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## **Determinants of Tenants' Satisfaction: a Case Study in XXX Parade, Muar**

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### **Abstract**

In the competitive real estate industry, optimizing service delivery, tenant satisfaction and retention is critical in ensuring property returns. High tenant satisfaction can be leveraged to enhance retention and occupancy rates. With such, this paper gives the insights on determinants that lead to satisfaction from tenants' viewpoint. This author has selected a shopping centre in Johore and has made use of a survey instrument distributed to 66 permanent tenants in eliciting results. The data was collected in 2011 and results show that the most decisive factor, ambience would lead to satisfaction, followed by service quality, facilities, tenant mix and rental rate. The author recommends further research conducted at prominent shopping centres in Klang Valley where variations across tenant profiles are high.

*Keywords: retail management, tenant satisfaction, retailers*

## Introduction

Malaysia's wholesale and retail sector remains to show an important role in the economy. It contributes to domestic consumption that makes up 67 to 70 per cent of GDP. The growth of retail industry has grown profoundly in the past decade.

A shopping center, shopping centre, or shopping plaza, is the revolution concept of the historical market. It consists of a collection of independent retail stores, services, and a parking area, which is conceived, constructed, and maintained by a management firm. Independent retail stores or tenants are those who rent the shop-lots or units to operate businesses in the shopping centre. Shopping centre managers are gaining direct benefits from tenant through the payment of rentals as per agreed by both parties.

Here, we could see a relationship where landlord and tenants are dependent on each other. First, tenants who are bound by a contract with the landlord are expected to pay rental as per agreement. While landlords are to deliver the promised product and services to all retail stores in order to achieve sustain relationship and tenant satisfaction. Customer satisfaction, a term frequently used in marketing, is a measure of how products and services supplied by a company meet or surpass customer expectation (Kotler, 2012). From a report extracted from Child 2006,

*Shopping centres have become a staple of Australia's retail scene since the first opened here 50 years ago. On the face of it, there's something for everyone, shoppers get a wide range of outlets with public parking, retailers get access to a steady stream of customers walking past the door and the shopping centre owners reap the rewards of both consumers with money to spend and shop owners who want to rent premises. But behind the bright lights and the music, many retailers are unhappy at the treatment they get from centre owners and managers. They say large rent increases are forcing them to leave the centres they rely on for trade and that their landlords hold all the power when it comes to the future of their business. For their part, the shopping centre owners say often it's the retailers who are being unreasonable and they have to get used to sometimes harsh commercial realities.*

These has clearly indicated that there are factors that influences satisfaction or dissatisfaction among tenants. From previous research, studies were conducted investigating (macro) factors, which would include demographic and socio-economic features of the catchment area; the (micro) site factors such as competition and accessibility; and the in-store (or store-specific) factors (Baldwin, 1999). These factors can be used and translated to the overall retail performance, including the patronage turnover of retail stores. There are other non-product related construct on customer satisfaction. Stojack Carrie (1997) found that in order to achieve better satisfaction, employees play an important role to meet or, better yet, exceed expectations.

Therefore, the objective in this research is to identify factors that contribute to tenants' satisfaction. In addition, the most prevailing factor is identified as it carries biggest weightage on tenant satisfaction according to their perspective.

Most research was conducted in urban cities especially in developed countries such as Australia, United States of America, United Kingdom and Hong Kong. However, partial studies were conducted in neighbourhood based environment that comprises of different sets of tenant profiles. Therefore, this research is conducted in a chosen neighbourhood centre, XXX Parade, located at Muar, Johore. The 5 floor shopping centre is managed by a company called Hektar Asset Management Sdn. Bhd. It is the only shopping centre in Muar that has a departmental store as its anchor tenant, creating a similar character to shopping centres in urban areas.

### **Literature Review**

According to ICSC's Dictionary of Shopping Center Terms, shopping centre is could be defined as a group of retail and other commercial establishments that is planned, developed, owned, and managed as a single property. Landlord is the owner of real property or of a leasehold interest in real property who leases the property to a tenant for value consideration. Tenant is a party who leases real property from the owner of the property or of the leasehold interest in the property for value considerations.

