

The Survival of “UNKNOWN” Exhaust System Company against the Fake Brand Exhaust System in Indonesia

A THESIS

Presented as Partial Fulfillment of the Requirements
To Obtain the Bachelor Degree in Economics Department



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A BACHELOR DEGREE THESIS

By:

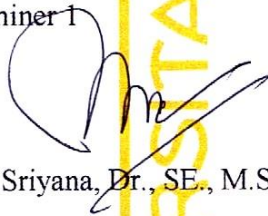
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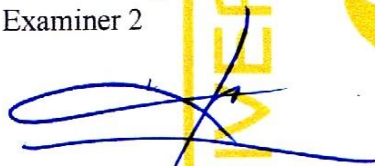
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DECLARATION OF AUTHENCITY

Herein, I declare the originality of the thesis; I have not presented anyone else's work to obtain my university degree, nor have I presented anyone else's words, ideas or expression without acknowledgement. All quotations are cited and listed in the bibliography of the thesis.

If in the future this statement is proven to be false, I am willing to accept any sanction complying with the determined regulation or its consequence.

Yogyakarta, February 1, 2018

Bernawan Faizal Rifqy

WRITER'S MOTTO

Fiki, cepat selesaikan kuliah dan cari kerja yang kamu sukai

Kalau kamu suka pekerjaan kamu, berarti kamu tidak akan pernah merasa bekerja
setiap harinya

(Parents of the writer)

Fik, jangan touring terus, skripsi cepat diselesaikan terus kerja cari uang biar bisa
beli moge kesukaan kamu

(Magnum 250Up, 2nd family of the writer)

ACKNOWLEDGEMENT

Assalamualaikum Wr.Wb.

Praise by the writer of the thesis to Allah SWT who gives grace and hidayah so that the writer can complete the thesis entitled **The Survival of “UNKNOWN” Exhaust System Company against the Fake Brand Exhaust System in Indonesia.**

This thesis is intended as one of the conditions that must be met to obtain a Bachelor degree in the Economics Departement, Faculty of Economics, Islamic University of Indonesia. The writer is fully aware that during the process of preparing this thesis is inseparable from the support and guidance of various parties, both morally and materially. Therefore the writer would like to say thank you as much as possible to :

1. Mr. Abdul Hakim, SE, M.Ec., Ph.D., the content advisor, that had given me a lot of directions and provided inputs with patient, thus; the writer can finish writing this thesis.
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The writer realizes that there are still many mistakes in the writing of this thesis. Therefore, the writer expect input and suggestions for the better future in writing. The writer also hopes that this paper can be useful for all parties who need it, especially for students of Islamic University of Indonesia, Yogyakarta. Amen.

Wassalamu'alaikum Wr. Wb.

Yogyakarta, February 1, 2018



Bernawan Faizal Rifqy

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ABSTRACT

Faking a brand or counterfeiting a brand in exhaust system industry is on alert state. Customers are given difficult choices of exhaust system brand between the original brand or the fake one which both have different price and quality. This research is purposed to analyze the strategy of the “UNKNOWN” Exhaust System Company in term of producing a high quality exhaust system with controlled quality and marketing to gain the market attention and receive the desired market power and also to fight fake brand exhaust system in Indonesia.

The research was conducted using primary data by conducting an interview with the main owner of Unknown Exhaust System company, Mr. Widodo Widyatmoko. It was done to achieve the information of production and marketing strategy and how to fight againts fake brand exhaust system in Indonesia.

The result of the research, choosing local product which was original brand product turns out to be more favorable for the customers to buy since original brand made by the local was cheaper and surprisingly have decent quality. Choosing and buying original brand exhaust system also encourage

customers to increase their awareness of supporting the use of original brand automotive parts. The research also described about the strategy and management of “UNKNOWN” Exhaust System Company by conducting innovation of their products and the distribution of it to the market effectively to be able to fight the fake brand exhaust system spread across Indonesia.

Keyword: Innovation, Strategy, Management

ABSTRAK

Pemalsuan merk knalpot di dalam industri pabrik knalpot di Indonesia berada pada tingkat yang memprihatinkan. Para pembeli diberikan pilihan yang sulit dikarenakan kedua jenis dan merk knalpot asli dan palsu memiliki rentang harga dan kualitas yang berbeda. Penelitian ini diajukan untuk menganalisa strategi yang dilakukan oleh pabrik knalpot “UNKNOWN” dalam memproduksi knalpot kendaraan bermotor berkualitas tinggi dengan kualitas yang terkontrol dan pemasaran yang benar untuk mendapatkan perhatian pasar dan mendapatkan kekuatan pasar serta untuk melawan persebaran knalpot palsu di Indonesia.

Penelitian dilakukan dengan menggunakan data primer dengan melakukan wawancara langsung dengan pemilik utama pabrik knalpot “UNKNOWN”, Bapak Widodo Widyatmoko. Penelitian dilakukan untuk mendapatkan informasi produk yang dipasarkan serta untuk mengetahui strategi yang dilakukan oleh pihak pabrik untuk melawan persebaran knalpot palsu di Indonesia.

Dari hasil penelitian, didapatkan bahwa produk knalpot original buatan lokal lebih banyak dibeli oleh masyarakat karena harga yang terjangkau dan

memiliki kualitas yang baik. Memilih dan membeli knalpot lokal asli juga mendorong pembeli untuk meningkatkan kesadaran untuk mendukung penggunaan produk asli dalam negeri. Penelitian ini juga menjelaskan tentang strategi dan manajemen yang dilakukan oleh pabrik knalpot “UNKNOWN” dengan melakukan inovasi terhadap produk unggulan dan pendistribusian produk secara efektif guna melawan persebaran knalpot bermerk palsu di Indonesia.

Keyword: Inovasi, Strategi, Manajemen

CHAPTER I

INTRODUCTION

1.1. Introduction

During late 2016, automotive industries which were focusing on exhaust system manufacturing were spreading very quickly in the market. These firms tried their best to be on the top to win the market of automotive industry. To survive, a firm had to make innovations, differentiations, and keeping its performance at top notch to survive the market competition. The differentiation, innovation and performance are goals of firm successness to get the attention of the customers in Indonesia. As the final result, the targeted customers that buy the product of the firm will be converted into customer loyalty to ensure the winning of firm in the automotive industry competition.

Customer loyalty, producing the best quality in value and performance are the objectives of exhaust system firm. However, there are many factors and variables to be considered to achieve customer loyalty as stated in previous study. Satisfied customers will more likely to come back to its brand loyalty itself (Cronin, Brady, & Hult, 2000). The concept of the statement is perceived to the value and quality of the firm's products, which is focusing to produce the best quality of product in the market. Selection of materials to be applied to the product, production and welding process, until distribution process conducted, have to be executed properly to ensure the company is running effectively.

When discussing price and quality, some consumers are not willing to buy a product which is too cheap because there would be flaws and quality defects of the product. In contrast, some consumers view a high price product negatively (McGowan & Sternquist, 1998). Higher quality of exhaust system with its high-end built quality and materials combined with high price become the trend of customers who pursue the high quality yet having a high performance of exhaust system. These two business aspects offer a better solution, even though customers often need to spend more to buy product or service.

However, previous studies suggested that developing customer loyalty should be followed by brand affect and brand trust (Arjun & Holbrook, 2002). A good and differentiated brand is most likely loved and will be easily remembered by the loyal customers. Brand trust of the exhaust system affect the behavior of the loyal customers to buy and keep being loyal with the exhaust system brand itself. It is stated that brand trust is an important mediator factor on the customer behaviors before and after the purchase of the product and it causes long term loyalty and strengthens the relation between both parties . Brand trust can be defined as the willingness of the average consumer to rely on the ability of the brand to perform its stated functions (Geçti & Zengin, 2013). In term of exhaust system, customers of exhaust systems that were made by the firm itself are more likely satisfied if the exhaust system and the stated specifications meet with the preference of the customers in term of sound, noise, performance and the quality of material from the exhaust system that the customers received from the firm.

