestic manufacturers will be able to properly plan and implement their marketing activities by studying the factors that influence consumers to buy foreign goods.

For Mongolia, relatively little research has been done on the consumer behavior of buying imported goods. Still, as of 2018, 28% of the total imports were imports of shopping goods, and this situation has not changed. Also, our previous study (Ganbold and Gantulga 2021) revealed a strong relationship between foreign goods and purchase intention among Mongolian consumers.

According to the above assumption, there is little research on whether people in developing countries prefer foreign products or domestic production. Despite extensive research on this topic in industrialized countries such as the US (Yoo and Donthu 2005), the UK (Diamantopoulos, Bodo and Dayananda 2011), and Japan (Wang and Yang 2008), research in developing countries such as Mongolia is quite limited. Studies in industrialized nations demonstrate that ethnocentric consumers favour local goods over imported goods (Granzin and Painter 2001). Consequently, it is commonly accepted that consumers in industrialized countries prefer local goods over imported goods (Karoui and Khemakhem 2019).

Mongolia's economy is highly dependent on the mining sector but because the industry is poorly developed, heavy machine mechanisms are imported from abroad. So, machinery and equipment imports account for 30% of total imports (1.5 billion USD). Also, the tendency to use imported products in Mongolia is high, 35% of the total consumption basket is made up of imported goods and services, and therefore 28% of the total import is shopping goods. Shopping goods are also produced locally (Dulamzaya et al. 2019). Therefore, consumers have the choice to buy domestic or foreign imported goods. However, because the government advocates the adage "Buy domestic products, support domestic production," it might also have an unfavorable effect on consumers' desire to purchase foreign goods. Considering the literature and Mongolian-specific issues, this study addresses why people buy foreign goods and what influences their purchase intention and level of consumer ethnocentrism play a key role in the relationship between country

image and purchase intention towards foreign goods.

## 2. Literature review

### 2.1. Country image

Image, as an intangible indicator, can affect customer buying behavior. Country image (CI) is important in international trade and commerce. The study of this issue began in the early 1960s. However, Martin and Eroglu (1993) first proposed the country image concept. They stated that the country image represents "the totality of one's descriptive, inferential, and informational beliefs about a specific country. Consumers perceive each country as having a distinct national identity. Customers might have anticipated higher-quality goods from industrialized nations. Lee and Robb (2016) defined country image as the reputation of a country's products and services, the stereotypes embodied by them, and consumers' ideas about a certain image. The impact of a country's image is significant for countries that need to grow their exports of manufactured goods, particularly developing countries that want to strengthen their export structure (Loureiro and Kaufmann 2017). According to Koubaa (2008), customers' perceptions of a brand's image are significantly influenced by the image of the country from which the brand originated. Hsieh, Pan and Rudy (2004), When consumers have a positive opinion of a brand's country of origin, they value brands from that country, which improves the brand's reputation; on the other hand, when consumers have a negative opinion of a country, they are less likely to buy its brands. As a result, consumer intentions to purchase brands are consistent with their perceptions about the product's country of origin. The country's image has been shown to directly impact consumers' intention to make purchases (Josiassen and Assaf 2010).

### 2.2. Product quality

Product quality is becoming a critical competitive factor. Quality, defined as meeting or exceeding expectations, is dynamic and related to product, service, people, and environment (Goetsch and Davis 1994). The qualities of a product affect its capacity to fulfill specific needs. In marketing, a customer's perception of a product's overall quality and the reasons they choose it over competing products are referred to as the product's quality (Aaker 1997). According to Kirmani and Baumgartner (2000), a

product's quality is the external and intrinsic cue that customers consider when evaluating its performance. Consumers' evaluation of quality has been regarded as an attitudinal judgment based on assessing how well brands meet their expectations (Rafi et al. 2012). Developing countries' people also prefer to choose high-quality products from foreign countries. Consumers have multiple perceptions about product quality, style, and price before making a purchase decision. If the product's quality is high, purchase intentions become high.

