

CHAPTER I

INTRODUCTION

1.1.1 Background

The encouraging fundamentals of Indonesian economy remains strong, supported with a robust domestic fundamentals and has allow the Indonesian economy to start the year 2017 on a strong footing. According to data from World Bank, poverty as well as inequality had decreased in the year 2016. Furthermore, the fiscal management and credibility has ameliorate, as corroborated by the recent Standard and Poor's (S&P) credit rating upgrade as mentioned by World Bank (<http://www.worldbank.org/>, retrieved 29 January 2018).

The table 1.1. derived from Badan Pusat Statistik indicates a relatively stable economic growth over the last 7 years, with the growth of 5.01% in 2017(<https://www.bps.go.id/>, retrieved 29 January 2018). Data from the World Bank indicates that that the Indonesia's quarterly GDP growth rose from 4.9% in the last quarter of 2016 to 5% in the first quarter of 2017, raised by a rebound in government consumption and increasing exports. Due to the economic growth mentioned earlier, personal consumption growth has been vigorous as well (<http://www.worldbank.org/> , retrieved 29 January 2018).

Table 1.1. Indonesia's Quarterly Gross Domestic Product Growth 2009 to 2017 (annual % change)

Year	Quarter I	Quarter II	Quarter III	Quarter IV	Full-Year
2017	5.01	5.01			
2016	4.92	5.19	5.01	4.94	5.0
2015	4.71	4.66	4.74	5.04	4.9
2014	5.14	5.03	4.92	5.01	5.1
2013	6.03	5.81	5.62	5.72	5.6
2012	6.29	6.36	6.17	6.11	6.0
2011	6.45	6.52	6.49	6.50	6.4
2010	5.99	6.29	5.81	6.81	6.2
2009	4.60	4.37	4.31	4.58	4.6

Source: <https://www.bps.go.id/>, retrieved 29 January 2018

Along with the economic development, in terms of demographic development, Indonesia is also experiencing an increase. Surabaya is a big market with a population of 2,765,487 people (<http://jatim.bps.go.id>, retrieved 29 January 2018). With that amount of, the mall continue to grow as a result of the growing number population. As a result, retail market that grows nationally is not only profitable for large retailers, but also the small retailers who serve local community. The growth in the retail industry leads to the growth in Shopping Malls, especially in Surabaya.

Deriving from data extracted from the World Bank, the increase in personal consumption had been encouraged by stable rupiah and muted inflation (<http://www.worldbank.org/>, retrieved 29 January 2018). The robust personal consumption and high population accompanied with increasing human mobility had supported the current development of retail industries. Indonesia's retail sales growth from 2008 to 2018 is illustrated in the Figure 1.1., by the volume. In 2017 and 2018 was forecasted to grow by 5 percent.

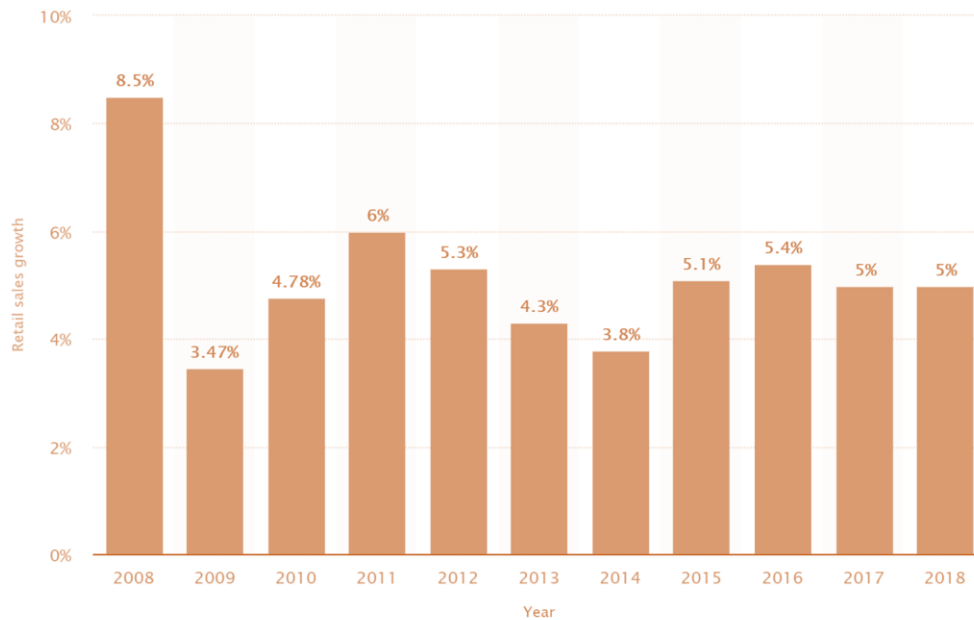


Figure 1.1. Forecast of retail sales growth in Indonesia between 2008 and 2018, by volume