Brand affect describes the relations between consumers and brand under certain category. It can be considered as the general evaluations of the consumers for the brand. Brand affect can be defined as a brand's potential to elicit a positive emotional response in the average consumer as a result of its usage (Geçti & Zengin, 2013). Brand affect of preferred product from the exhaust system firm gives positives responses and opinions from the customer, which also increases the value of brand loyalty itself. From the positive emotional effect from customers, it also creates a significant brand effects to its surrounding such as family, friends, or communities that might also be interested of using the same brand of exhaust system which the customer is using.

On the other hand, counterfeiting of exhaust system brands that come originally from abroad is very contagious in Indonesia. Purbalingga, one of the city in Java, is very popular among vehicle exhaust system enthusiasts. There are many exhaust system companies in Purbalingga which start their business from motorcycle, car, SUV, until bus and truck. Many companies in Purbalingga is also noted to be counterfeiting many exhaust system brands which come from Japan (Yoshimura, Trickstar, Nassert Beet, Nojima), European (Leo Vince, Austin Racing, Arrow, SC Project, Racefit, Akrapovic) and United States (MGP Growler, Two Brothers, Yoshimura USA). In some developing countries, counterfeiting product is not heavily monitored by the authorities. It was because in some cases, counterfeiting, producing and consuming goods is one of the income and key supplier of outsourced goods and also the primary source of counterfeit goods (Lai & Chang, 2011). Original exhaust system brands put their

effort on their product so that other companies will not be able to easily copy the design, style, sound, quality and characteristic of particular exhaust system company. Original brands of exhaust system must have a differentiated, innovated and patented product for the customers so that their product can be differentiated with other exhaust system company including the companies which are prone to be copied or counterfeit the name of the company's brand.

Indonesian customers which bought counterfeited exhaust system actually do not realize that they bought fake brand exhaust system on their motorcycle. This happens mainly because Indonesian, especially those who are new in automotive world, do not even know the differences of original exhaust system and the counterfeit ones. It is a huge advantage for the companies of fake exhaust system to sell low quality products of exhaust system using popular brand at a quite high price. It is difficult for the copyright owner to sue the companies that produce fake exhaust systems because there are multiple fake exhaust system companies which have difficult locations to be tracked down. Fake exhaust system companies only produce their product by order, it means that they do not produce at a high quantity, making the original company difficult to seize large number of fake exhaust system products (Douglas, 2006).

Since the distribution of fake exhaust system in Indonesia is very wide, product line strategy is very important to keep the exhaust system customers stick to the group of original exhaust system products that they are buying. A product line is a group of products that are closely related because they perform a similar function which are sold to the same customer groups or through the same

channels. Product line managers need to know the sales and profits of each item in their line in order to determine which items to build, maintain, harvest, or divest (Sinee, 2011). Exhaust system product line will maintain the brand name quality of local exhaust system in Indonesia and create an enthusiast emotion of the customers to keep buying Indonesian original exhaust system.

Product Development Strategy needs to be conducted to keep the new fresh idea and innovations flow and not create flatness and tedium feeling to the customers. New materials, upgrading the specification and shape of exhaust system like from stainless steel into titanium is an optional choice for the customers to make a new line of product for the customers. It is expected that the tendency for growth in the canning market would be increasingly expanded (Sinee, 2011). Product development requires opportunities and considerable resources and to outright failure of the company, the blood of business and societies. The reason behind the development of exhaust system is to create a new value of the customer itself to keep the existence of the original exhaust system company in Indonesia to compete with counterfeit exhaust system companies. Without exhaust system development strategy, there is no reason for the customer to buy or trade their own money to get a brand new original design and features given by exhaust system for their motorcycle.

Advertisement is one of the most important strategies to keep the existence of the product line up and strategy. Advertising can be used to build up a long-term image for a product (Maity & Gupta, 2016). The company can introduce to the customers about the specification and the excitement of the product by

advertising the particular exhaust system using social media nowadays, for example Facebook, Instagram, or blog. Advertising to create a value of Indonesian original exhaust system company is fundamental for the customers to differ advantages of buying original product rather than buying the fake one. Thus, the customers will likely to buy original product and keep the original company survive in the competition. By using this strategy, the information given by the company about the original exhaust system advantages can be accessed by the customers from all media at all time.

Customer satisfaction is the final result of the products made by the company to maintain the production process and selling of original exhaust system company in Indonesia. Hence, Customer satisfaction strategy is very important to keep the company developed and innovated to keep producing the innovated original brand name of exhaust system. Furthermore, from the outset, marketing (rather than selling) has consistently claimed that for an organisation to be successful it must relate “all its thinking to the customer’s needs” (Woodall, 2007). The company has to use the perspective of the customers to make them happy or satisfied and can accept the product of exhaust system when they get it or using it in term of price, value, performance and look.

In conclusion, this research aims at extending the previous study about how the original “Unknown” exhaust system company would survive on competing their product with the massively distributed counterfeit exhaust system product in Indonesian automotive market. This research examines about producers behavior and strategy on exhaust system production and marketing strategy to

keep up on developing, innovating, and competing with fake exhaust system brand. The finding of this research is to get idea of the “Unknown” exhaust system company about the steps needed to be taken by the company to compete with fake exhaust system brand and to reduce the usage of counterfeit exhaust system by the customers in Indonesian market.

1.2. Problem Formulation

Based on the introduction of the research above, the problem formulation is as follows:

1. Does using original branded exhaust system increase sales of the company?
2. Does original branded exhaust system able to compete with fake branded exhaust system?
3. Does original branded exhaust system quality shift customers from fake branded exhaust system to the original branded exhaust system?
4. Does advertising strategy of original branded exhaust system affect the mindset of shifting the fake branded exhaust system to the original branded exhaust system?

1.3. Research Limitation

1. The research only took “Unknown” exhaust system company as the producer.
2. This research only took the data source directly from the owner of the “Unknown” exhaust system company.

1.4. Research Objective

Based on the research problems that have been mentioned above, the research objectives are as follow:

1. To examine whether using original branded local exhaust system increase the sales of the company or not.
2. To examine whether the original branded exhaust system can compete with the fake branded exhaust system or not.
3. To examine whether customers will shift brand after knowing original branded exhaust system quality or not.
4. To examine whether advertisement affect customers to shift to original branded exhaust system or not.

1.5. Research Contribution

In this research, there are several benefits as follow:

1. Theoretical Benefit

This research gives a conceptual framework about the factors that influence customer to choose original branded exhaust system of “Unknown” exhaust system company rather than fake branded exhaust system.

2. Practical Benefit

This research helps other local exhaust system producer and company to make decisions and give a broader view regarding innovation and development of product towards customer loyalty, especially in the making of high quality of exhaust system with their own brand name instead of copying and making fake branded exhaust system.

1.6. Systematical Writing

The systematical writing of this thesis consists of five chapters, while each chapter consist of several sections. The explanation is as follows:

Chapter I: INTRODUCTION

This chapter discusses about the background of the research, the formulation of the problems, the limitation of the study, the purpose of the study, the contribution of research, and systematical writing.

Chapter II: LITERATURE REVIEW

This chapter exhibits the theoretical foundation of the variables that is included in this research. In addition, there are hypotheses and the framework of the research provided.

Chapter III: RESEARCH METHOD

This chapter explains the models and methods used in this research, the testing method used and the result of interview with the primary data obtained.

Chapter IV: DATA ANALYSIS AND DISCUSSION

This chapter shows data analysis and discussion of the results obtained from statistical calculations using theoretical concepts. The interpretation of research is based on previous theories.

Chapter V: CONSLUSIONS AND RECOMMENDATIONS

This chapter contains the conclusions on the results of the analysis of the interview and calculation of data obtained from the research. In addition, this chapter also describes the limitations of the study conducted, which can be used for future research.

