

Article

# The Role of Business Location and Social Environment in Determining the Type of Business

Muhammad Rapita Kun Panuluh<sup>1</sup>, Ailia Dwiyanti Kusuma Wardani<sup>2</sup>, Muhammad Nala Hulwadin<sup>3</sup>

1. dr. Soebandi University
  2. dr. Soebandi University
  3. dr. Soebandi University
- \* Correspondence: muhammadrapita@uds.ac.id

**Abstract:** The first step taken by business people in starting a business is to understand and determine the type of business to be carried out and consumer behaviour in running a business. Consumer behaviour is more or less influenced by psychological factors that will identify the way individuals receive and communicate with their environment and its impact on decision making. Understanding this basic concept aims to make it easier for businessmen to prepare strategies for effective marketing strategies in dealing with volatile consumer behaviour in the purchasing decision process. The research was conducted for analytical and exploring purposes to investigate the impact on the right type of business and consumer behaviour from the aspects of location and the social environment of the community around the place of business. This research can be categorized as explanatory research or confirmatory research which uses multiple linear regression analysis and path analysis as analytical techniques with Type of Business as the dependent variable (Y), Business Location (X1) and Community Social Environment (X2) as independent variables, and Consumer Behaviour (Z) as an intervening variable. The results of this research suggest that the Community Social Environment (X2) has the greatest influence when compared to Business Location (X1) on Consumer Behaviour (Z) in making purchasing decisions on a type of business product (Y).

**Citation:** Muhammad Rapita Kun Panuluh. The Role of Business Location and Social Environment in Determining the Type of Business. International Journal of Business Diplomacy and Economy 2024, 3 (4), 2024, 93-98.

**Keywords:** Business Location, Community Social Environment, Consumer Behaviour, Type of Business

## 1. Introduction

When someone wants to set up a business, the first question that arises is what kind of business can be done so that it can be accepted by the community, able to compete with competitors, and the business can be carried out in a sustainable manner.

The first step taken by business people in starting a business is to understand and determine the type of business to be carried out and consumer behavior in running a business.

Business is an activity of a person who aims to seek economic benefits in order to fulfill his daily needs. In order for the business to continue to run well and sustainably, the type of business is a factor that determines the survival of business activities that will or are running. Business type is a grouping of businesses with characteristics and types of products or services as the basis for classification. The type of business that is able to meet these daily needs is the type of business that can be accepted and its products are

Received: 19th June 2024  
Revised: 26th June 2024  
Accepted: 8st July 2024  
Published: 17th July 2024



**Copyright:** © 2024 by the authors. Submitted for open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>)

chosen by consumers in every business transaction. The decision to purchase products from the type of business that takes place is influenced by consumer attitudes and behavior in seeing the value of the usefulness of the products offered.

Consumer behavior is an action both individually and in groups to weigh, choose, buy, use, and evaluate a product in an effort to meet their needs. (Kotler, Keller. 2016). Consumer behavior is more or less influenced by psychological factors which will identify the way individuals receive and communicate with their environment and its impact on decision making.

The social environment is the community and its behavior that is around the environment where consumers are, where this environment will influence consumer decisions (Firmansyah. 2018). The consumer social environment can be classified into a large scope environment (macro) and a small scope environment (micro). The micro environment is an environment that can be seen and felt because it is close to and in direct contact with consumers. Consumer attitudes, behavior, and mentality can be directly influenced by the micro environment, such as parents can regulate or influence their children what products they can buy and use. The macro environment is an environment that does not directly intersect with consumers because of its position outside the consumer environment and on a broad scale, such as the political, legal and security conditions of a region, the economic conditions of the region, the social and cultural aspects that develop in the region, where one example of a phenomenon that occurs, for example, changes in consumer purchasing power go hand in hand with the country's currency exchange rate.

Business location is a place where a business is established that can influence consumers to want to come to that place and shop (Suwarman. 2004). When a business field is run by a businessman, so that the product can be distributed to consumers, determining the location of the business becomes very important to do when making a business plan in order to reach potential customers and business owners can estimate the costs that will arise. Business location is an aspect that affects the sustainability of a business, so the location of the business needs to be planned and determined appropriately so as not to experience losses due to the wrong choice of place. Determination of the right business location is a supporter of the success and sustainability of the business that has been established.

