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The determinant factor for strategic sustainable location decision model (SSLDM) for commercial development project

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Abstract---Strategic location selection decisions for hotel location selection are critical as they are costly and difficult to reverse, and entail a long-term commitment. For this reason, this study proposed Strategic Sustainable Location Decision Model (SSLDM) to help the commercial development project especially hotel industry to select the most proper location for new development investment. The SSLDM framework proposed the determinants factors of labor cost, availability of investment lands and land prices. Study reveals that by introducing the factors of environment to existing model will assist strategic location decision towards sustainable and environment awareness.

However, other than the selected determinants, the study also investigates whether the environment factor affects the strategic location selection.

Keywords---strategic location, labor cost, availability investment lands, land prices environment, strategic location.

Introduction

Studies have shown that researchers have analyzed several developing regions displayed significant convergence of per capita CO₂ emissions. These developing regions, mainly belong to low-income and lower-middle income groups, is to be predicted the next largest emitters of carbon dioxide emissions (Jalil, 2016). The rapid development of townships and commercial area, population increase and changes in consumption pattern, will result of environment degradation. Without strategic sustainable strategic location decision generate enormous municipal solid waste (Teo, 2016). As Malaysia is one of the developing region and moves towards achieving an industrialized nation status, plus an increasing number of labor workforce especially female, government need to design policies and implement towards strategic location decision with efficient working arrangements which are more family-friendly to help family especially women to attain a better quality of life and empowerment (Subramaniam et. al, 2018). With strategic location for new residential area it will endure employees are fully developed and optimized to gain the highest level of productivity the in workplace (Othman et. al, 2017)

Strategic location selection is the determination of a geographic site on which to locate a commercial development project. Selecting a strategic location is an important and a critical decision due to the high cost of relocation and reconfiguration. Choosing a strategic location will not only help to increase market share and profitability of the developed project but also enhance the convenience of future property owner. Hence, selection of strategic location has a strategic importance for the commercial development project (Chou et. al, 2008). Chou et. al, (2008) discovers that strategic location is directly related to the level of commercial development project, the income of the project development such as residential development and also will affect future of property owner quantity. Selecting the best location is important for the project developer to increase the competitive advantage. As said by Porter (1980), achieving competitive advantage has been recognized as the single most important goal of a firm. Thus, a firm will have a few economic reasons for existing and finally will wither away without achieving competitive advantage.

Comparing with enterprises in manufacturing industry, the parallels in service industries, such as hotels, rely heavily on an effective location strategy to succeed in the competition to attract hotel guests to rent their rooms. A strategic location will beyond doubt well for superior performance by the hotel in terms of revenue generation, in the short as well as long term (Johns, Howcroft, & Drake, 1997; Nicolau, 2002).

The location of a commercial development project depends on many factors,

related with the labor costs, availability of investment lands and lands prices adopted by local authorities used to attract potential investors. However, Hsieh (2012) conducted a study to examine whether environment is effecting on selection of hotel location. According to the study, environment, as a sustainable factor, gave a huge impact in selection of hotel location.

The importance of strategic location cannot be exaggerated. According to Egan & Nield, (2000); Urtasun & Gutierrez, (2006), many studies have investigated determinants of strategic location. Moreover, in this study, again, factor of environment have been introduced to explain strategic location selection from sustainable perspective.

Research Problem

The issue regarding the strategic location selection in Malaysia should not be underestimated as it determined the growth of the commercial development project to sustain in the competitive market. Since nowadays customers are surrounded with unlimited choices of the hotel service providers, it is very critical to maintain hotel occupancy rate as they are facing an uphill battle to attract the customer. The main objective of this research is to indicate the significant factors that give impact to the selection of hotel location in Malaysia.

Research Objectives

1. To identify the relationship between labor costs towards hotel location.
2. To determine the relationship between availability of investment lands towards hotel location.
3. To identify the relationship between land prices towards hotel location.
4. To determine is environment can a factor towards the hotel location.

