

CHAPTER I

INTRODUCTION

1.1. Background of the Study

Tenants are one of the important factors that leads to the success of a department store's rate of success. Aside from that, there are also other factors that can affect those before tenants could decide on a mall, such as the location of the mall and the strategic layouts located in the mall itself. The resulting factors that could lead to choosing the best business location and several strategic layouts that will eventually lead to the tenant having a certain level of loyalty towards the mall they rented the place from.

The purpose of this research is to find out the effects of the location and the layouts that will mark out the tenant loyalty through several election decisions at a mall. In the current competitive marketplace of real estate business, tenant loyalty (which leads to satisfaction measurement) is one of the important indicators to monitor competitiveness in terms of property development.

On that note, taking it into account, there are other things to note in terms of the beneficial factors that lie in the terms of management. For example, such is the varying strategic locations and the idea of renting a particularly effective spot for the tenants to obtain an effective form of competitive advantages in more than one form. One of the issues regarded is the fact that there is a need to fight over the location in terms of speed, availability and the potential advantages it brings to the table. Also, the idea that

customer loyalty also factors in the idea of the location itself, meaning that it needs more specified analysis and more inspection of the rather difficult strategic impact that could come from one single potential location that could work out.

Customer satisfaction has become a widely used metric to manage customer loyalty (Keiningham, Gupta, Aksoy, & Buoye, 2014). The data used in this study will be focusing on the company that manages Sun Plaza, named PT Manunggal Wiratama.

Sun Plaza, Medan as this research subject, is a popular mall in Medan consisting of six floors (including Lower Ground and Ground Floor) that was conceptually designed by the Lippo Group through Lippo Malls.

The company that manages Sun Plaza is PT Manunggal Wiratama, a company that was formed back in 24th of September 2001 is a private company that specializes in the property industry with the core business operating in the department store SUN Plaza that is in the heart of Medan's business and government district. Headed by General Manager Lina Huwan, the company has prepared their operational spot as a department store to open SUN Plaza to public by the end of February in the year 2004, located in between H. Zainul Arifin Street and P. Diponegoro Street.

For a slight history regarding the opening of Sun Plaza to the public, let's go ahead and mention their opening period in the year 2004. Sun Plaza was built as a 6-floor building that includes the Lower Ground and a Ground Floor which was designed particularly to bring out the concept of a family mall. The location it was built on is also considered to be very strategic which makes this mall easily accessible for

high school students, university students and both for domestic tourists and tourists from other countries. Sun Plaza is also rather close to the North Sumatra Governor's Office, Medan's *Mesjid Agung*, which is known as the biggest mosque in North Sumatra, *Negeri 1 Medan* School and Cambridge Apartment, which now has a mall alongside it. Gremler and Brown (in Warnadi & Triyono, 2019) defined loyalty as a customer's positive commitment to a company's goods or services beyond a single purchase. Despite the several advantages and the early success of the site, the company still must consider the matter of grabbing the loyalty, trust and the recognition of the tenants. The act of shopping is a daily human activity to fulfill our daily needs and it is usually done by most people. Compared to those in the traditional market which only requires the act of buy-and-sell transaction, but they do not look on the factors of security and the safety of the customers that the act of shopping in traditional markets causes the consumers to feel burdened and bored. This, if reflected in terms of shopping in department stores and all, could cause several degrees of loyalty to decrease in several levels and might reduce trust from overall factors.

Now let's talk about the interior of Sun Plaza. During the time when it first opened, Sun Plaza had a public food court, Cinema 21, an ice skating ring and the widely known Sogo Department Store. Until the year 2008, there are almost 97 of Sun Plaza's total areas which has been rented with the main tenants being those of Sogo Department Store, Hypermart, Ace Hardware, and other tenants that consists of local brand or international brands such as Gramedia, Starbucks, and etc.

In recent times, there has been a slight increase in stores closing their shops in the mall. Stores such as J’Co, Amazon, Pointbreak, Ripcurl, Pizza Hut and Liang Sandwich have shut their doors recently and stores such as Burger King have been moved to a smaller location on the same floor.

Aside from that, there also comes the issue of the layout of the mall. Due to the fact that visitors might be confused by the overall structure of the mall, it might be the sales of the tenants because of the visitors not being able to navigate through the mall easily. To prove that there are such comments, the writer has summarized several comments from the Sun Plaza Google Review regarding the confusing layout of the mall.