CHAPTER II

LITERATURE REVIEW

2.1. Perceived Value

Perceived value is measured as both customer benefit and as the ratio of perceived benefit related to spending, worth, quality, and so forth, even though the definition itself still varies greatly depending on the type of product and service (Yang, Liu, Jing, & Li, 2014). In other words, perceived value is the sum of the perceived benefit minus the total costs to get the product or service in the market. Beside that, customers tend to maintain the relationship when they perceived the sum of the benefit of the products or services (satisfaction with the core product or service, supplementary service, and the delivery of the service) exceeds the total costs they have to spend to get the product. A good delivery of product value will create a big impact on customer satisfaction. It means that the better and the more positive the customer's perceived value, the better the chance for them to get satisfied with the product or service offered by the company (Bei & Chiao, 2001). Creating an effect of customer satisfaction will affect the firm reputations in the long term (Cronin, Brady, & Hult, 2000). Therefore, in reference to previous study, perceived value will indirectly influence the customer loyalty on a specific brand or product.

Based on the previous study about the conceptualization of perceived value, this variable can be measured based on five aspects. Those dimensions are (1) quality, (2) emotional response, (3) monetary price, (4) behavioral price, and

(5) reputation (Parasuraman & Grewal, 2000). Quality is defined as customer's judgments about the excellence of overall value of a product or service excluding the price and how the company responds to customers product (Cronin, Brady, & Hult, 2000). Emotional response is defined as the feeling that consumer describes towards the experience using a certain product or service (Cronin, Brady, & Hult, 2000). Monetary price will assess the monetary costs about the product or service, and behavioral price will assess the valuation related to psychological that customer felt or gained about a product or service (Zauner, Koller, & Hatak, 2015). Lastly, reputation of the company was defined as the prestige or status of a product or service, as perceived by a customer, based on the image of the supplier (Dodds, Monroe, & Grewal, 1991).

In the previous study, perceived value was found to have an indirect impact on customer loyalty that is indicated by the satisfaction of the product or service and the benefit of the value of the product that will directly increase customer loyalty (Bei & Chiao, 2001). This means that perceived value has a direct and indirect impact on customer loyalty. Therefore, when a customer perceived benefits, which is higher than the costs, customer are willing to put more trust on certain brand which will have the influence of maintaining the relationship among them.

2.2. Brand Affect

It has been acknowledged that brand affect plays a crucial role in developing customer loyalty (Chaudhuri & Holbrook, 2002). Brand affect was

defined as a brand's potential to elicit a positive emotional response in the average consumer as a result of its use (Chaudhuri & Holbrook, 2002). As already explained previously, brand affect deals with the emotional response of customers, or in another word, mood of the consumer. Recent studies also explained that positive emotional response will greatly influence brand loyalty (Gecti & Zengin, 2013). Therefore, a simple expression of a consumer, such as "I feel good when I use this brand", "This brand makes me happy", and "This brand gives me pleasure" would likely to affect the brand loyalty.

People may not purchase the brand they actually love for the reasons of too expensive and bad production quality. However, in the process of developing customer loyalty, it has acknowledged that brand affect gives a major impact on purchase loyalty and attitudinal loyalty, as the result of their "love" of a brand, alongside with brand trust (Chaudhuri & Holbrook, 2002).

2.3. Customer Loyalty

Oliver (1999) defined brand loyalty as:

"a deeply held commitment to rebuy or repatronize preferred product/service consistently in the future, thereby causing repetitive same brand or same brandset purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior."

This definition emphasizes the two different aspects of brand loyalty that have been described in previous work on the concept – behavioral and attitudinal (Oliver, 1999; Chaudhuri & Holbrook, 2002; and Maity & Gupta, 2016).

Behavioral is often defined as purchase, loyalty consist of repeated purchase of the brand, whereas attitudinal brand loyalty includes a degree of dispositional commitment in terms of unique value associated with the product itself (Chaudhuri & Holbrook, 2002). According to Maity & Gupta (2006), the presence of behavioral loyalty or a purchase in other words in the absence of attitudinal loyalty is often characterized as spurious loyalty. On the other hand, the presence of attitudinal loyalty, in the absence of behavioral loyalty is often referred to as latent loyalty. This situation happens when the customer may hold the brand in high esteem or may have an emotional attachment to the brand itself but does not purchase the brand. Therefore, these two different aspects must be put together when examining customer loyalty.

2.4. Owning a Brand

Retailers have realized the importance of creating a retail image by developing high quality and unique brand. Therefore, they are moving away from merely offering “me too” copies of existing company products (Huang & Huddleston, 2009). Creating a brand orientation emphasizes the firm in formulating strategy around other brands to sustain strong relationship with customers and maintain a distinctive and different identity. Brand orientation can be viewed and used as a strategic capability of a company in exhaust system manufacturing of creating intangible assets or competencies between firms that have strong brand relationship and customers. To own a different brand with other companies, one should create a whole new image of characteristics of the product that is used by the customers to create identification, differentiation, and

guarantee of consistency for consumers. As a result, the brand orientation may provide consumers with added value as well as emotional attachments (Huang & Huddleston, 2009).

2.5. Product Differentiation

All kind of products from metal stamping - computers - silicone chips, are reaching commodity-like status. The more similar they are to commodities, the less value the product has for the companies that manufacture them. All customers are attracted to products which perceives a distinguishing advantages over the competition (Malburg, 2000). Product differentiation enhances consumer welfare by offering consumers greater variety that has the benefit of offset by the higher average cost of production for monopolistic competitive firms. The only benefit of product differentiation is the greater variety of products available, but the reason of firms to differentiate their products is not just to make them different from the products to other firms, but to make them better (Holcombe, 2009). Product differentiation is depicted as creating downward-sloping demand curves for monopolistic competitive firms. Product differentiation imposes cost on the economy because firms do not produce at minimum average total cost, but there is a benefit of greater product variety available to consumers. A welfare analysis of product differentiation involves weighing the higher cost of production in monopolistic competitive firms against the benefit of greater variety (Holcombe, 2009).

CHAPTER III

RESEARCH METHODOLOGY

3.1. Type of Research

Qualitative approach was used in this research method by doing direct interview as the research instrument with the actual founder of “UNKNOWN” Exhaust System Company in Indonesia. This research used primary data as the data collection method. The primary data were gathered by conducting an interview with the owner.

3.2. Research Population

This research took place in Indonesia with the population of this research was Indonesian people. The specific research population is the original brand exhaust system company in Indonesia which can be represented by “UNKNOWN” Exhaust System Company owner in Bandung, named Widoyoko Waskito.

3.3. Data Collection Technique

3.3.1. Technique

This research used primary data as the source of information. Primary data was obtained directly from the original sources of interviewee by answering the questions asked by the interviewer. The researcher organized an interview with

the owner of “UNKNOWN” Exhaust System Company. Direct questioning was not conducted in this research in order to achieve deeper information gathering from the respondent. The technique used was story based information that was given directly by the respondent to create a relaxed interview atmosphere.

3.3.2. Fundamental Idea of Questions

In order to get the idea of this research, basic idea of question was asked to the interviewee. From the basic idea of questions asked in the interview, a wide and broad answers were expected to get more informations but kept the topic on the right course. When the informations were given, the researcher related the answers of questions to previous study and literature review to create discussion and get the result of researcher’s study. The questions basic idea is as follow:

- What is the motivation of creating own-brand exhaust system?
- How was the beginning of the business?
- How much was the capital money to start the business?
- How is the progress of the business?
- What have “UNKNOWN” exhaust system company done to survive?
- What are the near and future plans of the company to sustain the productivity?

3.4 Research Design

This research used qualitative research which started by reviewing related literature researches that had connection with the main problem and then continued by collecting informations from the correspondent that have authorities in “Unknown” exhaust system company. Then, the researcher conducted an interview with the key person of “UNKNOWN” exhaust system company to gain the information on how the company fight againts fake branded exhaust system and compete on automotive market.

3.5 Research Instrument

In this research, interview was used to receive informations from the respondent. Basic form of interview with questions and answers will not be used, instead, researcher will use a relaxed interview atmosphere by not directly asking questions for answers. Story based interview by having light conversations with the respondent but still keep the topic of the research course is more effective to achieve deeper and more transparant information from the respondent.

3.6 Data Analysis

The analysis was taken directly from the interview to get the final decision of research statement. Informations from the interviewee will be used as supporting idea of a problem and comparisons between “UNKNOWN” Exhaust System and fake branded exhaust system that was conducted to get the best result of this research.