### 2.3. Product image

Product image needs to be explored to investigate consumer purchasing patterns and product competitiveness. A consumer's choice to purchase a product may be impacted by its image since it can change how they view and assess a product (Lee and Ganesh 1999). Nagashima (1977) defined the product image as people's general expectations for items from a certain country. According to Wang et al. (2012), people frequently held stereotyped opinions about particular traits connected to a brand's product image. According to Nadia and Sonia (2009), buying interest is a component of consumer behavior, including attitudes toward consumption and consumers' desire to act before making purchases. In this situation, a marketer must be aware of consumer interest in purchasing a product to forecast potential consumer behavior.

### 2.4. Ethnocentrism

Ethnocentrism is the term used to describe people's beliefs about the morality and appropriateness of purchasing products from other countries. The concept of ethnocentrism relates to the belief that one's group is superior to others (Sumner 1906). Consumer ethnocentrism is “the beliefs held by American consumers about the appropriateness, indeed morality of purchasing foreign-made products” (Shimp and Sharma 1987). They stated that ethnocentric customers think it is improper to buy foreign goods because doing so hurts the local economy. These customers would believe buying imported goods was immoral because it would result in loss of employment. Customer ethnocentrism influences consumer perceptions toward foreign goods (Shimp and Sharma 1987). Consumer ethnocentrism hurts consumers' intentions to buy imported goods in developed and developing countries (Gantulga and Ganbold 2022). Consumer ethnocentrism must be taken into account as a significant factor that is used to comprehend consumer

purchasing behavior to ascertain the consumer purchase intentions (Renko, Biljana and Matea 2012). Numerous researches in developing and developed countries have demonstrated that consumer ethnocentrism has an unfavorable effect on consumers' willingness to buy foreign goods (Ranjbarian, Morteza and Abbas 2010). Accordingly, consumer ethnocentrism tends to emphasize in-group vs. out-group contrasts and view everything foreign as the opposite (Verlegh 2007). This might lead to the in-group members rejecting the outsiders (Levine and Campbell 1972).

### 2.5. Purchase intention

The elements that inspire and encourage people to purchase goods and services are intentions (Hawkins and Mothersbaugh 2010). The intention behind a person's actions could be represented by their aim (Conner and Armitage 2006). Strong intention results in more critical behavior. Purchase intention refers to a consumer's capacity for planning or willingness to make a future purchase of a specific good or service (Chiu, Kim and Won 2018). Purchase intention is a goal for future behaviors or the possibility of holding a belief and carrying it out.

Additionally, based on consumers' feelings and attitudes and desires to buy products or services are represented by their purchasing intentions (Engel, Roger and Paul 1995). One of the most prevalent ways marketers acquire a better knowledge of their customers' actual behavior is to study their purchase intentions (Ghalandari and Norouzi 2012). Purchase intention refers to a consumer's awareness of wanting to buy a specific good or service, which eventually results in an actual purchase. The desire to buy has grown to be a significant component of business because it is challenging to pinpoint a precise justification for consumer purchases (Indriastuti 2020). We propose the following hypothesis in consideration of the theoretical background mentioned above (Fig. 1).

### 2.6. Overall, it is expected that

- H1. Country image significantly influences foreign product quality.
- H2. Country image significantly affects foreign products' purchase intention.
- H3. Country image significantly affects foreign product image.

