

# Key Factors Affecting Small Tenant Decision on Renewing Shopping Mall Rent Contract

Benyada Sinchaloenman\*, Atcharawan Ngamyang, Ph.D.\*\*

\* Graduate student in Real Estate Business, Thammasat Business School, Thammasat University, Thailand.

\*\* Department of Real Estate Business, Thammasat Business School, Thammasat University, Thailand.

**Abstract-** Shopping mall's income mainly comes from rent from the tenants. Other service fees are only small portion of a shopping mall income. Since shopping mall expenses are normally stable. Changing tenant increases operating expense and decreases rental income. This paper explores key factors concerning small tenants, decision making to renew the shopping mall rental contract. The survey data was collected from 4 shopping malls in Bangkok with 215 samples from 460 tenants. The research found out that trust and center management performance are direct factors which impact tenants to renew their rent contract. The indirect factors are empowerment, responsive behavior, cooperate and service quality. Shopping center management should focus on meeting tenants' satisfaction. If they are satisfied, the probability that they will renew the contract is high. And the shopping mall will get higher income on operation and this will lead to the shopping mall success and sustainability.

**Index Terms-** Mall and tenant renew, Small tenant decision, Factor of renew contract, Small tenant management

## I. INTRODUCTION

Due to Bangkok Retail's index is growing rapidly; many international brands are interested in expanding their brand store in the city. (Kongcheep, 2012) Shopping mall splashes over Bangkok area which an occupancy rate of 95%. (CBRE, 2012) For the shopping mall portfolio management, Long contract tenant gives a stable income which is offered to international brand, regional brand as a key tenant. In the other hand, short contract tenant gives an appreciated rental rate to market opportunity which is offered to starting brand, small brand. (Shilling, 2001) So tenant renew is one of success management goal. Changing tenant charges the shopping mall many dimensions; called "Lease roll over cost" which are cost for preparation of vacant space, cost for leasing agent and lost income while the space vacant. (Kyle, 2005)

In this study, researcher would like to explore those key factors for the shopping mall management application on their policy to remain their existing tenant for continuously revenue to the shopping mall.

## II. IDENTIFY, RESEARCH AND COLLECT IDEA

Relationship between landlord and tenant in shopping mall is very interesting. The relationship start from tenant rents a space for commercial purpose such as sale its products or services. Shopping mall gets rent from tenant that reflects to tenant's profit and ability to pay. To encourage tenant's profit, shopping mall

has to have a strong marketing strategy to communicate with customers who are spender to tenant. By this, tenant gets the maximum profit and shopping mall can ask for maximum market rental rate in a renew contact. Relationship management in this case is managing on contract constrains, limitations, maintenance acknowledged process and so on. (Benjamin, Boyle, & Sirmans, 1990; Kyle, 2005)

The literature review explores factors that are affecting small tenant decision on renewing shopping mall rent contract. All factors about relationships between tenant and landlords, business to business services, customer satisfactions and retail management were target factors. Most journals mention in similar meaning. They are Performance, Image, Marketing, Trust, Responsible, Cooperation, Service Quality and Empowerment.

Centre management performance shows abilities of management team of the mall which is state to tenant mixed (Roberts & Merrilees, 2003) that relate to customer's need and want. The right tenant mixed will draw customer's attractions and gain an opportunity to sale. Moreover, key tenant is another important factor to the mall's performance. Key tenant will strongly show its character and spill it out over the mall space and perception. By this, selection of key anchor matches to the mall marketing position which has to be customer's first choice. (Shilling, 2001) (Roberts & Merrilees, 2003) Focus to customer, good quality mall management will draw customer repeat which can create more income to tenant. (Gibaldi, Spinelli, & Merlo, 2003) (Ramaseshan, Yip, & Pae, 2006)

Bad responsive behavior can lost 50% of customer in 5 years' service. Top three of the worst responsiveness is failure of reactions, missed responsible on request and unexpected manner. (Cranage, 2004) From tenant's perspective, responsive behavior should be support on their core business such as handling on unexpected event, planning on emergency situation and feedback on request. These responsiveness is an indirect support to tenant's ability to sale. (Rasila, 2010) (Jackson, 1998)