## 2. Materials and Methods

Quantitative methods that are classified into explanatory research or confirmatory research are methods used in this study to describe the correlation and relationship between several variables in hypothesis testing. MSME businesses carried out by Graha Permata Indah housing residents located in the Kranjingan urban village area totaling 115 units are the population used in this study, besides that the MSME data is also used as a sample so that it can be interpreted that this research uses the census research method. The variables of Business Location and Community Social Environment are independent variables in this study, Consumer Behavior as an intervening variable, and the Business Type variable is the dependent variable in this study. As stated by (Sugiono, 2012). The measurement scale in this study uses a Likert scale with an interval of 5 scores. The data collection technique used in this research is by distributing questionnaires to MSME business owners in the GPI housing environment, after which the data is processed using the Structural Equation Modeling (SEM) method, which is a statistical tool used to simultaneously solve multilevel models that cannot be solved by linear regression equations. The results of data processing using the IBM AMOS 24 statistical test tool can be seen in Figure 1 below:

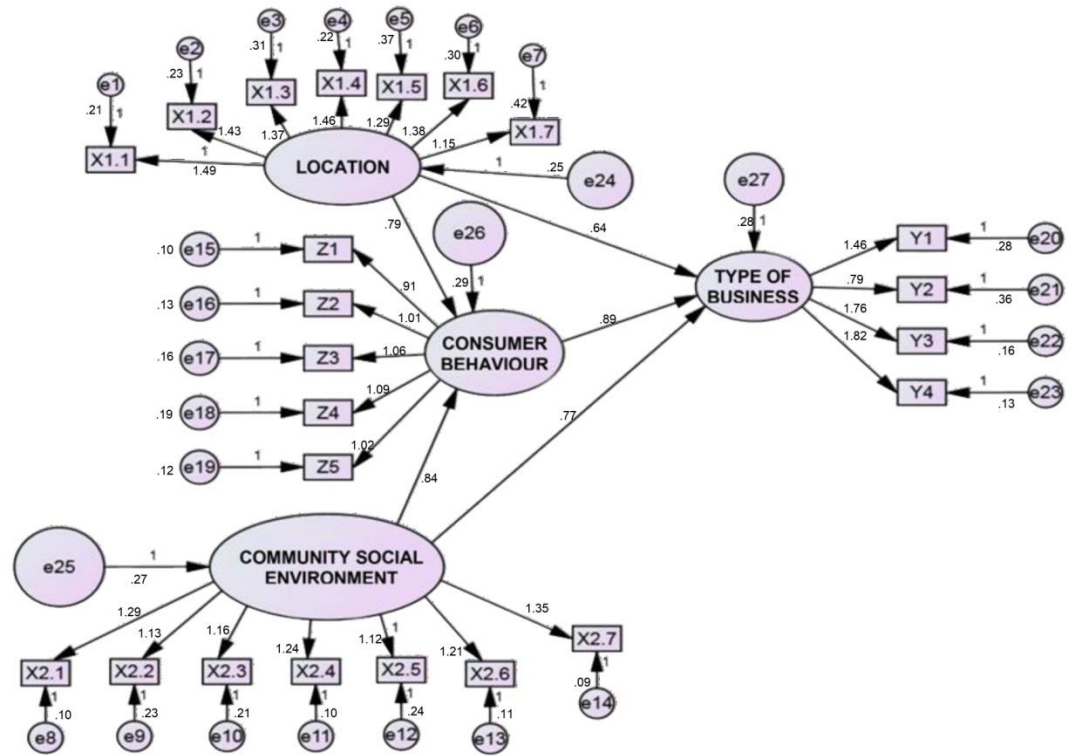


Figure 1. IBM AMOS Output Results

3. Results and Discussion

Table 1. Causality Test Results

	Pengaruh	Estimate	S.E	C.R	P	Label
CONSUMER BEHAVOUR	<--- LOCATION	.792	.134	1.644	.020	par_14
CONSUMER BEHAVOUR	<--- COMMUNITY SOCIAL ENVIRONMENT	.841	.104	6.694	***	par_23
TYPE OF BUSSINESS	<--- LOCATION	.639	.203	1.005	.034	par_16
TYPE OF BUSSINESS	<--- COMMUNITY SOCIAL ENVIRONMENT	.773	.081	2.960	.003	par_24
TYPE OF BUSSINESS	<--- CONSUMER BEHAVIOUR	.888	.153	3.011	.002	par_25