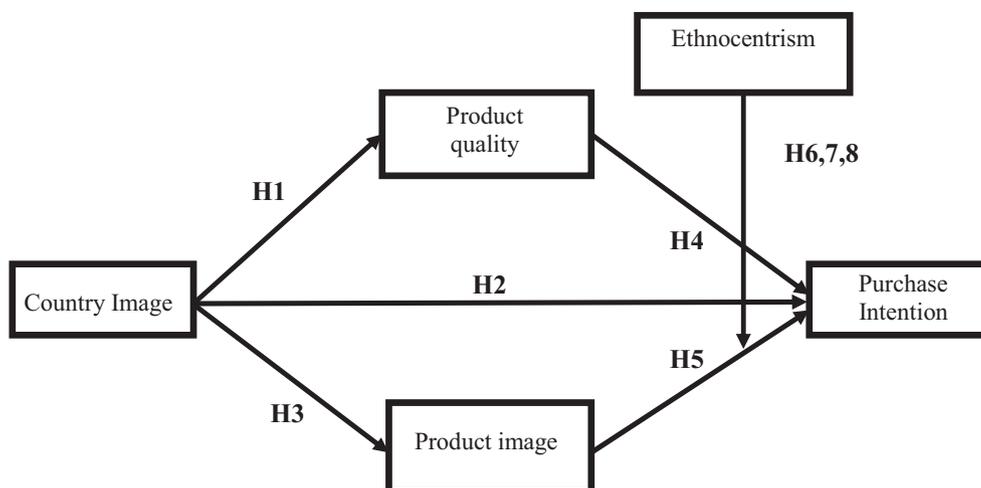


Fig. 1. Research model.

**H4.** Product quality act as a mediator of the association between a country's image and foreign product purchase intention.

**H5.** Product image act as a mediator in the association between country image and foreign product purchase intention.

**H6.** Ethnocentrism moderates the association between product quality and foreign product purchase intention.

**H7.** Ethnocentrism moderates the association between product image and foreign product's purchase intention.

**H8.** Ethnocentrism significantly moderates the relationship between a country's image and a foreign product's purchase intention.

### 3. Methodology

#### 3.1. Sample

The quantitative approach enables a large sample to be used to test the research question. The questionnaire is a highly regarded tool for gathering primary quantitative data. Before proceeding with our study, we pretested whether the participants understood the questionnaire or not. A pretest with 5 people who had purchased foreign shopping products in the previous three months was conducted to test the measuring instrument. After the pretest, some words were changed, and some items were dropped because the participants did not

understand them correctly. The decision to take an online survey was based on the idea that it would allow larger sample size to be reached by collecting information from customers directly and quickly in a shorter period of time. Also, the survey limits interactions between participants and researchers, thereby limiting potential biases. The survey was collected using a random sampling method by distributing the survey through the pages of stores that sell foreign goods. Therefore, the only people who could fill out the survey were the people who followed the page of that store. Also, study provided incentives to participants in exchange for their participation in the survey, which helped to raise the response rate. The reason why selecting shopping products generally is the tendency to use imported products in Mongolia is relatively high; 35% of the total consumption basket is made up of imported goods and services, of which 28% of imports are consumer goods. Therefore, the survey was conducted for general shopping goods, not divided by product type.

Burns and Veeck (2019) suggest that all populations have an equal probability of being selected for the sample. The following formula was employed:

$$n = \frac{z_{\alpha/2}^2 \times N \times [\pi \times (1 - \pi)]}{\varepsilon^2 \times (N - 1) + Z_{\alpha/2}^2 \times [\pi \times (1 - \pi)]} \quad (1)$$

Here,  $n$  denotes the sample size;  $z_{\alpha/2}$  represents the critical value of the standard distribution = 1.96 with 95% confidence;  $N$  indicates the population size, and  $\varepsilon = 0.05$  denotes the 5% sampling error. The optimal sample size determined for this approach is 384 people. In addition, Hair, Anderson and Tatham (1998) recommended that the appropriate sampling

Table 1. Participant's demographic information.