Cooperation between the mall and tenant is also important effect to customer. For example, the mall creates promotion campaign and needs tenant's support on cooperate to the campaign such as special price product which related to the event. Moreover, success sharing is an inception idea to this factor like a sponsor to a sport team. This shows customer that everyone has the same goal. Sponsor supports the team and customer supports the team and its sponsor to share their success. (Cornwell & Coote, 2005) Not only the goal they share, but this concept also share problem and problem solving. If cooperate has been concern, all parties will achieve the same emotion,

economics and investment. (Ramaseshan et al., 2006; Roberts & Merrilees, 2003) (Jackson, 1998)

Empowerment factor's effect is depending on culture in each area. Some social deals the business fairly, some deals as a monopoly trade, some deals as agglomeration. (Ramaseshan et al., 2006) Unacceptable empowerment dealing will lead to failed relationship management. (Benton & Maloni, 2005) Normally, fair deal creates smoother relationship than unfair one. (Rasila, 2010) This is not only the contract negotiation process, but also opinion discussion and business offering. (Roberts & Merrilees, 2007)

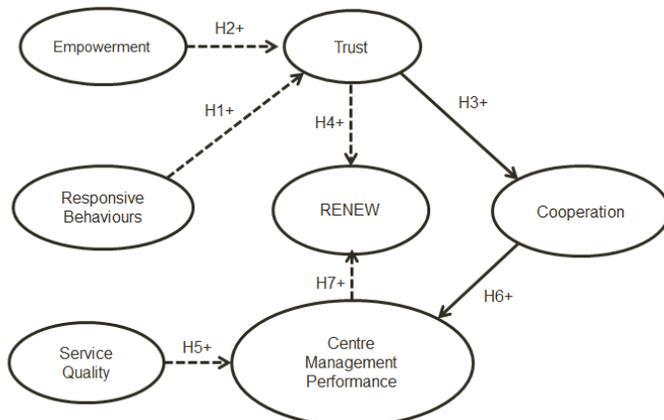
Trust is normally judge by looked, personality and brand. For example, when salesperson introduces her product, customer is looking for honest and sincere. If the customer trusts in 2 dimension, buying decision will happen. It is a key factor to business success. (Hewett, Money, & Sharma, 2002) Trust in tenant and mall perspective, explain by effectiveness and behavior on both parties. (Roberts & Merrilees, 2007) How they communicate, participate and coordinate with each other. The consistently behavior gains trust. Moreover, some tenant trusts in past performance of the mall, some trusts in future plan, some trusts in synchronization. (Ruppel & Harrington, 2000) Well trust management will encourage contract renew rate. (Roberts & Merrilees, 2007)

Renew rental contract with market price deal is the most success of the shopping mall to maximized its income. (Shilling, 2001) Nevertheless renew the contract within little under market price can be better than terminate contract to compare with leas roll over cost. (Kyle, 2005) So this study focus on key factor affecting small tenant decision on renewing shopping mall rent contract.

### III. STUDIES AND FINDINGS

This study proposed to 6 shopping malls in Bangkok. Four shopping malls join the study with total number of 860 tenants. Questionnaires were spread to 460 tenants by convenience sampling. Screen question encouraged the owner or partner of tenant to answer all questions. The qualified tenant has to rent at least 6 months for 1 year contract. 215 questionnaires were submitted as 46% feedback rate.

#### A. Bits and Pieces together Conceptual Model



Dotted line : Relation from (Roberts & Merrilees, 2007)  
Solid line : Relation from (Roberts & Merrilees, 2003)

Relation on the conceptual model state that 2 key factors are the direct indicator of Renew that are Trust and Center Management Performance. Trust has 2 direct indicators which are Empowerment and Responsive Behavior. Center Management performance has 2 indicator which one is Service Quality and another one is and indirect from Trust which is Cooperate. From those relation can conclude as the research hypothesis as;

(H1): Responsive Behaviour is positive relate to Trust

(H2): Empowerment is positive relate to Trust

(H3): Trust is positive relate to Cooperate

(H4): Trust is positive relate to Renew

(H5): Service Quality is positive relate to Centre Management Performance

(H6): Cooperate is positive relate to Centre Management Performance

(H7): Centre Management Performance is positive relate to Renew

Measurement of this research is tenant's satisfaction to the shopping mall that it's located and Renew decision by five-point-scale as statement on list below. Test data's reliability with Cronbach's Alpha. Then test correlation statistic and factor analysis. The last step is test the hypothesis with multiple regressions.