This indicates that the primary customers of a shopping centre are the tenants who rent individual shop- lots or units to operate their business in the building. While the walk-in customers are the secondary customers of a shopping centre. Shopping centres gain benefits through the payment of rentals directly from the primary customers, which comprises of tenants. Therefore it is critical for landlord to maintain and continue to attract tenants to operate in the shopping centre, leading to an assumption that tenant satisfaction is critical to ascertain continuous flow of income to the company. Kotler (2011) reported that customer satisfactions are achievable when a product's perceived performance meets a buyer's expectation. This translates that continuous patronage of tenants gives an indication that centre managers have offered acceptable sets of benefits on their product and services.

### ***Storewide product and services characteristics analysis***

There are several factors that were discussed in previous studies that made continuous patronage and satisfaction in the tenants' viewpoint.

The first factor for discussion is regular retailing attractions such as product range, prices and ambience, also refers to the store's physical ability to attract customers. (Graeme Baldwin, 1999)

According to Yuan (1996), the activities of consumers should become as important as the actual purchase because shopping can be undertaken for both utilitarian (functional or tangible) and hedonic (pleasurable or intangible) reasons. In addition, Levy & Weitz

(2001) mentioned that ambience refers to the character and atmosphere of a place. It is reflected on the internal atmospherics of the centre like decor, colour schemes, lighting, layout and background music played inside the shopping centre, etc. With such, landlord of shopping centre should focus on creating pleasure and exciting atmosphere for constant visitation to the shopping centre.

Secondly, landlord is to design and build a building that can create as much store traffic as possible. Balanced tenancy in which there is complementary and synergy between tenants can be achieved (Bruwer, 1997). Most shopping centre owners believe that there is an optimal mix of stores for their shopping centre, one that creates synergistic advantages (Silverman, 1992). According to Kaylin (1973) a synergy between the anchor tenants and a pleasant shopping environment is the key to a successful synergy between tenants.

Thirdly, from the statement of Yuan (1996), facility could be categorized as a factor that will influence the satisfaction of tenants. This was translated by having sufficient parking space, restrooms, fire extinguisher, elevators, escalators and air-conditioning. According to Meulenroek (2008), "A tenant might not move because of reasons other than dissatisfaction with office". Similarly, a tenant would not move out from shopping centre if tenants were satisfied with current set of positive synergies transpired between tenants.

Next, according to Meulenbroek (2008), rental rate is one of the building factors which can be either a keep, push or pull factor that will influence the satisfaction of tenants. The dissatisfaction may result in dispute between tenants and landlords. Most probable cause is regarding claims of overvaluation and alleged contractual inequities. Shop property is unusual in that, the sales turnover achievable via physical and locational characteristics of the properties selected. (Mark Teale, 1993).

Another factor to be considered is retail services. This would include security, customer services and maintenance. Retail security has long been an important factor. According to Coleman (2006), the increasing incidents in crime and terrorist threats had brought some negative effect toward shopping centre. In addition, according to Yuan (1996), purchasing decisions in 21 century are no longer based on the price but also the quality or product range. Some retailer should concentrate on value including superior service, high quality and reasonable value. Based on Karatepe, Yavas & Babakus (2005), "service quality" is abstract and elusive. The unique features of services such as inseparability of production and consumption, intangibility, and heterogeneity make measurement of quality a very complex issue.

## **Methodology**

This study used self-administered questionnaire survey to gain the related information from the respondents. A four page questionnaire has been constructed with rating-scale questions about the level of satisfaction or dissatisfaction among in-store tenants toward the various elements of the product and services offered by the landlord. Selected mode of communication is English. The sample size chosen are according to Krejcie and Morgan

(1970), a sample size from population selection ratio in which, a population of 80 tenants, 66 tenants were selected to be studied upon. Using convenience sampling technique, the questionnaire was distributed to 66 captive audiences that happen to be present throughout the process of data collection. Sample unit chosen are owners or managers that operate the retail outlet themselves. The response rate was 100% and all 66 responses were returned to the researcher.

The questionnaire was divided into two sections. The first section focused on collecting demographic profiles of the respondents which included gender, age, races and retail outlet product category. The second section focused on the factors that would indicate the satisfaction among tenants. Tenants satisfaction were measured on the statements which comprises of 5 independent variables where they were to rate their level of agreement in 5 likert-scale responses.