CHAPTER IV

RESULT AND DISCUSSION

4.1. Biography of Interview

Name of Interviewee : Widoyoko Waskito

Age of Interviewee : 23 years old

Current Job : Collague of “Technology Institute of Bandung”

Address : Bandung, Indonesia

Place of Interview : IronHorse Garage, Semarang, Indonesia

Date of Interview : 8th – 10th of August 2017

4.2. Result of Interview

4.2.1. What is the motivation of creating own-brand exhaust system?

The first reason he created his own brand of exhaust system was that he wanted to promote originality of exhaust system to the customers and distinguished the number of fake exhaust system brand in Indonesia for the good sake of Indonesian Moto-enthusiast. As people might or might not already know, there were lots of fake brand or brand that just copy the name of other brands without having permission from the owner for profit purposes. “UNKNOWN”

Exhaust System Company was trying to promote what possibilities and great potentials they would give from originality such as giving social value to the customers from qualified product with amazingly affordable price range. The factor of social value affected product was also supported by “Indonesian Knalpot Lovers” which was a community of exhausts system that supported the originality of brands in exhaust system and educated the members who were new to moto-exhaust system world. They were worried about the number of fake exhaust system brands spreading across Indonesia. By creating own-brand of exhaust system was one great way to at least minimize the number of exhaust system brand counterfeit. The owner of “UNKNOWN” Exhaust System Company also said that market competition also motivated him to push his creativity from production process to distribution process. He was trying to create differentiations compared with other company from the materials that he used, the design, product value, and how to distribute the products, and, he was the first home company in Bandung that used own-brand since 2016 and competing with others that used counterfeited products. Thus, it ease the business to promote new great product to the customers and by giving them good product with great product value. He could make the customers happy and the business can run efficiently.

4.2.2. How was the beginning of the business?

“Unknown” Exhaust System company was owned by 3 different people and the idea of making one came from them. All of them are moto-enthusiasts which was in love with numerous kinds of motorcycle spare part, exhaust system is one of them. Since three of them were also quite popular in West Java moto-

enthusiasts, they came to an idea of making one brand that prioritize the original product which the program was also supported by their friends and communities in West Java. Since one of them owned an unused warehouse, they used it. Tools, materials, and labors that specialized in exhaust system manufacturing was needed for his shop and the rest of distribution and marketing process was done by three of them.

4.2.3. Capital / Starting money

“UNKNOWN” Exhaust System Company is owned by 3 people

- Widoyoko Waskito Purnomo
- Muscovite Reynaldo Wardianto
- Gillberth

They agreed to collect capital money of Rp.48,000,000

The capital money used was around Rp.25,000,000 to buy couple of welding tools (both for stainless steel welding and titanium welding), cutting tools, and finishing tools as well as other tools.

The rest of capital money was used to buy materials such as stainless steel sheets, titanium based steel, also carbon fiber materials, and for operational purposes.

4.2.4. Progress of the business

Since the business is already running, the “UNKNOWN” exhaust system company is now manufacturing aluminium with sandblast design which is very

simple looking exhaust system yet has a very good quality called GP-Rebel. At first “UNKNOWN” exhaust system company only produced exhaust system which has materials of stainless steel back in 2016. In early 2017, “UNKNOWN” exhaust system company was doing an innovation of changing the logo to make it fit with customers choice and designing new model of exhaust system. “UNKNOWN” exhaust system company was progressing greatly in mid-2017 that they greatly had a demand of the new exhaust system model and they were experimenting on doing titanium-based steel exhaust system, and custom order of exhaust system requested by their customers.

4.2.5. What have “UNKNOWN” exhaust system company done to survive?

“UNKNOWN” exhaust system company prioritize ratio between design innovation / development and price ratio. Keeping the price affordable while keeping the quality of product at the same time was done. Even if “UNKNOWN” is a home company exhaust system, it utilized social media to distribute and promote their product to enter the exhaust system market. The development and innovation based on customer choice was also one of the factors to keep surviving the market versus the fake exhaust system brand in Indonesia. Keeping the originality of exhaust system gave a direct product value to the customer. By doing development and model innovation, they could make their customer felt valuable since it had a good brand value. Product innovation to compete with other brands was also important. Since 2016, they only produced stainless steel exhaust system and. In 2017, “UNKNOWN” exhaust system company started to create titanium exhaust system and custom made exhaust system by the request of

the customers since there were lots of motorcycle models which used different type of pipes and length. To indirectly increase the sales of exhaust system production to the customers, Widoyoko also encouraged people including his relations inside the community to use original brand exhaust system rather than using the fake one. He stated that using fake brand exhaust system did not only decrease the social value of someone who used it, fake brand exhaust system also could damage their motorcycle engine in a long or even short term. Widoyoko conducted an open forum with “how fake brand exhaust system will damage your engine” as the topic on a motorcycle event in Jakarta last March. He explained that it is better to use original brand exhaust system instead of the fake brand to respect the owner of the brand and to keep the product social value in the society. By the explanation, he hoped that people who were still using fake brand exhaust system to change to the original brand exhaust system. Using the original brand of exhaust system also could keep customer’s motorcycle engine run smoothly and top notch all the time.

4.2.6. Short and long term plan

- Short term: keep innovating to get a patented model and gain brand popularity across Java and Bali Island, since “UNKNOWN” exhaust system company constantly changing their model of exhaust system because they were still adapting with what their customers want. Widoyoko wanted to successfully encourage people and educate them about the advantage of original brand exhaust system which was incredible in term of price, vulnerability and its value.

- Long term: to be able to compete with Indonesian patented exhaust system brand like R9-RaceGen, Pro-Liner, WRX, etc.

4.2.7. Problem Discussions

4.2.7.1. Does using original brand exhaust increase company sales?

According to the sales description of “UNKNOWN” Exhaust System Company, originality of brand is not the only key to increase the sales of its product. As the described data shows that the number of sold products on “UNKNOWN” Exhaust System Company fluctuates between months. Turns out that differentiation, innovation and customers taste are big roles in product demand. GP – Rebel Type Exhaust was so great because it was a popular original exhaust system in West Java. The simplicity of its design was the main weapon of “UNKNOWN” Exhaust System and it worked really well from November 2016 until August 2017 and peaked on February 2017. Delta type and Reborn Type of “UNKNOWN” Exhaust System unfortunately didn’t sell as good as the previous model. Even if “UNKNOWN” tried their innovation by creating carbon fibre material to their exhaust, the competition of exhaust system during mid 2017 was very tight. Many new brands are coming along to the market, and “UNKNOWN” was trying their best to keep up with customers taste, but it turned out that their project didn’t run very smoothly. Going to the Sigma Titanium, it was not a mass production exhaust system. “UNKNOWN” would only take pre-order from

customers because the materials were so expensive and they didn't want to waste their money.

Table 1. Sales Description of “UNKNOWN”

UNKNOWN EXHAUST SYSTEM SALES DESCRIPTION										
2016										
EXHAUST SYSTEM TYPES										
NOVEMBER										
DECEMBER										
JANUARY										
FEBRUARY										
MARCH										
GP - Rebel Type Exhaust System	5	8	9	15	13					
Reborn Type Exhaust System				3	5					
Delta Type Exhaust System										
Sigma Titanium Type										
TOTAL	5	8	9	18	18					

2017										2018	
APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	
10	7	9	3	4							
7	4	5	2	2	6	2	3				
	5	6	9	7	5	3	4	5	2	3	
						2		1	1		
17	16	20	14	13	11	7	7	6	3	3	

TOTAL
83
39
49
4
175

Source: Excel 2016

4.2.7.2. Is original branded exhaust system able to compete with the fake one?

Original exhaust system company is able to compete with fake exhaust system, in many circumstances and consequences. As for the new company in producing exhaust system, customers would have to adapt with the characteristic

and specifications of the exhaust system itself. Does it look good? Does it last long? How is the quality of the original exhaust system? Is the price fair between value and performance? All that matters in the performance of exhaust system production. Most of the patented original exhaust system are able to compete with fake branded exhaust system. The reasons behind that fact is because the brand already had brand trust and brand affect for quite a while. It means that customers were getting loyal and keep buying the original exhaust because they had trust on the brand itself.

