CHAPTER I

INTRODUCTION

1.1.   Background of the Study

In this modern day, many businesses are developing to be the top, including malls. With the existence of huge malls, people became more consumptive because the malls offer a good deal of luxury items to the customers. Fulfillment of lifestyle is the reason people come to the mall such as eating, drinking, shopping and recreation. Competition between shopping centers in Surabaya is getting fiercer. Malls with outdated concepts will be eroded by the existence of newer shopping centers, abandoned by visitors which results in decreased occupancy. Shopping center owners and managers must be able to innovate and try to reconsider other alternative methods in case there are a few problems that have been happening at the mall in order to be able to compete and retain their customers. If the malls have a strong customer satisfaction and loyalty if the mall is able to get strong customer satisfaction and loyalty, it will help the mall become stronger to compete with other malls. With the help of growth e- commerce in 2017, shopping managers can learn how to be more innovative than before.

When the mall has loyal customers, it can help the mall to stay afloat in competition with another mall and the mall owner could maintain their profit. According to Ferry Salanto, Senior Associate Director of Research at Colliers International Indonesia, predicts that the construction of a new shopping center in Surabaya will continue to grow until 2026 (properti.kompas.com, 2020). Shopping center owners and managers continue to innovate through rejuvenation steps or concept changes with an emphasis on food and beverages. Example of other strategies was also implemented such as relocating and grouping similar tenants by type and class. Malls managers can also build excitement for customers

such as providing an atmosphere with some hangout places so the customers will enjoy their time, not feel bored, and feel satisfied at the mall.

Table I.I

Transactions Growth of Shopping Malls in 2017

Shopping Centers with the most Low Transactions (Decreased)	Growth	Shopping Centers with the most High Transactions (Increased)	Growth
Metro Pasar Baru	-59%	Gandaria City	+20%
Taman Palem Mall	-49%	Kasablanka Mall	+18%
Glodok Plaza	-34%	Mall Central Park	+14%
Mangga Dua Mall	–23%	Summarecon Mall Serpong	+14%
Mangga Dua Center	-20%	Metropolitan mall	+13%
ITC Cempaka Mas	-19%	Plaza Indonesia	+12%
Mangga Dua Pasarpagi	-18%	Pondok Indah Mall	+19%
ITC Cempaka Mas	-19%	Plaza Indonesia	+12%
Mangga Dua Pasarpagi	-18%	Pondok Indah Mall	+9%
ITC Roxy Mas	-17%	Karawaci Super Mall	+9%
Pasar Atom	-16%	Grand Indonesia	+9%
Harco Mangga Dua	-16%	Puri Indah Mall	+8%

Source: katadata.co.id (2017)

From the survey above, it shows that the newest trend of consumers or visitors is searching for malls that are not only pursue lifestyle fulfillment but also provide a place to shopping and hangout. The outcomes of surveys conducted by BCA at some malls / shopping center Java Island, shows that visitors tend to go to the malls that have several hangout places. This is what makes the malls increased their sales.

The goal of this research is to know the effect of mall atmosphere and service quality on customer loyalty through customer satisfaction at the malls in Surabaya. Example of mall in Surabaya that provides daily needs is Ciputra World Mall Surabaya. Ciputra World Surabaya is a mixed development complex

in Surabaya and the mall was opened in 2011. The interior of the mall can be said modern, elegant, and the shops in the mall mostly sell high end and luxury brands. For example, such as Salvatore Ferragamo, Longchamp, Coach, TUMI, etc. With the modern and elegant interior, Ciputra World Surabaya already has a good and comfortable mall atmosphere and should've got the customer loyalty and satisfaction.

Atmospheric is an important role because ambience is the key to make sure those customers or visitors enjoy their time. If a company has a good atmosphere, customers will be more comfortable walking around so that also encourages them to buy things. Customers will feel satisfied and feel comfortable if the mall has an interesting atmosphere. The mall atmosphere is the first thing that visitors will notice beside the store product (Kumar, 2009). An interesting mall atmosphere is a big part in continuity of getting customer loyalty and satisfaction. Ambience or atmosphere is the retail environment created by the cleanliness, music, lighting and in-store layout which will provide a set of stimulus to customers. The stimulus will positively affect consumer perceptions and purchasing preferences. The store ambience is one of the factors that differentiates a new retail store or modern retail store from a traditional store. The difference is caused by store atmosphere elements such as cleanliness, music, lighting and store layout. The store ambience aims to create a comfortable experience and condition for the customer. For consumers, shopping now is not just buying something. It is a relaxing time, a fun activity, and also an interesting and unforgettable experience.

Service quality in this company is frequently identified as a comparison between the service expected and the service obtained. Companies that can provide maximum service to customers have a high probability of being revisited by their customers (Wu and Liu, 2007). Service quality is one of the most important aspects that will positively affect the behavior of customers, for example such as promoting company products to others. It shows that service quality can give a positive effect on customer loyalty (Lyon and Powers, 2004).