Variable	Data	Number	Percentage
Sex	Male	112	28%
	Female	288	72%
Age	18–25	205	51.25%
	26–35	72	18%
	36–45	83	20.75%
	46–55	40	10%
Household Income	Up to 500.000 million	25	6.25%
	500.000–1 million	105	26.25%
	1-2 million	169	42.25%
	2-3million	51	12.75%
	More than 3 million	50	12.5%
Education	Middle school	6	1.5%
	High school	136	34%
	Bachelor	227	56.75%
	Master and above	31	7.75%

size for a variance-based SEM study is between 300 and 500. Furthermore, the sample size should be ten times greater than the number of variables, according to Hatcher and Stepanski (1994). Thus, at least 190 samples were required for the research. Considering all statistical methods, this research collected data from 400 Mongolian consumers. The effective rates of the collection were 100%. It indicates that the sample size qualified for all the statistical requirements. Table 1 shows the participant's demographic information. As shown in Table 1, 72% of the participants were female, and 28% were male. 51.25% of the participants were 18–25 years old; in terms of household income, 42.25% have 1.000.000MNT–2.000.000MNT household income/month (1USD = 3146 MNT, 2022 July), and 56.75% have a bachelor's degree.

### 3.2. Measurements

The questionnaire was pre-tested with a team of specialists from the National University of Mongolia to ensure reliability and validity and to determine if the questions were clear to the participants. Based on the comments, certain adjustments were made to the final version of the survey. The questionnaire is divided into two parts. The respondents' demographic information was presented in the first part. Second part included questions that covered country image, product image, product quality, ethnocentrism, and purchase intention, with a total of twenty-three questions. Five constructs were assessed using 19 items on a Likert scale, with 1 being strongly disagreed, 3 being neutral, and 5 strongly agreeing. The research model uses scales of ideas previously used in other studies. Product image was assessed by Parameswaran and Pisharodi (1994), and Parameswaran and Yaprak (1987).

Product quality was evaluated by Chung and Thorndike (2000), and purchase intention was assessed by Ajzen and Fishbein (1980). Ethnocentrism was estimated by items adapted from Shimp and Sharma (1987). Country image was evaluated by Parameswaran and Pisharodi (1994).

## 4. Research results and discussion

### 4.1. Data analysis procedure

To analyze the data, the IBM SPSS 23 and Smart PLS 3.3 social science statistical software packages were employed (Ringle, Marko and Detmar 2012). For hypothesis testing, Smart PLS 3.3 was used, whereas SPSS was used for descriptive analysis and data screening. Smart PLS 3.3 has various advantages over standard SEM techniques, making it an excellent choice for our study (Bontis, Lorne and Alexander 2007). The inner (structural) model and the outer (measurement model) model of Smart PLS-3 route models have two linear equations (Fig. 2).

### 4.2. Measurement model

Composite reliability (CR) is a term used to describe internal consistency. Calculations included Cronbach's alpha, average variance extracted (AVE), and composite reliability (CR). Calculations included Cronbach's alpha, average variance extracted (AVE), and composite reliability (CR).

The CR values were more than the minimum requirement of 0.80, ranging from 0.827 to 0.906. (see Table 2). The measurements' Cronbach's alpha was higher than 0.714. The measures revealed a high degree of reliability based on these CR and Cronbach's alpha values. As a result, the internal consistency of the measurements for each construct was clear (Hair et al. 2014). As a consequence, construct validity was evaluated. Given the current study's factor loadings, the AVE values were significantly above Hair et al. (2014)'s proposed threshold.50, indicating that all of the measures had excellent convergent validity. Since Cronbach's alpha and the composite reliability are both over 0.6, Table 2 demonstrates the data's dependability (Eisingerich and Rubera 2010).

The present study met this condition because all of the AVE above the squared correlation, hence validating the discriminant validity. Details of the outputs of the measurement model are shown in Tables 2 and 3.

On its individual conceptions, each loaded indicator suggests that there are no cross-loadings between the indicators as shown in Table 3.