4.2.7.3. Does original exhaust system shift fake exhaust system customers to use the original brand exhaust system?

Describing about fact, original exhaust system does not always shift people to change their exhaust system from the fake one, it all goes back to the customers themselves, because customers have their own budget. Some customers do really care on their motorbikes condition, and some customers do not really care. For those who care on their motorbikes, customers tend to choose to shift from fake exhaust system to the original exhaust system, and some of them are even willing to spend quite amount of money to get the expensive one, because the original exhaust systems last longer and if it had a good brand rating, the value of the customers would increase, and surely also increases the effect of brand trust and brand affect as well. For customers which were limited with their budget or did not really care, they tend to stick with fake exhaust systems, because most of them think that the function is pretty much similar. Shifting between fake exhaust system to original exhaust system does not always work. The biggest issue of

someone would change their mindset to change to the original exhaust is mostly the budget or the price of original exhaust system being too expensive for them.

4.2.7.4. Does advertising strategy affect the mindset of fake exhaust system users to change their exhaust with the original brand exhaust system?

According to interviewee explanation, advertisement is the biggest role to change someone mindset to change from fake exhaust system to the original one. Once “UNKNOWN” business was started, Instagram was primarily the only social media which the owner used to advertise his products. Turns out, the number of reach from customers was pretty small because Instagram did not offer direct market for the exhaust to the customers. Instagram only shows “UNKNOWN” products to its followers and random people on social media that did not even have any interest in motorcycle. But, in 2017 right after “UNKNOWN” exhaust system joined “Knalpot Lovers” in one of facebook groups, the number of reach in a single advertisement significantly increased. It was caused by the factor of inner circle inside that group. “Knalpot Lovers” group on facebook offers the peers of people which were interested in buying or selling exhaust system. Facebook became “UNKNOWN” most reliable advertising media to sell and promote their product to the market. A lot of new customers were coming by and got to know the story and specification of the exhaust system itself. The owner stated that most of the customers who bought exhaust system from “UNKNOWN” were mostly changing their exhaust from the fake one. The mindset change were affected by the advertisement which “UNKNOWN” made and caused by the effect of the facebook group itself. Facebook group helps with

the advertisement and indirectly educated customers that wanted to change their fake exhaust with the original one.

4.2.8. Narration of Interview

Me : How did you even end up with making exhaust system?

Him : Nowadays, every Indonesian motorcycle enthusiast including you, knows that faking exhaust system is spreading very quickly, right? I just wanted to take the opportunity with my mates, I mean it's a good idea, right? Presenting originality to the public and also customers, hoping that they will choose our product rather than those fake exhausts on the market. We might have a chance to promote what can we do best with our product.

Me : Yes, and also the exhaust system group on Facebook is a good media for your reference in making a good product and promoting them to the customers.

Him : Yes it was an awesome idea that "Knalpot Lovers" on Facebook was created two years ago. It gave better visual on how to compare the real one and the fake one, lots of educations can be obtained inside that group, I hope I can get better support in that group by promoting "UNKNOWN" products.

Me : What is your least expectation when you decided to make original product of exhaust system?

Him : Well at least, we can minimize the number of fake exhausts, and also we can try to educate people which are new with this sort of things. It's embarrassing

when people tend to choose fake products on their motorcycle, it will decrease their social value.

Me : I know, right? I mean poor those guys who didn't even know that they actually bought the fake one, just because the party of fake exhaust seller didn't actually say that their products are all fake.

Him : That's correct, and by that fact, I'm gonna be able to compete with those fake exhausts company, it's a huge opportunity if we could do a little bit better by giving the customers a bit sense of differentiation and innovation with our product. And also being the first home company in making exhaust system in Bandung is a great stuff.

Me : Wow did you even start your business anyway?

Him : It was all started because of my idea and my two friends ideas. Muscov, Gillberth and I started everything from scratch.

Me : I'm still curious of how did you guys end up with the brand name

Him : Hahaha it was quite hilarious. We couldn't find any idea about our products brand name. It was unknown, you know? Because we didn't know, until we found out that "UNKNOWN" was the best name of our brand, Gillberth took care of its logo design.

Me : How much money did you spend on starting the business? I believe it was expensive in total.

Him : Well i spent something around Rp. 16,000,000 to start the business, the total was Rp. 48,000,000 so the rest was covered by two of my friends.

Me : What is your role and your two friends?

Him : We didn't really think much about the role, because we have our own speciality. Gillberth is an engineer so he understands how to do stuff, Muscov has friends to collect the materials and tools, and I mostly do the marketing stuff and i have unused warehouse we could use.

Me : If the start was not a big deal for you, how do you even survive by fighting the fake branded exhaust?

Him : We stabilize between what people want with the price they need to pay, that's the basic stuff. If customers want fair quality, they will need to pay fair price as well. If they want premium product like exhaust system made out of titanium, then higher price will be needed because the materials are not cheap.

Me : I suppose you are using social media as well

Him : Yes of course, instagram, facebook, whatsapp, line messenger and anything we could use. Using facebook, reaching customers is pretty easy, thanks to "Knalpot Lovers" group feature, it promotes our product easily and in an intereting way.

Me : What kind of innovation did you use on your exhaust products?

Him : We started with gp rebel type exhaust, it was made with stainless steel, pretty much basic on the first model. It was running perfectly but we realised that

we could not stay the same. We needed to do innovation, trials and errors, and then we came up with carbon fiber model and titanium exhaust system.

Me : That's cool, and I heard using fake exhaust is bad for your motorcycle.

Him : Well, of course. Most of fake exhausts were not produced properly. They did not inspect the specification of exhausts that will be fitted to customers motorbike, it's just bad. And also the worst part is that it will damage your engine even in short period of time. Go get the original exhaust, it could be cheaper than the fake one to be honest.

Me : How long do you think you can manage this business whilst fighting the fake branded exhaust? Do you think you can get the brand become popular?

Him : Well at least we could try, all we need to do now is to keep ourself innovated, determined and be different. We want to gain our reach from social media just for now because it is our easiest way. The main thing that we need to do is to encourage people to buy original product, or at least people know how to differentiate between original exhausts and the fakes. If we could manage to do that, in further time, we want to compete with popular Indonesian exhaust system company like R9 and Pro-Liner.

4.3. Production Line of “Unknown” Exhaust System

4.3.1. GP – Rebel Type



Figure 4.1. GP – Rebel Type.

Source: https://www.instagram.com/p/BUmleeEBRWf/?taken-by=unk_product,

2017



Figure 4.2. GP – Rebel Type.

Source: https://www.instagram.com/p/BUmI6RhBLSU/?taken-by=unk_product,
[2017](#)

Full Stainless Steel Material

Sandblast finishing

Supports 150cc – 650cc engine

Custom name engraving by customer's request

Costs Rp. 1,200,000 – Rp. 2,200,000

This was the very first model that was ever designed by “UNKNOWN” exhaust system company which was very popular among motorcycle enthusiasts in West Java. The model was formed with basic shape which was cylindrical and it had the most simple production method as well. GP – Rebel type exhaust system hits the best selling exhaust system model in late 2016 and early 2017 where more than 50 exhaust system were sold across Java Island and Bali region. This exhaust system model costed Rp. 1,200,000 – Rp. 2,200,000 depend on

engine capacity and motorcycle model. This price was the most suitable costs for the customers to reconsider about taking fake branded exhaust system. Fake branded exhaust system costed around Rp. 750,000 – Rp. 1,500,000 in Indonesia. The small gap of price between fake branded exhaust system and the original branded exhaust system would make people think to choose the original one even though it is more expensive but having greater product and social value on the exhaust system itself. Even some of customers which the company did not have the exact exhaust system for their motorbike, the company produced exhaust system by order as well for the customers with extra manufacturing costs. Some rare motorcycle in Indonesia like Ducati Monster 696, Ducati Monster 795, and the Ducati Monster 1200 ordered a customized Unknown Exhaust System there in the company.