Source: <https://www.statista.com/statistics/232430/forecast-for-retail-sales-growth-of-indonesia/>, retrieved on 29 January 2018

Deriving from Tempo.co, the Head of Department of Economic and Monetary Policy of Bank Indonesia Dody Budi Waluyo said that the increase in retail sales in August 2017 showcase the beginning of the increase of public consumption activities, especially after the rise in retail sales in August by five percent after July's minus three percent (<https://bisnis.tempo.co/>, retrieved 29 January 2018).

Nowadays, mall does not only serve the purpose as the place where consumers need to shop. The role of mall has started to develop over time. Mall visitors who come to a mall began to demand new atmosphere that is different from other shopping centers. The reason behind this is the increasing lifestyle of the various visitors to have mall as a place to hang out and eat with friends or relatives, watch movies, browse stores and visiting events held within the mall.

With the emergence of different malls in Surabaya, a strong competition occurs between shopping centers in Surabaya. Various mall such as Tunjungan Plaza, Ciputra World, Galaxy Mall, Supermall are growing. There a 21 centers shopping mall in

Surabaya (<http://Surabayapost.co.id>, retrieved 29 January 2018). This led to the emergence of competition among central developers modern shopping to win the most of visitors. Various facilities to support shopping and entertainment activities are available in various concepts in accordance with the characteristics of a mall.

Galaxy Mall is one of the renowned mall in Surabaya. Galaxy Mall, is strategically located in Dharmahusada Indah Timur road in the Eastern part of Surabaya. This mall is placed in the middle of a residential neighborhood area. Galaxy Mall specifically targets the high income earners of the neighboring area. According to a survey conducted by Ailen (2010), 49% respondents who are 15 and above of age, from the high income bracket, spend at least Rp. 2 250 000 each month in Galaxy Mall in the last 6 months of the year 2010. 94 % of respondents, based on the research done by Ailen, prefer to shop at Galaxy Mall Surabaya instead of other shopping mall. Galaxy Mall has various major brands such as ZARA, Stradivarius, SOGO, Starbucks, Pull & Bear, Periplus and Excelso. Figure 1.1. illustrates Sushi Tei, a major renowned brand in Galaxy Mall Surabaya.



Figure 1.2. Example of renowned brand in Galaxy Mall

Source: <https://www.google.co.id/>

Galaxy mall's mall image is also reflected through the through the outer appearance of the mall's building embodied in combination of parts of the building itself, such as, doors, windows, walls, stairs, roof as well as other elements, for instance, color and texture of the building materials. The mall building strongly vocalizes the

mall image as the Galaxy mall building is the first to be perceived by the five senses and analyzed by the human brain.

Mall design combines both of the functional as well as aesthetic elements which includes layout, comfort, fashion, architecture, colors and materials (Hedhli, Zourrig, Park, 2017). According to Breazeale and Ponder (2013), a place, such as mall, is said to have a good design, or in this case mall design, if it speak to and resonate with people who share its story and area. Mall design, as stated by Christiana (2013), has two types, regional centre (with area of 400 000m²-800 000m²) and super regional centre (with the area of more than 800 000m²). Both designs of this model have the same main characteristics, which are having a closed mall circulation path that is not affected by the weather and has a relatively bright lighting. Galaxy mall in this context is categorized as super regional centre. Galaxy mall has an area of approximately 120 000 m², resulting to it becoming the sixth largest shopping mall in Surabaya (Melissa, 2017). Figure 1.2. Illustrates the exterior design of Galaxy mall and figure 1.3. shows the interior design of the mall. Deriving from a research done by Yaqin and Purwanita (2017) in their study, among a survey done on Galaxy Mall, Ciputra World and Tunjungan Plaza, Galaxy Mall is preferred the due to its wide and attractive linear retail layout.



Figure 1.3. The exterior design of Galaxy Mall Surabaya

Source: <http://infosurabaya.web.id/>, retrieved on 29 January 2018



Figure 1.4. The interior design of Galaxy Mall

Source: <https://www.google.co.id/>

Mall atmosphere is the total mall's ambiance of the mall as regarded by shoppers, as stated by El Hedhli et al. (2013). The mall environment or also known as the mall atmosphere is central to the perception of merchandise quality, and the place where shoppers obtain their shopping experience. The malls' environment or atmosphere is one of the components that are capable of controlling a wide range of behavior as well as facilitating a context in which this behavior occurs. Atmosphere includes elements for instance brightness, size, shape, volume, pitch, scent, freshness, softness, smoothness, and temperature.