The results of the causality test show a correlation between the community's social environment and consumer behavior, which has a probability of not being able to accept the hypothesis that there is no correlation between the two variables worth 0.000, proving that the community's social environment strongly influences consumer behavior. For the causal relationship of location variables to consumer behavior, consumer behavior to business type, location to business type, and community social environment to business type, each probability value cannot accept the hypothesis of no correlation of the two variables is still below 0.05. The test results indicate a marginally significant effect of the causal relationship. The conclusion that can be drawn from these results is that this study cannot accept all initial hypotheses (H0) or there is no correlation between

the variables used in the model, thus accepting all assumptions that form the research conceptual framework.

The independent variable can affect directly (direct) or indirectly (indirectly) the dependent variable. Calculating the path coefficient can be done by creating three regression equations. In this case the equation is :

$$Z1 = \beta1.1X1 + \epsilon1 \dots\dots\dots(\text{equation 1})$$

$$Z1 = 0,639X1 + \epsilon1$$

$$Z2 = \beta2.1X2 + \epsilon2 \dots\dots\dots(\text{equation 2})$$

$$Z2 = 0,733X2 + \epsilon2$$

$$Y = \beta3.1 X1 + \beta3.2 X2 + \beta3.3Z1 + \beta3.4Z2 + \epsilon3 \dots\dots\dots(\text{equation 3})$$

$$Y = 0,639X1 + 0,733X2 + 0,888Z1 + \epsilon3$$

The results of the causality test that have been carried out provide the results of the direct and indirect effects of the model which can be attached to the following table:

Table 2. Direct Influence of Variables

**Direct Effects (Group number 1 - Default model)**

	LOCATION	COMMUNITY SOCIAL ENVIRONMENT	CONSUMER BEHAVOUR	TYPE OF BUSSINESS
CONSUMER BEHAVOUR	.792	.841	.000	.000
TYPE OF BUSSINESS	.639	.773	.888	.000

Table 3. Indirect Influence of Variables

**Indirect Effects (Group number 1 - Default model)**

	LOCATION	COMMUNITY SOCIAL ENVIRONMENT	CONSUMER BEHAVOUR	TYPE OF BUSSINESS
CONSUMER BEHAVOUR	.000	.000	.000	.000
TYPE OF BUSSINESS	.025	.196	.000	.000

Table 4. Total Influence of Variables

**Total Effects (Group number 1 - Default model)**

	LOCATION	COMMUNITY SOCIAL ENVIRONMENT	CONSUMER BEHAVOUR	TYPE OF BUSSINESS
CONSUMER BEHAVOUR	.792	.841	.000	.000
TYPE OF BUSSINESS	.817	1.037	.888	.000

The results of testing the total influence of the Location (X1) and community social environment (X2) variables on the type of business (Y) are worth 0.817 and 1.037. These

results mean that the latent variable Community Social Environment (X2) simultaneously provides the greatest role in influencing the Type of Business (Y).

The test results indicate that location has a significant positive effect on the type of MSME business of Graha Permata Indah housing residents. The direct effect that can be explained if there is a change in value in the location variable will increase the interest of MSME activists to determine the type of business that is in accordance with the availability in that location, while outside the test results are influenced by other variables that are not described in this study. The influence of the social environment variable of the surrounding community also has a significant positive effect on the type of MSME business of Graha Permata Indah housing residents. The direct effect that can be explained if there is a change in value in the social environment variable of the surrounding community in Graha Permata Indah housing will increase the interest of MSME activists to determine their type of business in accordance with the tastes of the environment and the rest is influenced by other variables that are not explained in this study. Looking at the results of testing the total influence of these two independent variables, it can be seen that the biggest influence in determining the type of business carried out by MSME activists in Graha Permata Indah housing is the condition of the social environment of the community around the place of business. This happens because the Community Social Environment variable greatly influences the consumer behavior variable of these GPI MSME activists, where in order for their business to succeed in getting the attention of consumers to buy and use their products, these MSME activists will determine the type of business that can meet the needs of consumer behavior, in this case their consumers are residents of the housing around where the MSME activists set up business.