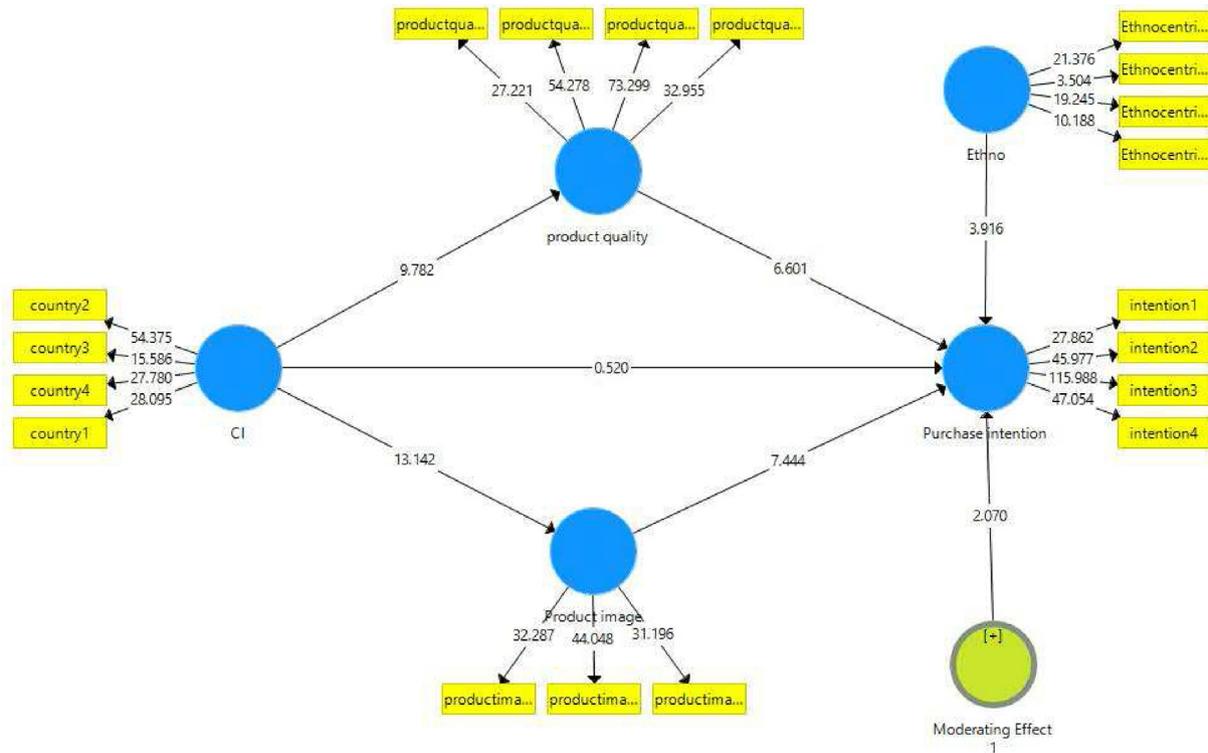


Fig. 2. Smart-PLS t-test results.

Table 2. Measurement model (factor loading, Cronbach's Alpha, CR and AVE).

Constructs	Items	Loading	C-Alpha	CR	AVE
Country image (CI)	CI1	0.811	0.769	0.852	0.591
	CI2	0.792			
	CI3	0.789			
	CI4	0.801			
Ethnocentrism (ETH)	ETH1	0.903	0.746	0.827	0.552
	ETH2	0.921			
	ETH3	0.876			
	ETH4	0.799			
Product image (PI)	I1	0.830	0.714	0.839	0.636
	I2	0.771			
	I3	0.782			
Purchase intention (PU)	PU1	0.768	0.862	0.906	0.709
	PU2	0.857			
	PU3	0.904			
	PU4	0.832			
Product quality (PQ)	PQ1	0.773	0.848	0.898	0.688
	PQ2	0.801			
	PQ3	0.853			
	PQ4	0.886			

(Note: CI—country image, PI—Product image, PQ—product quality, Eth—ethnocentrism, PU—purchase intention).