Statement of tenant satisfaction score

Constructs	Dimensions	Questions	Reference
Centre Management Performance (CMP)	CMP1	The shopping mall has an attraction to customer.	(Hallowell, 1996; Roberts & Merrilees, 2007)
	CMP2	The shopping mall has an outstanding image.	(Hallowell, 1996; Roberts & Merrilees, 2007)
	CMP3	The shopping mall has a suitable marketing strategy.	(Hallowell, 1996; Roberts & Merrilees, 2007)
	CMP4	The shopping mall has an appropriate tenant mixed.	(Roberts & Merrilees, 2007; Shilling, 2001)
	CMP5	Main customer of the shopping mall is your main customer.	(Roberts & Merrilees, 2003)
	CMP6	The shopping mall rent is value for money.	(Joo, 2007)
Responsive Behaviour (RSP)	RSP1	You are able to contact to the mall management whenever you need.	(Roberts & Merrilees, 2007)
	RSP2	The shopping mall management team	(Roberts & Merrilees,

Constructs	Dimensions	Questions	Reference	
Responsive Behaviour (RSP)	RSP3	You receive the shopping mall information in time.	(Roberts & Merrilees, 2007)	
	RSP4	You are part of the shopping mall changing informed.	(Roberts & Merrilees, 2007)	
	RSP5	The shopping mall management response to problem systematically.	(Roberts & Merrilees, 2007)	
	RSP6	The shopping mall management prevent expectation situation before damage.	(Roberts & Merrilees, 2007)	
	RSP7	You have informed important issue directly.	(Roberts & Merrilees, 2007)	
	Service Quality (SQ)	SQ1	The shopping mall has an identity decoration.	(Hallowell, 1996; Roberts & Merrilees, 2007)
		SQ2	The shopping mall finished with good quality materials.	New item
SQ3		The shopping mall has pleasant atmosphere.	(Giraldi et al., 2003; Roberts & Merrilees, 2007)	
SQ4		The shopping mall is well maintenance. All equipment is in proper condition.	(Roberts & Merrilees, 2007)	
SQ5		Common area in the shopping mall is well cleaned.	(Roberts & Merrilees, 2007)	
SQ6		The public washroom is clean.	New item	
Cooperation (COP)	COP1	You and the shopping mall have a same goal.	(Cornwell & Coote, 2005; Ramaseshan et al., 2006; Roberts & Merrilees, 2003)	
	COP2	You and the	(Roberts &	

Constructs	Dimensions	Questions	Reference	
Cooperation (COP)	COP3	You and the shopping mall coordination on problem solving.	(Roberts & Merrilees, 2003)	
	COP4	You and the shopping mall is unity.	(Ramaseshan et al., 2006; Rasila, 2010)	
	COP 5	You always participate to the shopping mall's activities.	New item	
	Empowerment (EMP)	EMP1	You are treated same as others tenant.	(Ramaseshan et al., 2006; Rasila, 2010)
		EMP2	You are treated equally.	(Roberts & Merrilees, 2007)
EMP3		You are able to negotiate to the shopping mall.	(Roberts & Merrilees, 2007)	
EMP4		Business dealing with the shopping mall is fair.	(Roberts & Merrilees, 2007)	
EMP5		You and the shopping mall built a good relationship.	(Roberts & Merrilees, 2007)	
Trust (TRS)	TRS1	You trust in the shopping mall.	(Roberts & Merrilees, 2007)	
	TRS2	You receive good service quality from the shopping mall.	(Roberts & Merrilees, 2007)	
	TRS3	Your business confidence can be inform to the shopping mall. (If ask)	(Rasila, 2010; Roberts & Merrilees, 2007)	
	TRS4	The shopping mall management will surely keep their promise.	(Rasila, 2010; Roberts & Merrilees, 2007)	
	TRS5	The shopping mall will support your business till success.	(Roberts & Merrilees, 2007)	
	TRS6	You trust in the shopping mall	New item	

		management.	
Renew (REW)	REW1	You will definitely renew the contract.	(Roberts & Merrilees, 2007)
Constructs	Dimensions	Questions	Reference
Renew (REW)	REW2	You attended to continue rent in the shopping mall.	(Roberts & Merrilees, 2007)
	REW3	Your business wills success with the shopping mall.	New item