The test results in this study show that all research hypotheses can be accepted, which means that the influence of location and the social environment of the community will influence a person to determine and decide what type of business is in accordance with existing conditions. The results of this test accept the research hypothesis and support the theoretical study from Fu'ad (2015) that the factors of proximity to infrastructure, business environmental conditions and location costs have a significant influence in achieving micro/small business success. Before starting a business, a strategic step that business people can take is to incorporate the marketing mix concept known as the 4Ps (Product, Price, Place, Promotion) into their business plan. In a highly competitive business environment, choosing a location is a major factor that must be considered so that the business being managed can compete effectively. These business people need a strategic business place that is easily accessible to consumers.

#### **4. Conclusion**

The overall hypothesis in this study has been proven that there is an influence on all independent variables on the dependent variable, namely the location and social environment of the community around the place of business will affect consumer attitudes and behavior in determining tastes and decisions to buy a product. Such consumer behavior will determine the success of a type of business whether it can succeed and continue or must stop and switch to another type of business that is more suitable and accepted by the surrounding community, because the type of business that can be accepted by the community with its behavior will be easier to run and develop in the environment where the business location is located.

---

**REFERENCES**

- [1]. Adisaputro, Gunawan, (2014), *Manajemen Pemasaran Analisis untuk Perancangan Strategi Pemasaran*, Sekolah Tinggi Ilmu Manajemen YKPN.
- [2]. Balqiah, Ezni, Tengku dan Setyowardhani Hapsari, 2011, *Perilaku Konsumen*, Tangerang Selatan: Universitas Terbuka 2014.
- [3]. Basu, Swasta, Dharmesta, T. Hani Handoko, (2000), *Manajemen Pemasaran "Analisa Perilaku Konsumen"*. Edisi pertama cetakan ketiga. BPFE-Yogyakarta: Yogyakarta.
- [4]. Darmawati, D.,dkk, (2007), *Analisis Pengaruh Kebudayaan, Sosial, Kepribadian, dan Psikologi Terhadap Keputusan Pembelian Shar'e*, *Jurnal Performance*: Vol 6 No.1 (h.16-32).
- [5]. Effendi, Usman, (2016). *Psikologi Konsumen*, Jakarta: PT. Raja Grafindo Persada.
- [6]. Gunanto, E., & Gusti, Y. K. (2014). Pengaruh Lintas Budaya Pada Pemasaran Internasional Dengan Pendekatan Perilaku Konsumen. *Jurnal Riset Manajemen Sekolah Tinggi Ilmu Ekonomi Widya Wiwaha Program Magister Manajemen*, 1(2), 168-176.
- [7]. Putro, Guntur Suryo. (2017). Analisis Faktor-Faktor Yang Mempengaruhi Konsumen Dalam Pengambilan Keputusan Pembelian Produk Mie Instan Merek Sedaap. *Bisnis Dan Kewirausahaan*, 6.
- [8]. Fu'ad, Eko Nur. (2015). Pengaruh Pemilihan Lokasi Terhadap Kesuksesan Usaha Berskala Mikro/Kecil Di Komplek Shopping Centre Jepara. *Media Ekonomi Dan Manajemen* Vol. 30 No. 1 Januari 2015.
- [9]. Hanum, Z., & Hidayat, S. (2017). Faktor – Faktor Yang Mempengaruhi Perilaku Konsumen Dalam Keputusan Pembelian Sepatu Merek Nike Di Kota Medan. 6, 37–43.
- [10]. Muhammad Rasyid Ridho Lubis, D. K. (2019). Analisis Perilaku Konsumen Yang Mempengaruhi Pemilihan Tempat Wisata Dendang Melayu Batam. *Of Business Administration*, 3.
- [11]. Suharlin, Srifana. (2022) *Pengaruh Lokasi Usaha Dan Kompetensi Kewirausahaan Terhadap Keberhasilan Usaha*. Univeristas Komputer Indonesia. [Online]. Available: <https://elibrary.unikom.ac.id/id/eprint/6144/>
- [12]. Suryani, Tatik, (2012), *Perilaku Konsumen Implikasi pada Strategi Pemasaran*, Yogyakarta: Graha Ilmu.