In this study, descriptive statistical analyses were used on the response data to observe the value of the distributions, the central tendencies and the dispersions. These analyses were represented by frequencies, means and standard deviations.

Initial reliability test was carried out on all variables and results indicted the value is 0.840, all above the recommended minimum of 0.7. (Nunally, 1987). Therefore, the instruments used in this study were reliable and had good value of Cronbach's Alpha.

Table 1: Cronbach's Alpha

Cronbach's Alpha	Number of Questions	Number of Respondents
0.840	25	66

### Findings and Analyses

The analyses of demographic variables namely respondents' gender, race, age group and retail store categories are distributed as below.

Table 1: Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Female	42	63.6	63.6	63.6
Male	24	36.4	36.4	100.0
Total	66	100.0	100.0	

The above table showed that the respondents are represented two third of the sample in both gender categories namely male and female. This would illustrate that the retail outlet owners or managerial level employees are dominated by females.

Table 2: Race/Ethnic

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Chinese	51	77.3	77.3	77.3
	Mala	15	22.7	22.7	100.0
	Total	66	100.0	100.0	

The above table summarized that only two ethnic were represented in the sample frame which are fall into Chinese and Malay, exemplifying Indian and other ethnics. It has clearly indicated that most of the respondents are Chinese with a majority of 77.3% of total sample frame. While leaving 22.7% of total respondents to Malays. The generalization from this study is only valid for Chinese and Malay ethnics only.

Table 3: Age Group

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-30	27	40.9	40.9	40.9
	31-40	22	33.3	33.3	74.2
	41-50	11	16.7	16.7	90.9
	>50	6	9.1	9.1	100.0
	Total	66	100.0	100.0	

Based on the table above, it showed that the age group of respondents between 20 to 30 years old, 31 to 40 years old, 41 to 50 years old and over 50 years old were represented by 40.9%, 33.3%, 16.7% and 9.1% respectively. This indicated that most of the young generations in Muar were involved in business at the said shopping centre. As a result, the generalization from this study is valid for all age group of tenant's population.

Table 4: Retail categories

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Fashion	24	36.4	36.4	36.4
	Foods	2	3.0	3.0	39.4
	Restaurant	4	6.1	6.1	45.5
	Entertainmen	4	6.1	6.1	51.5
	Sport	1	1.5	1.5	53.0
	Services	5	7.6	7.6	60.6
	Beauty Shop	7	10.6	10.6	71.2
	Others	19	28.2	28.2	100.0
	Total	66	100.0	100.0	

The above table shows that the respondents are involved in at least one category of retail product offered where majority of 36.4% were involved in fashion based businesses. This is closely followed with other kinds of product categories such as Health Care, Electrical and Information Communication Technology, Handicrafts, Souvenirs and Gifts, Books and Stationary, etc. which represents 28.2%. Next, were followed by beauty shop, services, restaurant and entertainment, food and beverage outlet and sports outlet respectively. Again the generalization from this study is valid for all types of retail category in the shopping centre.

In this study, a total of 25 items were grouped together into 5 main factors that consist of ambience, tenant mix, facilities, rental rates and service quality. The table below summarize the response of tenants satisfaction towards XXXParade retail management product and services offered.

Table 5: Determinants influencing tenants satisfaction

Determinants	Mean	Std Deviation	Interpretation
The mall lighting is bright.	3.62	0.799	Medium
The room temperature is comfortable.	3.21	1.089	Low
The walk-way in shopping mall is clean.	4.06	0.875	High
Shopping mall portrays good decoration during festive season.	3.88	0.969	High
In your opinion, the architectural design of shoppingmall can attract more walk-in customers.	3.59	0.859	Medium
The shopping mall has the most convenient centre layout for shopping experience.	3.61	0.943	Medium
<b>Ambience</b>	<b>3.66</b>	<b>0.922</b>	<b>Medium</b>
One anchor tenant is enough to attract walk-in customers to the shopping mall.	2.83	1.09	Medium
The arrangement of shop-lot in shopping mall will bring more convenience for walk-in customers.	3.55	0.863	Medium
The shopping mall will organize the events to attract more walk-in customers.	3.35	1.143	Medium
<b>Tenant Mix</b>	<b>3.24</b>	<b>1.032</b>	<b>Medium</b>