Research Question

1. How labor cost is one of the factors that contribute to the hotel location?
2. Is availability of investment lands is one of the factors that contribute to the hotel location?
3. How land prices affect the hotel location selection?
4. Is environment become one of the factors that contribute to the hotel location?

Literature Review

Hotel Location

According to Castro, Ferreira, & Ferreira, (2016), competition within hotel indicates the priority of hotel location for corporate profitability and survival. Hotel location becomes a strategic parameter of corporate success. Therefore, today's Malaysia corporate manager highly aware and concern the impact of the selection of their business location rather than decade ago. The goal of all businesses is to link or match supply with demand example like: hotels want to sell room and other kinds of services to guests who provide their demand (Lee,

Gwo-Guang;Lin, 1990). Every business should bring supply and demand together to make a profit. Supply is such a holistic concept in a service industry like hotel service; that must be considered as a whole or through system and cannot simply as disconnected pieces of puzzles. Supply includes of tangibles, such like hotel type and physical amenities, and intangibles, or such like the many personal services there provided by the hotel staff. Other than that, demand is it means with customer needs and wants, is often changing and varied. There are many consumer groups or market segments that demand certain types of hotel location to satisfy the customer expectation or needs. One dimension of key relevance in the hotel industry is location where according to Bull, (1994) location is the only attribute of hotel product that is completely fixed. According to Hart and Troy, (1986) location is the most important variable in dictating of the feasibility of a new hotel.

Labor Costs

According to the 2016 edition of Trends in the Hotel Industry, the total costs of salaries, wages, service charges, contract labor, gratitude and all payroll related expenses averaged 42.8 percent of total operating expenses at United States hotels across 2015. In all expenses in property types, total labor costs are the largest single hotel operating expense. Therefore, when the salaries and wages component of the Employment Cost Index starts to rise at a real pace of 2 to 2.5 percent for all U.S. civilian workers, it got hoteliers pay attention to the rising tide.

An exploratory study by Davidson, Timo, & Wang (2010) was conducted to determine the influences in selecting a new location in Australia. The data was gathering from 64 hotels four and 5 stars in Australia. The variables that being used in the study are labor cost, natural resources, and pricing. The study founded that there is a significant positive relationship between labor costs and hotel location. Finally, the study concluded that, labor cost and pricing makes the most impact in selecting a new location in Australia.

Availability of Investment Lands

The possibilities of what land can be used for are endless. While zoning requirements will restrict what can be built on a specific parcel of land, in general, anything can be developed on a raw piece of land (Maclaurin & Maclaurin, 2003). For example: Single-Family Home, Multi-Family Home, Office Space, Retail Space, Resort, Mall, Parking Lot and many more. Before a piece of land is chosen for the hotel location, owners need to decide the main target for the investment. Two different investors could have two very different approaches for the same piece of land.

If the investor know what attributes are determinant, or salient, amongst consumers in their choice of hotel location, they can concentrate on these attributes particularly in marketing, pricing, promotion methods can be applied to fixed attributes, such as the attraction on the location (Adrian O. Bull, 1994). For example, the beach factor location will give investor a clear picture on what can they invest on the area to attract more people. Clearly, it must be possible to

differentiate between properties with respect to location.

According to Roubi, (2004) based on study that has been conducted to find the investment impact on the hotel location; the determinant factors are natural resources, easy access from the highway, and intangible asset. The data is collected from 50 hotel properties in United Kingdom. The result from the finding shows that there is a significant positive relationship between availability of investment lands and hotel location.

Land Prices

Land value is the measure of how much a piece of land is worth, not considering any buildings but including improvements such as better drainage, development of the land, natural resources and many more (Whipple, 1995). When land taxes paid on the real estate, part of what is taxed is the value of the land, plus any structures on it. According to Vij (2012), the fair market value of the land is estimated by the sum of money to which a knowledgeable, interested buyer and seller would recognize and agree. This is only estimation and the actual price for which a piece of land or an undeveloped plot of city land sells may be higher or lower than the market value.