**B. Use of Simulation software**

Center Management Performance factor has 0.893 of Cronbach’s Alpha score Sig at 0.01. Factor analysis with Principle Axis factoring and Orthogonal Varimax rotation has 0.891 of KMO Sig at 0.000 and Cumulative 58.65%.

Responsive Behaviors factor has 0.919 of Cronbach’s Alpha score Sig at 0.01. Factor analysis with Principle Axis factoring and Orthogonal Varimax rotation has 0.897 of KMO Sig at 0.000 and Cumulative 67.69%.

Service Quality factor has 0.914 of Cronbach’s Alpha score Sig at 0.01. Factor analysis with Principle Axis factoring and Orthogonal Varimax rotation has 0.915 of KMO Sig at 0.000 and Cumulative 64.64%.

Cooperation factor has 0.905 of Cronbach’s Alpha score Sig at 0.01. Factor analysis with Principle Axis factoring and Orthogonal Varimax rotation has 0.869 of KMO Sig at 0.000 and Cumulative 65.97%.

Empowerment factor has 0.950 of Cronbach’s Alpha score Sig at 0.01. Factor analysis with Principle Axis factoring and Orthogonal Varimax rotation has 0.883 of KMO Sig at 0.000 and Cumulative 79.48%.

Trust factor has 0.927 of Cronbach’s Alpha score Sig at 0.01. Factor analysis with Principle Axis factoring and Orthogonal Varimax rotation has 0.915 of KMO Sig at 0.000 and Cumulative 68.15%.

Renew factor has 0.882 of Cronbach’s Alpha score Sig at 0.01. Factor analysis with Principle Axis factoring and Orthogonal Varimax rotation has 0.735 of KMO Sig at 0.000 and Cumulative 71.70%.

**Multiple regression analysis;**

First group, Trust factor is a dependent variable. Empowerment and Responsive Behavior are independent variables. 0.767 of R-square, Standard error of estimate is 0.621. Equation of the hypothesis is  $TRS = 0.504EMP + 0.570RSP$ .

Second group, Cooperation factor is a dependent variable. Trust is an independent variable. 0.811 of R-square, Standard error of estimate is 0.560. Equation of the hypothesis is  $COP = 0.803TRS$ .

Third group, Centre Management Performance is a dependent variable. Service Quality and Cooperation are independent variable. 0.778 of R-square, Standard error of estimation is 0.598. Equation of the hypothesis is  $CMP = 0.160SQ + 0.706COP$ .

Final group, Renew is a dependent variable. Centre Management Performance and Trust are independent variable.

0.808 of R-Square, Standard error of estimation is 0.558. Equation of the hypothesis is  $REW = .528TRS + .308CMP$

**IV.CONCLUSION**

From the data can assume that Trust and Centre Management Performance is direct indicator to Renew that Trust in more powerful than Centre Management Performance. In the meantime, Trust is also powerful indicator to Cooperation that is an indicator to Centre Management Performance. To applied the concept of this research in shopping mall policy is focus on Trust factor to gain the Renew portion and used Cooperation factors as a tools to encourages Centre Management Performance score as the expect to gain the Renew portion.

Trust can be built through two factors that are Responsive Behavior and Empowerment. In this case, small tenant concern on ability to compete that rental rate is one of its factors showing landlord’s Empowerment. Responsive Behaviors is built by landlord’s reaction on tenant’s problems or difficulty. Trust is also affects to Cooperation in goal’s sharing and problem solving sharing. The Cooperation is one of key factor built Centre Management Performance as participation from tenants. Encouraging Centre Management Performance by built Service Quality is covered all factors to show the shopping mall ability to manage in maintenance, cleanliness and decorations.