4.3.2. Type Reborn



Figure 4.3. Reborn Type Exhaust System

Source: https://www.instagram.com/p/BWgjzk_hwEK/?taken-by=unk_product, in 2017



Figure 4.4. Reborn Type Exhaust System

Source: https://www.instagram.com/p/BWgxMEJhmNA/?taken-by=unk_product,
in 2017



Figure 4.5. Reborn Type Exhaust System

Source: Rifqy, 2017

Stainless steel material with carbon fibre endcap

Glossy aluminium finishing

Supports 150cc – 650cc engine

Costs Rp. 1,500,000 – Rp. 2,500,000 depends on engine capacity

The second design of “UNKNOWN” exhaust system was the new design with carbon fibre material on the end of exhaust system tip. Carbon fibre was a very light material which was lighter than steel but as strong as steel if its crafted properly. Exhaust system with carbon fibre material was very popular among motorcycle enthusiasts. It absorbed heat that came from the engine and also gave the exhaust system a good looking material as well. The price range of thi exhaust system type was Rp. 1,500,000 – Rp. 2,500,000 depend on engine capacity of which the customers have. Even if the basic material of Reborn exhaust system type was better than GP – Rebel type in overall, the sales of this exhaust system type was not as good as GP – Rebel. Only around 20 exhaust system sets were sold. The cause of this decreasing sales level on Reborn type exhaust system of Unknown Exhaust system were:

- Customers did not the shape of carbon fibre tip
- The design in overall especially on the outlet was not as good as expected

4.3.3. Delta Type



Figure 4.6. Delta Type Exhaust System

Source: https://www.instagram.com/p/BWgkAPVBDv2/?taken-by=unk_product,
2017



Figure 4.7. Delta Type Exhaust System

Source: https://www.instagram.com/p/BWhFy_ZhvNx/?taken-by=unk_product,
2017



Figure 4.8. Delta Type Exhaust System

Source: Rifqy, 2017

Stainless steel material with carbon fibre endcap

Glossy aluminium finishing

Supports 150cc – 650cc engine

Costs Rp. 1,500,000 – Rp. 2,500,000 depending on engine capacity

Delta Type Exhaust System from “UNKNOWN” was the third model produced by the company. Basically an upgraded version of Reborn type which was still using stainless steel material and carbon fibre end cap on the exhaust system and a slight change in term of shape and performance. The price of Reborn type exhaust system was just the same with Delta type since “UNKNOWN” Exhaust System Company used the

same amount of material with the previous version of exhaust system. It was sold on Rp. 1,500,000 – Rp. 2,500,000 depend on the engine capacity and the type of motorcycle itself. The sales of this exhaust system type was better than the Reborn type because there was an innovation in the shape of carbon fibre exhaust system tip or endcap. A very slim, sharp and stylish carbon fibre endcap was actually the most wanted shape of endcap compared to other styles of exhaust system since it was very rare to find company or shop which can produce such neat carbon fibre exhaust system. Around 30 sets of exhaust system were sold.

4.3.4 Type Sigma Titanium



Figure 4.9. Sigma Titanium Type Exhaust System

Source: Rifqy, 2017



Figure 4.10. Sigma Titanium Type Exhaust System

Source: https://www.instagram.com/p/BWufakBh6Hm/?taken-by=unk_product,
2017



Figure 4.11. Sigma Titanium Type Exhaust System

Source: https://www.instagram.com/p/BXP5xsABRG4/?taken-by=unk_product,
2017

Fully Japanese Titanium Material

High Quality and Precision Design

Titanium finishing

Supports 250cc – 650cc engine

Costs Rp. 5,000,000 – Rp. 7,000,000 depend on the engine capacity

Sigma Titanium exhaust system was the most sophisticated and advanced design of all product line in “UNKNOWN” Exhaust System Company. The calculation of length and width of material and the production process must have high precision because the price of titanium steel material and other input materials were very expensive. Unknown Exhaust System Company did not produce a huge number of quantity in this production line. They managed to sell 15 sets of exhaust system and 6 of them were made by order from the customers because they had different types of engine. The price was between Rp. 5,000,000 – Rp. 7,000,000 which was very expensive because the Titanium steel was imported directly from Japan. The production process was different from other production lines because Titanium was not able to be welded by common welding tool, and the required exhaust system pipes could only be bent by specialized tools only for Titanium materials only.

4.4. Comparing original brand exhaust system with fake brand exhaust system

Widoyoko told the researcher during the interview that it is very important to support original brand exhaust existence in Indonesia to decrease the usage of fake branded exhaust system in Indonesia. The number of users in Indonesia that used fake brand exhaust system was incredibly huge because education and awareness of using original brand exhaust system was still low. Widoyoko showed the researcher the differences of original branded exhaust system and the fake branded exhaust system that spreads throughout Indonesian market.

Here are the comparisons between original and fake brand exhaust system.

4.4.1. Akrapovic Exhaust System

Akrapovic is an exhaust system company originated in Slovenia, Europe. A very popular brand in automotive industry and began its business in 1990 as motorcycle exhaust system market and company, and expanded into automobile exhaust system company in 2010 (Rooney, 2013). Akrapovic has a huge participation in motorcycle sport parts in MotoGP, World Superbike, Supermoto, Motocross and Rally Raid. In May 2010, Akrapovic exhaust system has been used by all users across world championships for 38 times. The below model is the authentic exhaust system manufactured by Akrapovic exhaust system company and widely used by the customers who love this particular brand.



Figure 4.12. BMW S1000RR fitted with Akrapovic exhaust system.

Source: <http://i.imgur.com/oVKMWSr.jpg>, 2017.



Figure 4.13. Akrapovic Slip-on Exhaust System

Source: https://www.revzilla.com/product_images/0076/6495/akrapovic_slip_on_exhausts.jpg, 2017.

Regarding the huge spread of Akrapovic exhaust system around the world, including in Indonesia, the price of Akrapovic exhaust system itself for Kawasaki Ninja 250 model is US\$749,00 which is very expensive for Indonesian customers. Since Indonesia especially Purbalingga, is popular with home-industry of exhaust system from

motorcycle until automobile, they recreated Akrapovic exhaust system by counterfeiting the brand name and producing exhaust system with low quality material and low quality control. The picture of fake brand Akrapovic exhaust system produced by a home-industry in Purbalingga is as follow:



Figure 4.14. Fake branded Akrapovic Exhaust System in Indonesia.

Source: <http://4.bp.blogspot.com/-62VvY49IHQ0/Vij-Ij8YfxI/AAAAAAAAANE/s0dXj-xJ-Ro/s1600/akrapovic%2Bkw%2Bwww.knalpotmanado.com%2B.jpg>, 2017.

Fake brand of Akrapovic exhaust system is very popular in a “bad way” and widely spread in Indonesian automotive market. What quite unfortunate is that it could be easily bought in local automotive part shop nearby for just around Rp. 500,000 - Rp. 2,000,000. The customers of this fake branded exhaust were

mostly categorized by two, which are customers that had limited amount of money to buy the authentic exhaust system from Akrapovic, or customers that did not know whether using fake brand exhaust system is bad for the motorcycle engine in a long term.

4.4.2. Termignoni Exhaust System

Termignoni exhaust system company started their business since 1969 in motorcycle exhaust company focusing on Ducati, Honda and Kawasaki racing team and then became a dealership (Universal motorcycle muffler: discover Termignoni brand history!, 2017). Luigi Termignoni, the founder of Termignoni Exhaust System Company in Italy, fought for 20 years to supply racing exhaust system and special parts for 4 strokes engine, and working with suppliers across the Italy.

The exhaust system provided by Termignoni had its own value for those who love Ducati motorcycle. Termignoni and Ducati was a working partner in creating a high quality motor industry, since most of Ducati motorcycle owners were using Termignoni brand as their selected exhaust system.



Figure 4.15. Termignoni on Ducati Panigale 1299

Source: <https://motowheels.com/images/F139679638.jpg>, 2017.



Figure 4.16. The selections of exhaust system by Termignoni

Source: http://www.termignoni.it/wp-content/uploads/2016/09/scarichi_dx-1.png, 2017.



Figure 4.17. Fake brand of Termignoni exhaust system

Source: <https://i2.wp.com/dikystore.com/wpcontent/uploads/2017/01/IMG20160902170810.jpg?resize=900%2C400>, 2017.