Based on study conducted by Whipple (1995), in determining relationship land value with hotel location in Sydney using pricing, develop plot of city land, and easy access from the road as variable. The data is obtained in Sydney, Australia. Based on the finding of the study, it is found that, significantly positive relationship between pricing of land and hotel location. It concluded that, land value give a huge impact in selection of hotel location in Sydney.

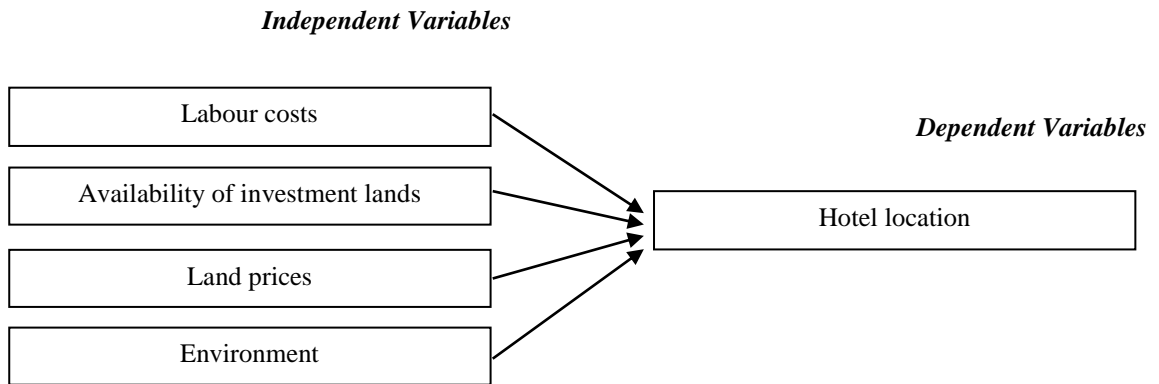
Environment

Nowadays social pressure and rising of awareness led the hotels to start noticing the environmental impacts of their activities and to become accountable to society for their operation. In these particular issues, Oliveira et al. (2016) warned that the interest of society in sustainability becomes a decisive determinant for choosing a given tourism enterprise, representing also a guarantee of comfort and hospitality. According to Buosi et al. (2014) the relational view of sustainable development of the location and the perceived image by hotel customer brings an interesting perspective to the strategic planning of marketing actions targeting for the success of the tourism industry, enabling the performance improvement of the business.

A study conducted by Hsieh (2012) examine (Chan, Yin, & Chan, 2010; Huscroft, Hazen, Hall, & Hanna, 2013; Marcucci & Danielis, 2008) whether environment is affecting on selection of hotel location. The data is gathered from 50 hotels listed in hotels where the variable used in the study is cost, natural resources, and environment around the location. Based on the findings, it is found that there is significantly positive relationship between environment and location of hotel. The result of finding suggested that, environment gave a huge impact in selection of hotel location.

Conceptual Framework

A In this study, there is a research framework highlighting relationship of dependent variable and independent variable.



The concept is about the four independent variables which are labour costs, availability of investment lands, land prices and environment and while the hotel location as the dependent variable.

Hypothesis

Hypothesis 1 : There is a positive relationship between labour costs and hotel location.

Hypothesis 2 : There is a positive relationship between availability of investment lands and hotel location.

Hypothesis 3 : There is a positive relationship between land prices and hotel location.

Hypothesis 4 : There is a positive relationship between environment and hotel location.

Conclusion

According to the research, this study investigates the determinants of hotel location in Malaysia. The most important factors that influencing location of hotels are labour costs, availability of investment lands, land prices and environment. Furthermore, it should be noted that the list of factors affecting the location of hotels is much more extensive. Even though all efforts have been made to assemble an exhaustive list of hotel location literature in this study, it is possible that some papers may have been missed due to a segmented body of hotel location literature across different disciplines. The results can contribute to a better understanding of the motives of investors selecting a location and may have implications for economic policies, since they can focus local and regional authorities' attention on important determinants of reception areas investment attractiveness.

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