According to Rubeinstein (2012), employees include workers who are working for employers (group of people who are interested to earn profit). Mall Employees in this context, refers to the people who works under the Galaxy Mall Management. This includes the security, the janitors and the parking employees. In fact, Mall Employees is defined by El Hedhli et al. (2013), as the employees inside the mall that is acknowledged as the part of the mall retail environment.

Deriving from Govers and Schoormans (2005), self-congruity is defined as the relationship between someone's self-image and that person's mental representation of brands as well as their association. Kressman et al. (2006), mentioned that self-congruity is the degree of congruence between a customer's personality and the

customer's perceived personality of a certain product or service. Self-congruity in this context is influenced by Galaxy Mall's Mall design, atmosphere and employees. People may feel uncomfortable if they went to a place that does not reflect their true self-image. For instance lower income earner may feel uncomfortable entering high end mall, as this is inconsistent with his true perception.

Wertenbroch and Dhar (2000) mentioned that hedonic value is showcased through joy which is experienced by using the product bought or through pleasure and new experiences obtained while shopping. Hence the target of buying process of hedonic shopping is measured by subjective emotional as well as aesthetical approach. Kim (2006) mentioned that hedonic shopping value is regarded as positive experience where consumers enjoy an emotional satisfaction experience involved with shopping activity, not necessarily with a purchase made. According to Park –Poaps (2010), hedonic value indicates range of different shopping motives that involves seeking of pleasure. Hedonic shopping, deriving from Darma (2015) often happens in Surabaya, where there are socialites in Surabaya who spends some time shopping at the mall at least once a week. One of the mall that is commonly visited is Galaxy Mall, especially since Galaxy Mall is categorized as a high end mall. Darma also said that this phenomenon indicates hedonic shopping that is reflected from the income earned by these hedonic shoppers. This is also supported by statement made by Japariato and Sugiarto (2011), where they stated that 94% citizens of Surabaya who are categorized as high income earner, would most likely shop at high class mall. Galaxy mall is considered to be a middle to high class mall (infosurabaya.web.id, retrieved 30 January 2018). Hence, Galaxy mall is one of the mall that offers hedonic value.

Deriving from Kang and Park-Poaps (2010), utilitarian value includes the aspect of the process of buying that is related to the need to buy a certain product or service. In the journal written by Basaran and Buyukyilms (2015), utilitarian motivation displays shopping that begins from a mission or task, and the obtained benefit depend on if the mission is completed or not or if the mission is done efficiently during the shopping process.

According to Belenger and Goldstucker (2002), store image refers the customers' perception of one store in comparison to the competitor's store. Personality or store image describes what is seen and felt by consumers in a particular store, as derived from Yudatama and Susanto (2012). Mall Patronage refers to the repeat visits of the customer to a certain mall (Rosseau & Venter, 2014). The mall patronage of Galaxy Mall is reflected through the store image of Galaxy Mall's tenants.

Some of Galaxy Mall's store tenants are Adidas, The Body Shop, ZARA, Stradivarius and Pull&Bear. Most of these store tenants are middle to high end brands. (<http://www.loveindonesia.com>, retrieved 29 January 2018) Hence, this reflects Galaxy mall as a high end mall. Patronage behavior is the repeat purchase behavior at a certain store for either the same products or different products, as stated by Seock (2009). Allard et al. (2009) mentioned that a declining mall patronage is mainly due to lack of differentiation inside the mall. Repatronage intention is mainly the likelihood the customer will go to the mall again as explained by Jones et al (2006). Mall Patronage of Galaxy mall would be the number of visitors who repeatedly visits Galaxy Mall. Rosseau and Venter (2014) mentioned that if customer are dissatisfied with the shopping mall they will visit the mall less and hence, reduce the mall patronage.

1.2 Research limitations

For every research, a clear boundary is needed to be established on the issue discussed in order for that discussion regarding the issue to not be too broad. Likewise with this research, research limitations are set.

This research mainly focuses on the analysis of mall design, mall atmosphere, mall employees towards mall patronage through self-congruity, store image, hedonic and utilitarian value on Galaxy Mall's customer in Surabaya. The variables used for this research includes mall design, mall atmosphere, mall employees, store's image, self-congruity, utilitarian value, hedonic value and mall patronage. These variables were chosen as it suits the research object the most.