The above photo shows fake brand of Termignoni exhaust system made by home-industry in Purbalingga. The fake brand exhaust did not produce the exhaust with high quality material as same as the authentic brand, and the production process was not mathematically produced. Thus it will lead to motorcycle engine damage in a short or long term.

4.4.3. Yoshimura Japan Exhaust System

One of the most popular motorcycle special parts, Yoshimura was created by Hideo “Pops” Yoshimura who started his career in motorcycle tuning back in 1954, helped by his wife and children (Orsony, 2007). In 1971 he moved to Los Angeles to continue his career in motorsport tuning and his name became popular for supporting the beginning of four-cylinders superbike era. Yoshimura claimed his winning of superbike championships in 1979 and 1980 that began to make a close relationship with Suzuki. Now Yoshimura Parts is the world’s largest performance aftermarket sportbike exhaust system company and supported by Suzuki company to supply them with special parts directly from Yoshimura exhaust company.

Yoshimura exhaust system was very noticable with its production detail and unique design that was also loved by motorcycle enthusiast. Examples of Yoshimura exhaust system models were as follow:



Figure 4.18. Exhaust System

Source: http://www.yoshimura-jp.com/race/images/2016_jsb_yoshimura-gsx-r1000.jpg, 2017.

This figure shows the Yoshimura and Suzuki relationship in World Superbike Championship. A Suzuki GSX-1000R fitted with Yoshimura exhaust system for race use only.



Figure 4.19. Road Legal Yoshimura R77 Series

Source: https://www.revzilla.com/product_images/0130/4302/yoshimura_r77_slip_on_exhaust.jpg, 2017.



Figure 4.20. Counterfeit exhaust system brand

Source: <http://3.bp.blogspot.com/-ZObobXwPv8E/VZq7kgI8OjI/AAAAAAAAACU/YU9tT6MC1FI/s1600/IMG-20140424-00208.jpg>, 2017

This exhaust system was made by Purbalingga exhaust system home-industry and the production process did not meet the Indonesian road legal exhaust standard issued by government, creating a loud noise and possibly damaging motorcycle engine in a short or long term.

4.5. Choices of Original Branded Exhaust System in Local Market

Based on the interview, the main problem of fake branded exhaust system spreads throughout Indonesian customers are mostly:

- Those who bought fake branded exhaust system do not know much about exhaust system and how important it is to use authentic product of exhaust system to keep customers motorcycle engine run well.
- Those who bought fake branded exhaust system did not have enough money to afford a quite expensive popular exhaust system like Akrapovic, Termignoni, Yoshimura, SC-Project, etc. Hence, fake brand exhaust

system is the simplest yet wrong solution to satisfy customers with cheap yet did not have good quality of exhaust system to be fitted on their motorcycle.

To minimize the spread of counterfeit brand in exhaust system, local home-industries of exhaust system, which one of them was “UNKNOWN” exhaust system company, was given choices of solutions with multiple selections of high quality exhaust systems and affordable price in Indonesian market. Widoyoko stated that education and encouragement for the people as well as his customers is very important to create a harmony between producers, customers, as well as users of branded exhaust system.

In order to keep “UNKNOWN” exhaust system company run well, increasing the encouragement of Indonesian to buy original brand exhaust system was needed. Thus, they would rather buy original brand than the fake one.

CHAPTER V

CONCLUSIONS & RECOMMENDATIONS

5.1. Conclusions

The results of the research entitled The Survival of “UNKNOWN” Exhaust System Company against the Fake Brand Exhaust System in Indonesia are as follow:

1. Producing original and different “UNKNOWN” exhaust system was the main strategy of the company. In order to survive ,the market of exhaust system in Indonesia especially to compete with the emerging of fake branded exhaust system, “UNKNOWN” exhaust system provided quality over quantity approach and kept their supply on the market controlled while increasing the demand of the product because they offered high quality and affordable performance exhaust for the customers to purchase.
2. Road safety and traffic regulation was also a law that “UNKNOWN” exhaust system put in concern. In Indonesia, a very loud exhaust system would break the traffic regulation and caused noise complaint by the pedestrians. “UNKNOWN” exhaust system provided a technology named db-killer to cut and reduce significantly the noise level coming from the exhaust system that would pass the exhaust noise regulation and also turned the performance of exhaust system into road legal motorcycle spare parts. Thus, it will increase the demand of “UNKNOWN” original branded product and eventually people would leave the fake branded exhaust system product.
3. Creative advertisement on “UNKNOWN” exhaust system company had the most important role to maintain the sustainability of the company and to let people know about its production. Thus, it would increase the curiosity of its customers and made them feel interested to buy the product.
4. The price competition between original brand exhaust system and the fake one had a huge consideration of “UNKNOWN” exhaust system company because

most of the fake exhausts system were cheap and the cost of “UNKNOWN” exhaust system had to be affordable to its customers especially people who were shifting their fake exhaust to the original one.

5.2. Research Limitations

1. The result of this research was only taken from one interview only (“UNKNOWN” Exhaust System company) and may create bias point of view.
2. There were probably other explanations that could be taken from the study based on the interview since this research was qualitative model research.
3. The interpretation of the research may not be accurate as expected because the research was based on someone’s opinion.
4. The writer does not give limit of time on the research.

5.3. Research Recommendations

For more accurate application and research interpretation, researcher suggests to do research more than one exhaust system company in the future. Thus, opinions about original branded exhaust system from the owner of exhaust system company will be different. Beside that, collecting as much opinions as

possible might be the best way to find the final result of research conclusion and more solid opinion.

5.4. Research Benefits

In this research there is no doubt that both company of “UNKNOWN” exhaust system and customers of original brand exhaust system get benefits from this research, but the writer is also putting the benefits for the readers of this research and other next related researchers.

As for the new businessmen or young entrepreneurs who are starting their new business, it is better to start a new fresh idea and also maintain originality of a product. From this research we can conclude and summarize customer behavior that customers who are using fake branded product will eventually change and move on to original product one day, and the lifespan of the company producing original product lasts longer rather than the one producing fake brand product since original brand has it's own market. In a case for changing the mindset of customers, it is actually can be done by different approaches. As a businessmen and entrepreneur, we are to make sure that customers who buy someone's product are knowledgeable of what they are buying, by giving small and simple education of the importance of using original brand product and what's good about it. This research gives benefit for the new business about considering what sorts of product they have to offer to customers, and by creating the company's own market they will be able to survive the market even if there are parties which sell or produce the same kind products.

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APPENDICES

Appendix 1. Interview with “UNKNOWN” Exhaust System Company Owner.

- What is the motivation of creating own-brand exhaust?

The first reason he created his own brand of exhaust system was that he wanted to promote originality of exhaust system to the customers and distinguished the number of fake exhaust system brand in Indonesia for the good sake of Indonesian Moto-enthusiast. As people might or might not already know, there were lots of fake brand or brand that just copy the name of other brands without having permission from the owner for profit purposes. “UNKNOWN” Exhaust System Company was trying to promote what possibilities and great potentials they would give from originality such as giving social value to the customers from qualified product with amazingly affordable price range. The factor of social value affected product was also supported by “Indonesian Knalpot Lovers” which was a community of exhausts system that supported the originality of brands in exhaust system and educated the members who were new to moto-exhaust system world. They were worried about the number of fake exhaust system brands spreading across Indonesia. By creating own-brand of exhaust system was one great way to at least minimize the number of exhaust system brand counterfeit. The owner of “UNKNOWN” Exhaust System Company also said that market competition also motivated him to push his creativity from production process to distribution process. He was trying to create differentiations compared with other company from the materials that he used, the design, product value, and how to distribute the products, and, he was the first home company in Bandung that used own-brand since 2016 and competing with others that used counterfeited

products. Thus, it eases the business to promote new great product to the customers and by giving them good product with great product value. He could make the customers happy and the business can run efficiently.

- How was the beginning of the business?

“Unknown” Exhaust System company was owned by 3 different people and the idea of making one came from them. All of them are moto-enthusiasts which was in love with numerous kinds of motorcycle spare part, exhaust system is one of them. Since three of them were also quite popular in West Java moto-enthusiasts, they came to an idea of making one brand that prioritize the original product which the program was also supported by their friends and communities in West Java. Since one of them owned an unused warehouse, they used it. Tools, materials, and labors that specialized in exhaust system manufacturing was needed for his shop and the rest of distribution and marketing process was done by three of them.