The indicators of service quality are empathy, tangibles, reliability, assurance, and responsiveness.

Loyalty is the result obtained from the behavior of buyers towards purchasing activity on products offered. The level of loyalty can be measured and viewed based on the intensity of purchases made on the products offered. Visitors have the right to choose a brand they need and creates a purchasing decision (Griffin, 2015). Loyalty is described as customers held strongly to make a purchase to the company many times or subscribe to some specific goods or service in the upcoming event (Kotler and Keller, 2006). The indicators of customer loyalty are desire, continuous intention, and recommendation (Adly and Eid, 2016).

Customer satisfaction is an important factor in marketing activities because it is related with providing services and products to meet customer needs and demands. Sometimes, satisfaction is easily achieved but other times, it undergoes a complicated process (Gustafsson et al., 2015). Customer satisfaction can be considered by the customers in experiencing the product or service that the company gave. If the customer feel satisfied, they will feel positively from the product or service that they have tried and will appreciate the product or brand (Oliver, 1997). Customer satisfaction is obtained if what is needed and what they expect is in accordance with the experience they get. The indicators of customer satisfaction are customer experience, overall performance, and customer expectation (Adly and Eid, 2016).

These variables are very important because to know how the mall operates so that we can find out why the mall is having visitors at Ciputra World Mall in terms of selling luxury goods. The aim of this study is to find out the effect of mall atmosphere and service quality on customer loyalty through customer satisfaction at Ciputra World Mall Surabaya. Because the are some intense competition between other malls in Surabaya, this research aims to find out what are the advantages that Ciputra World Mall has and to know more about the effect of mall atmosphere and service quality on customer loyalty being very influential through customer satisfaction.

1.2.   Research Questions

According to the background of the study that has been showed, the research questions can be formulated as:

1. Does Mall Atmosphere influence the Customer Loyalty in Ciputra World Mall Surabaya?
2. Does Mall Atmosphere influence the Service Quality in Ciputra World Mall Surabaya?
3. Does Customer Loyalty influence the Customer Satisfaction in Ciputra World Mall Surabaya?
4. Does Service Quality influence the Customer Satisfaction in Ciputra World Mall Surabaya?

1.3.   Research Objectives

According to the research questions that have been stated, the research objectives can be concluded as:

1. To analyze the influence of Mall Atmosphere towards Customer Loyalty in Ciputra World Mall Surabaya.
2. To analyze the influence of Mall Atmosphere towards Service Quality in Ciputra World Mall Surabaya.
3. To analyze the influence of Customer Loyalty towards Customer Satisfaction in Ciputra World Mall Surabaya.
4. To analyze the influence of Service Quality towards Customer Satisfaction in Ciputra World Mall Surabaya.

1.4.   Significance of the Study

From the objectives that has been stated above, this study is expected to provide significant benefits with practical and academic significance.

1.4.1.   Academic Benefit

It is expected that the results of this study can be a reference for other researchers who want to understand about the effect of mall atmosphere and service quality on customer loyalty through customer satisfaction of Ciputra World Mall. It is expected that readers of this research can understand the problems in effect of mall atmosphere and service quality on customer loyalty through customer satisfaction of Ciputra World Mall.

1.4.2.   Practical Benefit

The results of this study are expected to provide more developed and better service of Ciputra World Mall that can satisfy the needs of customers and try to solve the problems or issues so that Ciputra World can be better at their service quality. This research would be meaningful for the managers of the mall because it will help managers so that they can understand the current situation about the mall and understand how to handle the problems that exist in the mall, so that managers can change what is less to be better and the mall can operate better and be more direct to positive things so that visitors can enjoy to come or shop again at Ciputra World Mall.

1.5.   Systematic of Writing

This study's systematic of writing consists of five chapters that were arranged as follows:

CHAPTER 1: INTRODUCTION

This chapter discussed about background of the study, research questions, research objectives, significance of the study (academic and practical benefit) and the systematic of writing.

CHAPTER 2: LITERATURE REVIEW

This chapter discussed about theoretical foundation that includes service quality, mall atmosphere, customer satisfaction, customer loyalty, previous research, hypothesis development, as well as the conceptual framework.

CHAPTER 3: RESEARCH METHODOLOGY

This chapter will discussed about research design, variable identification, operational definition, variable measurement, type and source of data, tools and data collection method to be implemented for collecting, population – sample – sampling method, data analysis, analyzing research will be done by questionnaire and the type of research method is quantitative.

CHAPTER 4: ANALYSIS AND DISCUSSION

This chapter is about the characteristics of the research, general descriptions statistics of the research object/variables, the results of data analysis, hypothesis testing, and discussions of the findings.

CHAPTER 5: CONCLUSION AND SUGGESTION

This chapter is about the conclusions from the results of hypothesis testing and discussion of findings of research conducted and suggestions in the form of problem-solving ideas that originate in the discussion of research findings that are useful for the company and subsequent research.