For this research, the limitation is fixed upon the area customer came from, 15-60 years old and people who visited Galaxy Mall in Surabaya only. The suitable

respondents are those who have visited Galaxy Mall at least twice in the last two months.

1.3 Research problems

Based on data and facts in the background and outcomes, the problems in this study can be formulated into general and specific problem formulation. General problem formulation in this research is what factors have significant influence to Utilitarian and Hedonic Value of Mall Patronage in Galaxy Mall Surabaya?

While the specific problem formulation in this research is as the following:

1. Does Mall Design has a significant effect on Self- congruity on Galaxy Mall's customer in Surabaya?
2. Does Mall Atmosphere has a significant effect on Self- congruity on Galaxy Mall's customer in Surabaya?
3. Does Mall Employees has a significant effect on Self- congruity on Galaxy Mall's customer in Surabaya?
4. Does Self-Congruity has a significant effect on Stores' image on Galaxy Mall's customer in Surabaya?
5. Does Store's Image has a significant effect on Hedonic Value on Galaxy Mall's customer in Surabaya?
6. Does Store's Image has a significant effect on the Utilitarian value on Galaxy Mall's customer in Surabaya?
7. Does Hedonic Value has significant effect on Mall Patronage on Galaxy Mall's customer in Surabaya?
8. Does Utilitarian Value has a significant effect on Mall Patronage on Galaxy Mall' customer in Surabaya?

1.4 Research objectives

The general purpose of this research is to identify the factors that have significant influence to the Mall Patronage in Galaxy Mall Surabaya.

While the more specific purpose of this research is as follows.

1. To examine if Mall Design has a significant effect on Self- congruity on Galaxy Mall's customer in Surabaya?
2. To examine if Mall Atmosphere has a significant effect on Self- congruity on Galaxy Mall's customer in Surabaya?
3. To examine if Mall Employees has a significant effect on Self- congruity on Galaxy Mall's Surabaya?
4. To examine if Self-Congruity has a significant effect on Stores' image on Galaxy Mall's customer in Surabaya?
5. To examine if Store's Image has a significant effect on Hedonic Value on Galaxy Mall's customer in Surabaya?
6. To examine if Store's Image has a significant effect on the Utilitarian value on Galaxy Mall's customer in Surabaya?
7. To examine if Hedonic Value has a significant effect on Mall Patronage on Galaxy Mall's customer in Surabaya?
8. To examine if Utilitarian Value has a significant effect on Mall Patronage on Galaxy Mall's customer in Surabaya?

1.4 Research contributions

The purpose of the end result of this research is to expand and enhance the theory regarding management strategies as well as to broaden knowledge regarding retail industries. Specifically, the research will be beneficial to the following:

1. Current and future researchers:

To help current and future researchers to get a better understanding on the variables that influences the mage transfer from malls to stores and its influence on shopping values and mall patronage and the object, which is Galaxy Mall Surabaya that the author had researched on.

2. The author

To apply the theoretical knowledge gained from textbooks and lectures into practical analysis and to have better understanding on variables affecting mall patronage.

3. To the Management of Galaxy Mall Surabaya

As an analysis of Galaxy Mall for the management of Galaxy Mall Surabaya to use and to help the management to define areas of improvement of Galaxy Mall Surabaya.

1.5 Research Outline

Chapter I: Introduction

The Chapter I indicates the research problem to be presented to the reader. In addition it also provides the background information defining the issue and important terms. It specifies the research objectives explored in greater detail to contribute to understanding the research problem.

Chapter II: Literature Review

The Chapter II summarizes the main studies and findings that have been published on the research topic. This study also contributes or adds to what has been already studied. This chapter provides a comprehensive description of theories that apply to the research problem, an explanation of why it is relevant, as well as how the modeling efforts address the hypothesis to be tested.

Chapter III: Research Methods

The Chapter III discuss the detailed technical and scientific activities, which include the research design, sampling plan, instrumentation, statistical tools, and treatment of data.

Chapter IV: Data and Analysis

The Chapter IV commence with the explanation of the object of the studying, arranging the findings that address the research questions, and explain more on how these data collected are applicable to the theory and prior researchers presented at the early part of the study.

Chapter V: Conclusion

This Chapter V contain the summary of the research, conclusions as well as recommendation that can be utilized to advance the study of the research topic by its theoretical, methodological, substantive contributions that may be crucial to solve the limitations of existing empirical facts in the future.