Table 3. Discriminant validity.

	CI	ETH	PI	PU	PQ
CI	0.768				
ETH	0.207	0.743			
PI	0.511	0.531	0.797		
PU	0.292	-0.190	0.584	0.842	
PQ	0.423	-0.117	0.626	0.608	0.830

(Note: CI—country image, PI—Product image, PQ—product quality, Eth—ethnocentrism, PU—purchase intention).

between the independent and dependent variables. If the t-value is more than 1.96, there is an indirect association between the variables. The findings of hypothesis testing and the Smart PLS 3.3 structural model are shown in Table 4.

The results demonstrate that CI-PQ (9.782), CI-PI (13.142), PQ-PU (6.601), and PI-PU (7.444) all exceed 1.96, while CI-PU (0.520) does not reach the nominal level of 1.96. Empirical evidence back up the given conceptual model. In this research, the path analysis confirms all hypotheses except hypothesis 2. Table 4 summarizes the outcomes of the hypothesis testing.

### 4.3. Structural model

We used bootstrapping with 1000 re-samples to test the significance level of path coefficients. The researcher investigates the indirect relationship

### 4.4. Moderation effects analysis

This study also sought to evaluate the moderating influence of ETH on the connection between product quality (PQ), country image (CI), product image

Table 4. Path coefficient of the structural model, direct and total effects of constructs.

Hypotheses	Constructs effects	Original sample	Sample mean	Standard deviation	T statistics	P-value	Results
H1	CI-PQ	0.423	0.428	0.044	9.782	0.000***	supported
H2	CI-PU	-0.023	0.022	0.046	0.520	0.612	not supported
H3	CI-PI	0.511	0.513	0.040	13.142	0.000***	supported
H4	PQ-PU	0.185	0.183	0.030	6.601	0.000***	supported
H5	PI-PU	0.155	0.157	0.029	7.444	0.000***	supported

(Note: \*p < .05, \*\*p < .01, \*\*\*p < .001, significance levels are two-tailed).

(PI), and purchasing intention (PU). As a result, this study is explanatory and employs PLS SEM Siyal et al. 2021, in accordance with Ojiaku, Achi and Aghara 2018. According to Dawson (2014), the moderator variable as an additional construct in this study by employing the indicator between the predictor variable and the moderator. The moderating impact of ethnocentrism on the associations between product quality, product image, and intention to buy foreign goods is taken into account in this model. Sixth to eight hypotheses are considered as moderators. Results showed that out of three hypotheses, only hypothesis (H6) was accepted, according to an analysis of the moderating effect. For instance, the H6 result indicates that consumer ethnocentrism would improve the association between product quality and intention to buy foreign products as ( $\beta = 0.089$ ,  $t = 2.070$ ,  $p = .005$ ), hence H6 is accepted. Remain hypotheses (H7 and H8) were not supported statistically.

## 5. Conclusions

### 5.1. Discussion

We looked into the variables that can affect consumers' intentions to buy products from abroad. The study' findings were found to be consistent with the first hypothesis (H1), which was tested. It is clear from the study' results that the second hypothesis (H2) is not supported by the data. The analysis of the data revealed that country image did not significantly influence buying intention. Interestingly, the country's image has a considerable and favorable impact on purchase intention when product image and product quality serve as mediators. Therefore, hypotheses H4 and H5 were supported. The majority of Mongolians are under 40 years old, or relatively youthful people. Thus, it can

be determined that these people pay more attention to the appearance and quality of products when purchasing.

According to the research results, the relationship between product image and purchase intention is positive, and H3 is confirmed. This result aligns with the research (Verbeke and Ward 2006). Product quality can be considered to have a substantial impact on the intention to buy foreign goods. This shows that the more high-quality products people own, the more likely they will buy quality products. Also, according to the research results, Mongolia tends to import cheap products from abroad because it is a developing country. Therefore, fake products are sold in large quantities on the black market. The fact that many products are imported from developed countries, but produced in developing countries, shows that Mongolian consumers do not make their choices based on the country's image.