Table 1.1 Comments from Visitors about Sun Plaza’s Store Location and Mall Layout

Numb.	Comments.
1	Mall that provides many stores and famous restaurants and complete with facilities but I frequently got lost because of the confusing layout and the parking area is difficult to traverse especially on weekends and holidays.
2	The mall is very wide that it’s difficult to find some specific stores, but you’ll know if you memorize it, but you will be tired by the end because the mall is so wide.
3	What a confusing mall. Messy building layouts. Walking around it feels so tiring. Trying to find the tenants is pretty hard. The parking lot is more or less confusing. For the tenants, it’s as complete as <i>Medan Raya</i> . Oh yes, for another plus, the toilets are clean even though it’s very cramped.
4	One of the biggest shopping centers, but unfortunately not many options like food and shops, except clothes, accessories and some food restaurants. There are still lots of space left waiting for rental.
5	A large mall in Medan, with lots of tenants. But the layout management is not that good.

Source: Google review and prepared by the writer (2024)

Sun Plaza, Medan has been visited by the writer multiple times. Across the writer’s multiple visits to provide research, although not many, there are several empty shops spread across the six floors of Sun Plaza.

During the writer's research, it has been found there are recently more empty spaces than usual at Sun Plaza, with either stores no longer renting those certain places and with the observation made by the writer, it has been revealed that there is a total of 24 empty spaces in regard to the entire 417 spaces available in Sun Plaza. Several empty spaces were formerly rented by Pizza Hut, Liang Sandwich, J.Co, Ripcurl, Pointbreak, and more.

Considering all these topics at hand and with further discussion with the writer's assigned Lecturer, the writer has concluded that the thesis will be titled "**The Effect of Store Location and Mall Layout on Tenant's Loyalty at Sun Plaza, Medan**".

1.2. Problem Limitation

The writer of this research conducted concentrated and productive research with the scope to limitations, due to the limited field of research and a constrained time limit. Given the tenant's loyalty is directly related to intention to prolong their tenure contract, the dependent variable (Y) is tenant's loyalty. The independent variables, on the other hand, are store location (X_1) and mall layout (X_2). Another factor is due to the likeness of the variables that might result in very branched out factors that might severely affect the variables mentioned.

1.3. Problem Formulation

In terms of showing the problem and its formulation, here are the lists of problems we will be analyzing:

- a. Does store location have partial effect on tenant's loyalty at Sun Plaza, Medan?
- b. Does store layout have partial effect on tenant's loyalty at Sun Plaza, Medan?
- c. Do location and store layouts have simultaneous effects on tenant's loyalty at Sun Plaza, Medan?

1.4. Objective of the Research

The objective of the research is to determine the following statements, such as the analysis of the partial effects that may cause changes in the tenant's loyalty at Sun Plaza, Medan. And due to the partial effects of the store layouts, as well as the simultaneous effects that affect the tenant's loyalty from both the effects of location and the store layouts that was mentioned in the previously mentioned statements, which the objectives of this research are as follows:

- a. To examine whether store location has a partial effect on tenant's loyalty at Sun Plaza, Medan.
- b. To explain whether mall layout has a partial effect on tenant's loyalty at Sun Plaza, Medan.
- c. To investigate whether store location and mall layout have simultaneous effects on tenant's loyalty at Sun Plaza, Medan.

1.5. Benefit of the Research

1.5.1. Theoretical Benefit

Through this research, it is hoped to discover more about the impact of store location and mall layout on tenant's loyalty in a mall. This study is also planned to provide readers and future researchers with further information about the store location, mall layout and tenant's loyalty. Furthermore, it is expected that readers and future researchers can gain knowledge about store location, mall layout and tenant's loyalty.

Theoretical Benefit is so that the results of this research can be used as a reference to develop more growth into a more understanding for others who are researching about this topic, and so it can be used to act as an important information knowledge so that it can be used for the person or a research party involved, and more also as a suggestion source for the company that might operate in the future.

1.5.2. Practical Benefit

- a. For the writer, the findings of this research are to give better insight how theoretical framework is to be compared with real life settings, especially those relevant with store location, mall layout, and tenant's loyalty
- b. For the company, as the research contains data, this research may provide information regarding Sun Plaza, Medan that may be used as feedback regarding

their store location, mall layout and information regarding tenant's loyalty. As a result, it may assist Sun Plaza, Medan in improving tenant's satisfaction in the future.

- c. For other researchers, this study may be used as a reference and guideline by other researchers to gain a better knowledge of the influence of store location and mall layout on tenant's loyalty.

