

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 Background of The Study**

The recent development of shopping centers in Surabaya is quite rapid. Surabaya has a variety of shopping centers, such as Tunjungan Plaza, Galaxy Mall, Supermal Pakuwon Indah, Grand City, Lenmarc, Surabaya Town Square, Royal Plaza, City of Tomorrow, Plaza Surabaya, BG Junction, WTC, ITC Plaza Marina, Golden City Mall, Darmo Trade Centre, Maspion Square, Hi-Tech Mall and Pasar Atom (Daftar Pusat Perbelanjaan di Indonesia, 2007). For the year 2012, at least eight malls in the form of tall buildings are still in progress (<http://www.surabayapost.co.id>).

Even though there are many bigger and more modern malls in Surabaya, one mall or shopping centre with a lot of small medium enterprises exists and is known as, Pasar Atom. This shopping place could be categorized as one stop family shopping or planned shopping center. A store located at a site that is designed, managed, and operated specifically to be an integral part of a wide range of shops that are available for rent and with parking facilities (Berman and Evans, 2007). As mentioned in its official website, Pasar Atom is designed for Chinese culture and targeted for the Chinese families in Surabaya. As the oldest, legendary, and biggest shopping centre in East Indonesia, especially in Surabaya, Pasar Atom offers a distinctive icon ([www.pasaratom.com](http://www.pasaratom.com)). It attracts visitors who will not only come for window shopping but also shopping. The average traffic levels are 20,000 to 30,000 people on weekdays and more than 50,000 people on weekends. It can be concluded that this place is one of the favorite places to experience shopping in Surabaya.

To prove that Pasar Atom is one of the most interesting places to visit in Surabaya, many political leaders invested political activities in Pasar Atom

([www.kompas.com](http://www.kompas.com)). Political leaders have promoted political parties in this site.. Moreover, sales of jewelries in 2012 has increased from 20 to 50 percent compared to the year 2011 due to the large market demand in Surabaya before the Chinese New Year Celebration 2563 ([www.harianbhirawa.co.id](http://www.harianbhirawa.co.id)).

An interesting feature of shopping at Pasar Atom is the art of negotiation between the buyer and the seller at the time of the transaction because the majority of the booths are directly maintained by the owner himself. This is a value-added feature that is held by Pasar Atom compared to other shopping centers in Surabaya. A large number of stalls or shops in Pasar Atom are required to make it as one of the most complete shopping center. A variety of textiles, gold, food, snacks, adult and children clothing, prom dresses, shoes, underwears, tailors, bed covers and bed linens, accessories, toys, souvenirs, stationeries, furnitures, and banking institutions can be found in the Pasar Atom Shopping Center. New designs have increasingly attracted visitors to shop at Pasar Atom ([www.pasaratom.com](http://www.pasaratom.com)).

The growth of this shopping center is related to the fulfillment of customer satisfaction or shopping satisfaction. Kotler and Armstrong (2010) stated that the key to building lasting customer relationships is to create superior customer value and satisfaction. Many studies and literatures stated that customer satisfaction .is one of the determinants of customer loyalty, driving force in sales growth, and a strong multi-channel strategy where each channel is optimized to meet customers' needs (Flint, Blocker, and Boutin, 2008; Forsee Results, 2005; Kotler and Armstrong, 2010; Silvestro and Low, 2007; Shankar, Smith and Rangaswamy, 2002; Yang and Peterson, 2004). These findings encouraged the researcher to determine the factors that make Pasar Atom exist in the marketplace. Marketers and retailers often seek to learn why people go shopping (Irani & Hanzaee, 2011). Previous researchers identified why people are satisfied and go shopping related to shopping values and consumer-buying tendencies (Jones, Reynolds and Arnolds, 2006; Irani and Hanzaee, 2011). One of the studies by Irani and Hanzaee applied the shopping satisfaction model in the case of shopping experiences in the

apparel industry. Namely: four variables were identified to affect shopping satisfaction, namely: variety-seeking buying tendency, price sensitivity, hedonic value, and utilitarian value. These factors make people feel satisfied after buying in the store.

Irani and Hanzae (2011) thus concluded that both variety-seeking buying tendency and price sensitivity affect utilitarian and hedonic values, and eventually the shopping satisfaction. Variety-seeking buying tendency is observed as a need for a change and solve the boredom related with a brand and a product (Van Trijp, Hoyer & Inman, 1996). The definition of variety-seeking according to McAlister and Pessemier (1982) is a phenomenon in which a consumer's choices vacillate over time among an acceptable set of alternatives. It has been identified as an important shopping motivation and an influential factor in shopping channel according to Michaelido, Arnott and Dibb (2005). Chang (2002) also found that there is positive relationship between variety-seeking buying tendency and hedonic shopping value. That is, the consumers who sought variety and stimulation from shopping were more likely to have hedonic shopping value rather than utilitarian shopping value. Thus, based on the study of Ha & Jang (2011), there is a relation between variety-seeking buying tendency and utilitarian value.