The results of testing the sixth hypothesis (H6), it was found that the findings of the analysis supported the H6. The study of the data revealed that consumers with high ethnocentrism show a strong relationship between product quality and purchase intention than consumers with low ethnocentrism. In other words, the consumer with a high level of ethnocentrism tends to buy foreign products when product quality is high than the consumer with a lower level of ethnocentrism. It is consistent with Zafer and Uz Kurt (2010). It is clear from the research's findings that consumers prefer to buy high-quality goods when they have a high level of ethnocentrism. Therefore, it shows an opportunity for suppliers of high-quality foreign products to sell at high prices.

The results of testing the seventh hypothesis (H7), it was found that the findings of the analysis did not support the H7. As shown in Table 5, as the t-value of the moderating effect is lower than

Table 5. Moderation test results.

Hypotheses	Relationship	Beta	STDEV	T-statistics	P-value	Results
H6	PQ-ETH-PU	0.089	0.045	2.070	0.005*	supported
H7	CI-ETH-PU	0.109	0.006	0.187	0.234	not supported
H8	PI-ETH-PU	0.109	0.047	1.183	0.129	not supported

(Note: \*p < .05, \*\*p < .01, \*\*\*p < .001, significance levels are two-tailed).

1.96, it can be stated that consumer ethnocentrism does not have a moderating role in the relationship between product image and purchase intention. In other words, this shows that the level of consumer ethnocentrism could not moderate the relationship between product image and purchase intention.

Finally, the results of testing the eighth hypothesis (H8), it was found that the findings of the analysis also did not support the H8. This shows that the level of consumer ethnocentrism could not moderate the relationship between country image and purchase intention. It is consistent with (Verbeke and Ward 2006) research confirmed that the country's image does not always affect the consumer's purchase intention. Based on the research results, Mongolia is a developing country and tends to import cheap products from abroad, especially from China. Therefore, many low-quality foreign goods are sold on the black market. Since most of the goods come from China, consumers look at other factors of the product (quality, price, etc.) rather than where it is made.

## 5.2. Implications

The research results have demonstrated that country image significantly positively affected Mongolian consumers' purchase intention of foreign products. Therefore, marketers should incorporate and highlight the excellent match of the country's image in all marketing operations. In addition, product quality is another factor that positively affects Mongolian consumers' purchase intention towards foreign products. Surprisingly, moderating test analysis reveals that ethnocentrism alone has a negative impact on purchase intention; however, when ethnocentrism becomes the moderator, it significantly affects how product quality and buying intention are related. As a result, marketing managers should emphasize product quality rather than product image and country image when advertising their products to attract local consumers.

In order to compete with foreign manufacturers, national manufacturers should study the characteristics of products that meet the needs of consumers, and also study the know-how of foreign manufacturers and introduce them into their production. Ethnocentrism can be done not by words but by buying local products, spreading information and appealing to the public.

Last but not least, marketers should plan and execute the above tasks; it is necessary to jointly develop and implement an effective IMC program.

## 5.3. Future research and limitations

Like many other studies, our study also has several limitations. The first limitation is that the survey was taken from people living in the capital city of Mongolia. Therefore, the second limitation of this study is the level of ethnocentrism may vary from place to place. The biggest limitation of the current research is that the products were not specifically studied by category. Thus, future studies may focus on specific product categories to investigate this issue. Last but not least limitation is that it is limited to Mongolian consumers; thus, its conclusions cannot be generalized to customers in other countries. Consequently, it is strongly encouraged to investigate the proposed model in a new, unexplored country and use a larger sample size to assess the generalizability of the findings of the present study.

## Conflict of interest

The Authors declares that there is no conflict of interest.

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