The landlord of shopping mall provides sufficient parking-lots.	2.32	1.152	Medium
The landlord of shopping mall provides sufficient escalators.	3.67	0.791	Medium
The landlord of shopping mall provides sufficient elevators.	3.65	0.85	Medium
The landlord of shopping mall provides sufficient restrooms.	3.77	1.049	High
The landlord of shopping mall provides sufficient ATM machines.	3.23	1.134	Medium
<b>Facilities</b>	<b>3.33</b>	<b>0.995</b>	<b>Medium</b>
the rental rate in shopping mall is reasonable.	2.65	0.813	Medium
The rate of services charge is reasonable.	2.77	0.697	Medium
The landlord of shopping mall should include other charges.	1.94	0.926	Low
<b>Rental rates</b>	<b>2.45</b>	<b>0.812</b>	<b>Medium</b>
The shopping mall support services personnel repair within 24 hours after a complaint is made.	2.98	1	Medium
The landlord of shopping mall is friendly throughout their service to tenants	3.48	1.011	Medium
Assistance are offered when tenants has a problem.	3.2	0.996	Medium
You are satisfied with the services that had been provided.	3.23	0.908	Medium
Shopping mall provides advanced retail security system through CCTV system.	3.88	0.886	High
The landlord of shopping mall has provided the service base on the requirements.	2.98	0.868	Medium
The maintenance done in shopping mall can keep the facilities under good	3.74	0.829	High
Tenants feel safe in the shopping mall.	4.03	0.784	High
<b>Service Quality</b>	<b>3.44</b>	<b>0.91</b>	<b>Medium</b>



Based on Table 5 results, it indicates that tenants in XXXParade have responded towards the degree of satisfaction towards the retail managementsøproduct and services offered. The highest satisfaction among tenants is the set of ambience benefit provided by XXX Parade, which gave highest score mean of 3.66 and standard deviation of 0.920. Even though ambience factor belong to medium central tendency range which was same with other four factors, it presented the highest mean score, indicating high importance of in influencing tenantsø satisfaction.

Other four determinants which were tenant mix, facilities, rental rate and service quality has medium score of central tendency. Service quality marked its mean score at 3.44 while the standard deviation was at 0.906, the second highest mean score after ambience. This was followed by facilities where the mean marked at 3.32 and standard deviation was at 0.991. The mean of tenant mix was at 3.24 and the standard deviation was at 1.029. Tenants responded lowest mean score on rental rate with a result of 2.46 and 0.89 for standard deviation.

The highest mean score in individual item is cleanliness of walk-way in the neighbourhood centre (4.06). Followed by advanced retail security system through CCTV system and attractive centre decorations during festive season with a mean score of 3.88. While, the highest dissatisfaction among tenants are additional other charges committed by tenants, followed by sufficient allocated parking bay areas and elevators with mean scores of 1.94, 2.65 respectively.

### **Conclusions and Implications**

The findings from this study highlight several positive contributions towards shopping centre owners and centre managers. It could be generalized for a typical neighbourhood centre that shared the same product and services characteristics and similar demographic profile of tenants. XXX Parade centre managers should continuously develop more attractive atmospheric feel as ambience were perceived as great importance. Reflecting on the individual items results indicate that the highest perceived satisfaction is cleanliness in the walk way. It does represent comfort and overall perceived store image, similar to the findings done by previous researchers. (Wong, 2001).

It was also found that the dissatisfaction rose from perceived overvaluation of rental rates, service charges and other ad-hoc chargeable rates among tenants. Centre managers should consider cost-benefit implications in deciding the best course of action taken.

Centre managers should consider the changes in the environment that would occur years ahead from start-up date of operation. This is to cater predictable, ever changing developments and urbanization of the area (Rajagopal, 2010). It is also important to understand other changes like environmental shifts that comprises of demographic profiles, lifestyles, and cultural as reported by Yuan (1996). The shopping centre mangers should design, construct and redevelop continuous adaption and improvements due to

these changing times and tastes. These changes will influence the purchasing preferences that would directly give major implications to the business decisions. Therefore, landlord should be not lose sight on dynamicity of need and wants from a primary and secondary customersø viewpoint. Further research is suggested to study the relationship of these factors influencing tenant satisfaction in different types retail centres that operates in Malaysia.

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