Price sensitivity is another consumer buying tendency that has been proven to have an effect toward shopping channel. Price sensitivity described how individual consumers react to price levels and changes in price levels. A consumer with high price sensitivity will manifest much less demand as price goes up (or higher demand as price goes down). Consumers with low price sensitivity will not react as strongly to a price change (Goldsmith & Newell, 1997). According to the study of Wong, Chang, Lee and Lin, (2011), when the product performance and function fit the user needs, then utilitarian value has a negative relationship with price sensitivity. However, the negative degree may be lesser than that of hedonic value. The study of Babin, Darden & Griffin (1994) found that price discounts

created transaction utility or smart shopper feelings, which may increase hedonic value.

Shopping values consist of utilitarian and hedonic values (Irani and Hanzaee, 2011). Utilitarian motive underscores task-specific, rational and deliberate product acquisitions. Shopping is perceived to be work or a necessity (Babin, Darden & Griffin, 1994), and the task-specific use of shopping, such as purchase deliberation (considering the product, service, and price features before actual purchase) (Hoffman & Novak, 1996). Thus, Cottet & Reynolds (2006) found that there is a positive relationship between shopping values and satisfaction. The more customers pursue utilitarian value, the more likely the customers seek various options in the place (such as a shopping centre) of choice to satisfy the customers' desired value.

The other shopping value that has a positive relationship with shopping satisfaction is hedonic value (Cottet & Reynolds, 2006). Hedonic shopping refers to the level of perception where shopping is considered emotionally useful through various positive feelings (MacInnis & Price, 1987). Previous studies of Cai and Xu (2006) and Irani and Hanzae (2011) confirmed the positive relationship between hedonic value and satisfaction in consumer behavior literature.

Based on the earlier explanation, some antecedents of shopping satisfaction are variety seeking buying tendency, price sensitivity, utilitarian value and hedonic value. These concepts had been rarely examined in Indonesia especially for planned shopping center or one stop family shopping centre like Pasar Atom. Besides, based on several previous studies, the interrelationships between those variables are not definitely stated either "positive" or "negative". That is why this study aims to know whether these antecedents of shopping satisfaction exist which are tested Pasar Atom in Surabaya, and what is the form of the significant effect, whether it is positive or negative especially at Pasar Atom Surabaya Indonesia.

## **1.2 Research Problems**

According to the background of the study, this study investigates the following:

1. What are the characteristics of shoppers at Pasar Atom?
2. Does the variety-seeking buying tendency of shoppers at Pasar Atom significantly influence the utilitarian value?
3. Does the variety-seeking buying tendency of shoppers Pasar Atom significantly influence the hedonic value?
4. Is there a significant influence between price sensitivity and utilitarian value at Pasar Atom?
5. Is there a significant influence between price sensitivity and hedonic value at Pasar Atom?
6. Does utilitarian value significantly influence shopping satisfaction at Pasar Atom?
7. Does hedonic value significantly influence shopping satisfaction at Pasar Atom?

## **1.3 Research Objectives**

The research objectives include identifying the following information:

1. the characteristics of shoppers at Pasar Atom;
2. the effect of variety-seeking buying tendency to utilitarian value ;

3. the effect of variety-seeking buying tendency to hedonic value;
4. the influence of price sensitivity to utilitarian value;
5. the influence of price sensitivity to hedonic value;
6. the effect of utilitarian value toward shopping satisfaction at Pasar Atom; and
7. the effect of hedonic value toward shopping satisfaction at Pasar Atom.

#### **1.4 Research Contributions**

This research expects to give benefits to the following:

1. For the Company

This research suggests the factors that can help Pasar Atom maintain and enhance customers' shopping experience satisfaction.

2. For Small Business Enterprises in Pasar Atom

This research provides information on how the entrepreneurs in Pasar Atom can expand the strategy to enhance the shopping satisfactions.

3. For the University

The university has the chance to establish further relation with the mall for better improvement for both parties. This research paper can also be the basis for further study, especially variety-seeking buying tendency, price sensitivity, shopping values, and shopping satisfaction.

4. For the Researcher

The researcher will surely get the chance to prove the theory written in book and learned in class. The researchers can gain benefit from the research paper since this research paper gives insight about how

shopping satisfaction, which is affected by variety-seeking buying tendency, price sensitivity, and shopping values, applied in Pasar Atom.

### **1.5 Research Limitations**

This study focuses on one shopping center known as Pasar Atom Mall in Surabaya. It is a one-stop family shopping or planned shopping center. This research studies five variables, such as variety-seeking buying tendency, price sensitivity, utilitarian value, hedonic value and shopping satisfaction. Another limitation of this study is R square values tend to be weak.

### **1.6 Research Outline**

Chapter I : This chapter sets up the research problem for the reader. 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 : This chapter summarizes the major studies and findings that have been published on the research topic and how this study contributes or adds to what has already been studied. This chapter also states a clear description of the theory that applies to the research problem, an explanation of why it is relevant, and how the modeling efforts address the hypothesis to be tested.

Chapter III : This chapter explains the detailed technical and scientific activities which include the research design, sampling plan, instrumentation, statistical tools, and treatment of data.

Chapter IV : This chapter organizes a logical presentation of the findings that address the research questions, and focus on how these

key findings relate back to the theory and prior researches presented at the beginning of the study.

Chapter V : This chapter outlines the implications, conclusions, and recommendations supposed to advance the study of the research topic by its theoretical, methodological, or substantive contributions.