**Research limitations;**

This research focuses on small tenant. The result appears to Trust and Centre Management Performance factors are the key factors. This can assume that small tenant decision is critical to landlord’s business running intension and abilities of mall’s performance. It is no proved that this conclusion can be applied to big tenant because of they have a difference constrain between big and small tenants. The future study can be focus on big tenant affecting factor to renew or can applied to the shopping mall in South-East Asia that has a similar culture to Thailand.

Limitation of this study is the small sample size that can only analyzed by limited of methodology. For the grater sample will has more options analysis data such as CFA/SEM analysis and so on.

**REFERENCES**

- [1] Benjamin, J. D., Boyle, G. W., & Sirmans, C. F. (1990). Retail Leasing : The Determinants of Shopping Center Rents. *AREUEA Journal*, 18(3), 302-312.
- [2] Benton, W. C., & Maloni, M. (2005). The influence of power driven buyer/seller relationships on supply chain satisfaction. *Journal of Operations Management*, 23, 1-22.
- [3] CBRE. (2012). Bangkok Retail Market View. In C. R. Thailand (Ed.), (Vol. Q2). Thailand.
- [4] Cornwell, T. B., & Coote, L. V. (2005). Corporate sponsorship of a cause: the role of identification in purchase intent. *Journal of Business Research*, 58, 268-276. doi: 10.1016/S0148-2963(03)00135-8
- [5] Giraldi, J. d. M. E., Spinelli, P. B., & Merlo, E. M. (2003). Retail Store Image : Analysis of the implications for store positioning. *EARd* Retrieved 36, 9

- [6] Hallowell, R. (1996). The relationships of customer satisfaction, customer loyalty, and profitability: an empirical study. *International Journal of Service Industry Management*, 7(4), 27-42.
- [7] Hewett, K., Money, R. B., & Sharma, S. (2002). An Exploration of the Moderating : Role of Buyer Corporate Culture in Industrial Buyer-Seller Relationships. *Journal of the Academy of Marketing Science*, 30(3), 229-239.
- [8] Jackson, I. M. (1998). Managing a total quality orientation factors affecting customer satisfaction. *Industrial marketing management*, 27, 109-125.
- [9] Joo, J. (2007). An Empirical study on the relationship between customer value and repurchase intention in korean internet shopping mall. *Journal of computer information system*.
- [10] Kongcheep, S. (2012). Bangkok Retail Market Q3 / 2012.
- [11] Kyle, R. C. (2005). *Property management* (7th ed.): Dearborn Real Estate Education.
- [12] Ramaseshan, B., Yip, L. S. C., & Pae, J. H. (2006). Power, satisfaction, and relationship commitment in Chinese store-tenant relationship and their impact on performance. *Journal of Retailing*, 82(1), 63-70.
- [13] Rasila, H. (2010). Customer relationship quality in landlord-tenant relationship. *Property Management*, 28(2), 80-92.
- [14] Roberts, J., & Merrilees, B. (2003). *MANAGING THE RELATIONSHIP: DOES TRUST LEAD TO COOPERATION?* Paper presented at the ANZMAC 2003 Conference Proceedings Adelaide.
- [15] Roberts, J., & Merrilees, B. (2007). Multiple roles of brands in business-to-business services. *Journal of Business & Industrial Marketing*, 22(6), 410-417.
- [16] Ruppel, C. P., & Harrington, S. J. (2000). The Relationship of Communication, Ethical Work Climate, and Trust to Commitment and Innovation. *Journal of Business Ethics*, 25(313-328).
- [17] Shilling, J. D. (2001). *Real Estate*. California Real Estate Principles: South-Western Educational Pub.

#### AUTHORS

\*Benyada Sinchaloenman, graduate student in Real Estate Business, Thammasat Business School, Thammasat University, Thailand. (email:benyada.maii@gmail.com)

\*\*Atcharawan Ngamyarn, Ph.D., Department of Real Estate Business, Thammasat Business School, Thammasat University, Thailand. (email:a\_ngamyarn@yahoo.com)