- Capital / Starting money

“UNKNOWN” Exhaust System Company is owned by 3 people

- Widoyoko Waskito Purnomo
- Muscovite Reynaldo Wardianto
- Gillberth

They agreed to collect capital money of Rp.48,000,000

The capital money used was around Rp.25,000,000 to buy couple of welding tools (both for stainless steel welding and titanium welding), cutting tools, and finishing tools as well as other tools.

The rest of capital money was used to buy materials such as stainless steel sheets, titanium based steel, also carbon fiber materials, and for operational purposes.

- Progress of the business

Since the business is already running, the “UNKNOWN” exhaust system company is now producing aluminium with sandblast design which is very simple looking exhaust system yet has a very good quality called GP-Rebel. At first “UNKNOWN” exhaust system company only produced exhaust system which has materials of stainless steel back in 2016. In early 2017, “UNKNOWN” exhaust system company was doing an innovation of changing the logo to make it fit with customers choice and designing new model of exhaust system. “UNKNOWN” exhaust system company was progressing greatly in mid-2017 that they greatly had a demand of the new exhaust system model and they were experimenting on doing titanium-based steel exhaust system, and custom order of exhaust system requested by their customers.

- What have “UNKNOWN” exhaust company done to survive?

“UNKNOWN” exhaust system company prioritize ratio between design innovation / development and price ratio. Keeping the price affordable while keeping the quality of product at the same time was done. Even if

“UNKNOWN” is a home company exhaust system, it utilized social media to distribute and promote their product to enter the exhaust system market. The development and innovation based on customer choice was also one of the factors to keep surviving the market versus the fake exhaust brand in Indonesia. Keeping the originality of exhaust system gave a direct product value to the customer. By doing development and model innovation, they could make their customer felt valuable since it had a good brand value. Product innovation to compete with other brands was also important. Since 2016, they only produced stainless steel exhaust system and now in 2017 “UNKNOWN” exhaust system company started to create titanium exhaust and custom made exhaust by the request of the customers since there were lots of motorcycle models which used different type of pipes and length. To indirectly increase the sales of exhaust production to the customers, Widoyoko also encouraged people including his relations inside the community to use original brand exhaust rather than using the fake one. He stated that using fake brand exhaust system did not only decrease the social value of someone who used it, fake brand exhaust system also could damage their motorcycle engine in a long or even short term. Widoyoko conducted an open forum with “how fake brand exhaust system will damage your engine” as the topic on a motorcycle event in Jakarta last March. He explained that it is better to use original brand exhaust instead of the fake brand to respect the owner of the brand and to keep the product social value in the society. By the

explanation, he hoped that people who were still using fake brand exhaust to change to the original brand exhaust system. Using the original brand of exhaust also could keep customer's motorcycle engine to run smoothly and top notch all the time.

- Short term and long term plan
 - Short term: keep innovating to get a patented model and gain brand popularity across Java and Bali Island, since “UNKNOWN” exhaust system company constantly changing their model of exhaust system because they were still adapting with what their customers want. Widoyoko wanted to successfully encourage people and educate them about the advantage of original brand exhaust system which was incredible in term of price, vulnerability and its value.
 - Long term: to be able to compete with Indonesian patented exhaust system brand like R9-RaceGen, Pro-Liner, WRX, etc.

Appendix 2. “UNKNOWN” Exhaust System Product List

1. GP – Rebel Type



Full Stainless Steel Material

Sandblast finishing

Supports 150cc – 650cc engine

Has custom name and engraved by customer's request

Costs Rp. 1,200,000 – Rp. 2,200,000

2. Reborn Type



Stainless steel material with carbon fibre endcap

Glossy aluminium finishing

Supports 150cc – 650cc engine

Costs Rp. 1,500,000 – Rp. 2,500,000 and depends on engine capacity

3. Delta Type



Stainless steel material with carbon fibre endcap

Glossy aluminium finishing

Supports 150cc – 650cc engine

Costs Rp. 1,500,000 – Rp. 2,500,000 and depends on engine capacity

4. Type Sigma Titanium



Fully Japanese Titanium Material

High Quality and Precision Design

Titanium finishing

Supports 250cc – 650cc engine

Costs Rp. 5,000,000 – Rp. 7,000,000 and depends on engine capacity

Appendix 3. Sales Description

1. GP – Rebel Type Exhaust System

The very first model that was ever designed by “UNKNOWN” exhaust system company which was very popular among motorcycle enthusiasts in West Java. The model was formed with basic shape which was cylindrical and it had the most simple production method as well. GP – Rebel type exhaust hits the best selling exhaust system model in late 2016 and early 2017 where more than 50 exhaust system were sold across Java Island and Bali region. This exhaust model costed Rp. 1,200,000 – Rp. 2,200,000 depend on the engine capacity and motorcycle model. This price was the most suitable costs for the customers to reconsider about taking fake branded exhaust. Fake branded exhaust system costed around Rp. 750,000 – Rp. 1,500,000 in Indonesia. The small gap of price between fake branded exhaust system and the original branded exhaust system would make people think to choose the original one eventhough it is more expensive but having greater product and social value on the exhaust system itself. Even some of customers which the company did not have the exact exhaust system for their motorbike, the company produced exhaust system by order as well for the customers with extra manufacturing cost. Some rare motorcycle in Indonesia like Ducati Monster 696, Ducati Monster 795, and the Ducati Monster 1200 also ordered a customized Unknown Exhaust System in the company.

2. Reborn Type Exhaust System

The second design of “UNKNOWN” exhaust system was the new design with carbon fibre material on the end of exhaust tip. Carbon fibre was a very light material which was lighter than steel but as strong as steel if its crafted properly.

Exhaust system with carbon fibre material was very popular among motorcycle enthusiasts. It absorbed heat that came from the engine and also gave the exhaust system a good looking material as well. The price range of thi exhaust system type was Rp. 1,500,000 – Rp. 2,500,000 depend on engine capacity of which the customers have. Even if the basic material of Reborn exhaust system type was better than GP – Rebel type in overall, the sales of this exhaust type was not as good as GP – Rebel. Only around 20 exhaust system sets were sold. The cause of this decreasing sales level on Reborn type exhaust system of Unknown Exhaust system were:

- Customers did not like the shape of carbon fibre tip
- The design in overall especially on the outlet was not as good as expected

3. Delta Type Exhuast System

Delta Type Exhaust System from “UNKNOWN” was the third model produced by the company. Basically an upgraded version of Reborn type which was still using stainless steel material and carbon fibre end cap on the exhaust and a slight change in term of shape and performance. The price of Reborn type exhaust system was just the same with Delta since “UNKNOWN” Exhaust System Company use the same amount of material with the previous version of exhaust system. It was sold on Rp. 1,500,000 – Rp. 2,500,000 depend on the engine capacity and the type of motorcycle itself. The sales of this exhaust system type was better than the Reborn type because there was an innovation in the shape of carbon fibre exhaust system tip or endcap. A very slim, sharp and stylish carbon fibre endcap was actually the most wanted shape of endcap compared to

other styles of exhaust system since it was very rare to find company or shop which can produce such neat carbon fibre exhaust system. Around 30 sets of exhaust system were sold.

4. Sigma Type Titanium Exhaust System

Sigma Titanium exhaust system was the most sophisticated and advanced design of all product line in “UNKNOWN” Exhaust System Company. The calculation of length and width of material and the production process must have high precision because the price of titanium steel material and other input materials were very expensive. Unknown Exhaust System Company did not produce a huge number of quantity in this production line. They managed to sell 15 sets of exhaust system and 6 of them were made by order from the customers because they had different types of engine. The price was between Rp. 5,000,000 – Rp. 7,000,000 which was very expensive because the Titanium steel is imported directly from Japan. The production process was different from other production lines because Titanium was not able to be welded by common welding tool, and the required exhaust pipes could only be bent by specialized tools only for Titanium materials only.